

**CITY COUNCIL STUDY SESSION
MINUTES**

September 9, 2013

Mayor Vierra called the City Council Study Session to order at 5:30 p.m. with the following in attendance:

ROLL CALL Council Members Durossette, Ingwerson, Kline, Lane, Mayor Vierra

DISCUSSION ITEMS

1. ECONOMIC DEVELOPMENT STRATEGIC PLAN.

Steve Dukett, representing Urban Futures, gave an overview of the Economic Development Strategic Plan developed by Urban Futures for the City of Ceres.

Subsequent to the presentation, the following conversation ensued:

(The following minutes are recorded verbatim)

Mayor Vierra: “Are there any questions?”

CM Kline: “I have a few questions and a few comments. The report has many positives to implement. *Chapter 9, Economical Tools*, I think, are very useful, very helpful. Those are things the City Staff can start implementing as it goes on.”

“I have a question on Page 39, I’m looking at this and it tells you what the Stanislaus County growth is; how it’s trending up or down on certain things. I’m looking at transportation logistics, that’s an industry cluster, and I would like to see the sub-clusters in that category, because it shows a 7.6% projected growth rate. But what are the sub-clusters that we may be able to capitalize on? You look down, it’s the same thing with Information Technology, and the last one is Textiles.”

“Some of the other things I was expecting would be...we had three targeted areas: Southwest Ceres, Downtown Revitalization Area and the Mitchell Ranch/Wal-Mart area. What would work well in those clusters? Would Transportation Logistics? Would a bus hub work there? Turlock has a bus and a public transit hub and Modesto has a bus hub downtown. That is some of the stuff that I thought, when we did this and hired you; we were going to look at. Would Textiles be good for West Ceres? What would we need to do? I know that we talked about the infrastructure; what we would need to do to get something like that implemented and would Southwest Ceres be the best area for that? We are lacking in sit down restaurants; that was in this report. I think, in general, everybody in Ceres knows that. But what can we do? What can we offer in that type of format? Would downtown be good? Those are some of the things that I was looking at or targeting when we hired the study. There are very good things in this report; infrastructure is lacking, things like that. We are going in the right direction with the Water and Sewer Master Plan, doing the rate increases and doing the pay-as-you-go type formats. Those are my comments.”

Mayor Vierra: “Along those lines, I would like to piggyback on Councilmember Kline’s comments

before I get to the other Council members. I think the document is a good start, but, in my opinion, it missed the mark on what I wanted to get out of the document. I have a number of questions. I can understand why some of the background material is in here; but I felt that the report spent a lot of time talking about generic things that we were all pretty much aware of before we started the process and we didn't necessarily need a reiteration on that. I thought that the goal was to get us more specifics. So I think the report really missed the mark in that area."

"I have a few specific questions that came out of this one analysis which was, I will give an example here... competitive strengths, that's the Enterprise Zone. Is that the Enterprise Zone in its current form or prior to the Governor making changes in July? In my opinion, I'm not sure that the Enterprise Zone is as much of a strength. And is it really a strength when all of the Central Valley has it? So, I would kind of question that."

"There was an Inherent Weakness in that the fees were too high. And I would say, 'OK, compared to what'? Compared to the Central Valley Cities? Bay Area? What? So I would like to know a little bit more about that. Then an additional Inherent Weakness was the lack of a ½ cent sales tax for transportation improvements. I kind of get how that might be, but I'm not sure. If I'm looking at this document and say 'OK I'm the City here and we want to solicit business. If I follow this report, I need to spend, I don't know, I didn't add up all the millions of dollars we need to do on infrastructure improvements and we'd have to implement a ½ cent sales tax and we should lower our fees and improve our image and then business is going to come to town.' I'm not sure I buy in to that yet. I would really like to see some more vetting of that."

"So, I agree with Councilmember Kline, there are some really good parts of this document. This is the first blush that I have seen of it and I haven't by any means digested all of the information that's in here because it kind of bounces around a little bit. What I was really looking for in this was to say, 'OK', and you hit on it in some areas where you talked about what business are saturated but I also was looking for 'OK, what's an area that businesses aren't saturated or where can we position ourselves and what should we be doing?'"

CM Ingwerson: "Specific targets?"

VM Lane: "Right."

Mayor Vierra: "Yes. I think the general, 'we need to implement all of our sewer improvements according to our Master Plan'; quite frankly, I could have come up with that in 5 minutes. So, no offense, I'm not sure there was a significant amount of thought put into this and I don't mean to be hitting you blindsided with my comments but I was expecting a little more. I think it's a good start, but I think it needs a lot of refinement. So, those are just a few of my comments. I'll pass it over to Councilmember Durossette."

CM Durossette: "You mentioned \$350,000 for the program, where would that come from each year? It's a seven year plan."

Mr. Dukett: “We are suggesting that be your Economic Development Fund. I gave the example of what another city is doing which is, they decided to take part of what would otherwise have been tax increment money, the part that is related to the city’s portion of the general tax levy and contribute that to an Economic Development Fund so they can do projects of merit going forward without a Redevelopment Agency.”

CM Durossette: “And no General Fund money?”

Mr. Dukett: “No, I’m not saying that. I’m saying that you need to be able to fund a program of some significance in order to be able to accomplish goals and objectives that we believe are realistically accomplishable by the City. Because you can’t get there for free.”

CM Durossette: “I look at this big book like a play book, being a coach, and there are a lot of good things in it. It could be football, basketball, baseball; any type of a competitive sport, that play book is just kind of a building block that you are going to go off. I do agree with the Mayor and Councilmember Kline, there was a lot in here. I kind of just wanted to get an idea of where the next Chili’s might be able to go and how we can get that Chili’s restaurant there. Now I understand that’s not what you were here for and that’s not what we were trying to do.”

CM Ingwerson: “Well, it is kind of, really.”

CM Durossette: “It is, but how to get that and grab it. You know when we met with that lady the other day, I said ‘we need one thing right now in Ceres’ and obviously we have a bad defense going against us with the Wal-Mart lawsuit. If we had the new Wal-Mart over there, wow, Nine (9) slabs we can build. Suddenly, we’ve got people coming; that freeway is taken care of. But that’s not happening because of the situations that be.”

“One of the things, on page 9, I thought should have 100% been in there for the SWOT analysis. And you did touch on it, just a little bit, CUSD’s Career Technical Education Program. Our School District is one of the greatest school districts in the entire State of California. Test scores alone are in the top 10. So I think that’s a way to get people to come to our community. We need to feed off that. We already do that with our connection with the School Board and how we work together.”

“Going back to this strategy, this game book, how often, did it say every two to three years we’re going to look at it or each year or quarterly? What’s the timeframe? At some point we adopt this document or something like this, how often do we go back and check it?”

B. Briggs: “Well, we certainly can have annual check in. Out the gate there are going to be a lot of introductory and base-setting things that are going to need to be taken care of. It could annually, but realistically it will probably be a couple of years before we could show any real results from implementing the study; but an annual review is not a problem at all.”

CM Durossette: “This is just my view point but what’s going to happen is, it’s just going to sit on a shelf and never be used. And I’m only saying that because, being an ex-administrator, and seeing strategic plans the school district has done and we do this thing every year

with the school district, we look at the strategic plan that's in place. So it has to be more than just that or again, we have wasted our time. No offense, I know you worked your tail off on this. There's one thing, and I agree 100%, you hit it on the head, the downtown. It talks in here, in regards to getting people together and community. Downtown is not happening right now as far as I'm concerned; nor will it happen for a long time. There are situations, there are fragments down there and that's not where we are going to get our biggest bang for the buck. So I'm glad you put that at the very end of the report. I'm good for right now."

VM Lane: "I guess I look at this plan, and it is a road map. I don't know that this is what I was expecting. A little fluff, a little weak in some areas; good information in other areas; but when you say implement this program. It's going to cost us money to be able to be successful with this program; and I don't know where we are at this point, that we can even afford that. So how are we going to implement a program unless we have more meat in this to know where we are going to get the money? Where are we going to have this full-time Economic Development Staff that it's going to take? When I look at this, it looks like a big city plan to me. This doesn't look like Ceres. And I understand that other cities are being successful in doing some of these things. Obviously you guys know the Economics so I'm certainly not taking anything away from you, but I know we know Ceres too. I was expecting a little bit more meat, if you will. This is pretty generic. It takes a lot of money to get it done and then once you do that; then we've got these marks that we should be able to meet. That's kind of what I see in this. I was hoping for a little more. That's all, thank you."

CM Ingwerson: "It is subject to modification, of course."

B. Briggs: "Most certainly."

Mayor Vierra: "Bryan, my question to you would be where do we go from here and I don't know if Mr. de Werk, you want to answer that or not."

ACM de Werk: "Yes I would like to answer that. First of all, the Consultant appropriately makes recommendation for a budget associated with implementing this. But I'm the City Manager; I know what our financial condition is. We don't have \$250,000, but that doesn't mean we are not going to proceed. There is a lot we can implement and make progress with. Councilmember Durossette speculated about this ending up on a shelf; your staff is 100% responsible for whether this gets dusty or not; and it's not going to get dusty. This has to be put to use. There are a number of us on City staff that have staked our Ceres' careers on the successful implementation of this. I mentioned earlier that I thought that this wasn't adequate as a road map. I still maintain that position. More has to be done and I do think the report has to be refined so that we can have actionable items. I spotted quite a few things that we can do right now with the staff that we have. If we start small and get some businesses going and generating more revenue and the economy starts rebounding even more, the finances will build upon themselves and eventually we can do more of the overall implementation. But I have no intention of letting this sit around. It's probably going to take another month before this gets refined to the satisfaction of all of us. That doesn't mean in the mean time we are not working on Economic Development. I just want to give that assurance. I place high stakes on this thing. When we asked Council to support the expenditure of close to \$122,000, we knew what was at stake. I insist that this document rises up to a more refined level so let's say that Bryan and I are in a car and we get in a wreck and we

can't work for about a year or so; we need to have this so that anybody who replaces us can pick it up and keep going forward with it. And honestly that is not what we have right now. Bryan and I discussed that this morning, and that's what we are going to work with the consultant on. So that anybody with even a minimal of education can say 'OK, steps 1, 2 3, 4, 5 these are the things that need to be done and they all build on each other.'"

Mayor Vierra: "Yeah, and I think that the goal that we wanted to achieve is maybe a section that gives us an overview of the current situation and then more meat in...like what I see here in Chapter 9 which is talking about actionable items that can be put in place to help generate business. Such as, if fast track permitting is a big deal or available sites internet based search features or design guidelines or whatever. I think we are looking for those things that make this not a document that sits on the shelf; but one that provides direct developable action items that we can say 'yes we are doing'. Less of a focus on 'you need to do the sewer, the water and the storm drainage improvements' we know that, we understand that. But maybe in the context where we say, 'we have gone out and we have done research on the top 200 restaurants or businesses and the demographics of what they are looking for XY and Z; infrastructure in place, credits on fees, what have you'. I'm just throwing these ideas out here; I don't know what they are looking for. But something that tells us, where we benchmark, versus what they are looking for. I deal with a lot of developer clients, all the time; they know exactly what they are looking for. They know what parcels they are looking for, what type of visibility and certain things. Yes, they want the infrastructure to be in place or they want to know that it's in place, but at the end of the day, that's not always what makes their decision about whether they come to town or not. It's part of it, but I don't think it's the biggest part. I would just like to see us put a little more effort into the expansion of the actionable items; so that we do have a document that provides us with a road map; because I think that's what we ultimately want to get."

CM Ingwerson: "Did you get an answer on 'the Fees were too high in comparison to?'"

B. Briggs: "The SWOT Analysis and the stake holder opinions were just that. They were a list of what was spoken at those meetings. They weren't necessarily an assimilation of how we could get from the issues that were presented there; it was where we started to do our research. So, we asked the community to come down and to give us their thoughts and opinions on our community. They did that. Our Consultants documented what those thoughts and opinions were and that's what they began their research and the preparation of Chapters 9 and 10 with. So, in some ways it's research material."

Mr. Dukett: "Yes, it is interest from the community, and by the way, as further anecdotal information, I've done this sort of thing many times. Guess what one of the findings always is? Always, every place, every time? The fees are too high. But, you know, what cities do, is they look at their fees and make sure they are appropriate. You have a process you have to go through to make sure they are appropriate, because you can't charge fees beyond what your costs are. The whole idea is to stay current. But I'm not shocked by the comment because, in some cases, it would be a large check for certain people. But there's a reason for that; because there are services associated with their permit fees. There are impact fees and there is infrastructure that has to be paid for; there are studies that go along with that. There is always a justification. Development has to carry its own weight. And that's why there are fees. But uniformly people on the private side, when they think they have to write a check, it's always too much. But, we

gave you what they said. We didn't analyze that, other than a generic comment about staying current."

Mayor: "Do we know, when you have those sessions, what percentage of the attendance was business owners or business development or just the general public? The reason I ask that question is, if someone like Mr. Fernandez is coming and making a statement like 'the fees are too high'; that has a lot of credibility because he has a business in town. If it's just a citizen that believes the fees are too high, they are not paying the fees, the developer is. So I would like to know what they benchmark that on. Because, I think at the end of the day, the fees that we set in place are to cover the cost of development, it's not necessarily to make money on it. I wouldn't want to take a comment that 'our fees are too high', to be something that we should run out and say well, 'if we lower our fees in half, we are going to double the businesses that come to town'. I'm not sure there is that equation...."

Mr. Dukett: "Actually, on the contrary, what we are suggesting in this report is, always keep your fees current. Don't reduce them, make them current. You have a process you have to follow according to law anyway. But some cities, some I have worked for, would delay doing that for ten to fifteen years and result in a fee being too low, meaning the General Fund was supporting the fee-based program. This is something you don't want either. Everything needs to be in balance. I know it's hard, especially in tough times, for folks to write the checks. It's hard for me to do it. But we have to have civilization."

Mayor Vierra: "One other question, and then I'll turn it over to Councilmember Kline. When we went through the SWOT analysis, you documented the comments; is there a section in here, did I miss it, that actually gives a recommendation? For instance, there was one here that said 'sales tax leakage'. Well, that was a comment, but was there any recommendation on what we could do to stop sales tax leakage? Or, it says 'needs beautification' I'm assuming that's our neighborhoods; it would have been nice to say 'OK, when someone says 'needs beautification, what are we talking about? Do we need to increase the development standards on our residential subdivisions? Do we need to have more landscaping? What do they mean by, 'the City needs beautification'? Because that has a lot of different impacts and if they say 'needs beautification because we want more landscaping and we want it to look like a cleaner city; then we can go to Tom and we can say 'Tom, you need to update our development guidelines and our standards so that all new development in town meets a higher threshold so that we can begin working on beautification. So I would like more than just 'it needs beautification.' I would like an issue and a resulting recommendation that we do. Ultimately, we have to weigh that and say 'yes we can afford to do that' or 'no, we can't'. That's an easy one, beautification. It doesn't impact us, we just change the development standards and the developer runs his financial model and decides whether he is going to do that or not. If he chooses not to, we don't have a substandard subdivision come into our City; we wait for the person that wants to come and do the amenities that we want, that gets our beautification where we want it to be. I would like to see a cause and effect or a comment and a suggestion that goes along with it."

Steve Dukett: "On the issue of sales tax leakage, what the economic report shows is that on an overall basis, you don't have sales tax leakage. You have a net gain of \$37.4 million dollars in sales. However, in the next breath, if you look at individual categories you do have sales tax leakage in certain areas. The obvious one, that everyone we talked knows is about, is automobiles. You have one new automobile dealer. They are doing the best

they can, but people are still buying other brands. He's a Ford dealer. Therefore, that is a big area of leakage. But there are other categories where the City is getting more than its equilibrium amount with respect to retail sales. On an overall basis you don't have leakage. Now what does that mean to an economic development implementation effort? You focus on the areas where you are having negative numbers and see what you can do about that. You may not be able to do something about each one or all of them at once. By the way, you can't do all this at once. The City Manager is correct, you've got to take steps forward and build towards these kinds of things. Do your own internal triage and decide what you can do right away. What are the simple ones? Do those. The ones that are a little more difficult spend some time on that. It's not hard, excuse me, it is hard, extraordinarily hard to look at your budget resources and make decisions about how you are going to put the money aside for certain things. If I'm sitting your chair, I would say, I love this report, I love well, maybe not all of it, I love most of it; here's an initiative staff brings to you, tell me if I invest this amount of money in it, what should we get back this budget year? That would be the question for staff. So they will have gone through a triage and should be able to answer that question for you. They should be able to. That's what you want them to do."

"Now with respect to beautification, we got comments of all sorts. One common thing was, and it's not even your fault; Caltrans is not maintaining the freeway right-of-way. It makes it look trashy coming into this fine City. You also have that combined with the inadequacy of freeway interchanges; which ties back to the County wide ½ cent sales tax. Stanislaus County is one of only two counties in California that doesn't have a transportation sales tax override. That's why you are not getting these huge capital projects in your county. It's a crying shame. The last time you had an election, you came within just a few thousand votes of getting that approved. Not just Ceres, but County-wide. I hope the planners for transportation haven't given up on that. That's important for the whole county and it certainly is important for your town. So, the plan does take that into consideration these things are in fact tied together. But we didn't want to put in a recommendation in the plan to spend a bunch of money cleaning up the Caltrans right-of-way when they are not. However, there are some things you can do about it, I suppose. At least start with informing your legislators that you have this problem and see whether or not that might bring some relief to you. It's shameful, frankly what Caltrans is doing to your City. That doesn't apply to every other city down that right-of-way. It does here. To me, that's troubling."

CM Kline: "I'm good Mayor. I was going to make some comments that you had already touched on."

Mayor Vierra: "So, can you have a look at this and revise it? I don't think it's in the form yet where we would want to move forward and adopt it. I think it needs some revision and some kind of vetting, so if you could do that. Again, there is some great information in here; I don't want to be negative on all of it. I think there is some great information that can be deemed from it. I just would like you to clean up a few areas."

B. Briggs: "We hear you loud and clear."

Mr. Dukett: "And we would be pleased to work with staff."

Mayor Vierra: "OK."

6:46 p.m. There being no further business the City Council Study Session was adjourned.

Chris Vierra, Mayor

Cindy Heidorn, City Clerk