April 2, 2013

TO: Mayor and City Council

FROM: Bob Deis, City Manager

SUBJECT: **ANALYSIS OF MAYOR'S TAX PROPOSAL**

RECOMMENDATION

I recommend that the City Council via motion action vigorously oppose this tax proposal measure or any versions of a similar tax measure with similar faults.

SUMMARY

I have attached our latest version of the Mayor's Tax Proposal along with independent analysis by Management Partners (Attachment B), the same firm that conducted the "Second Opinion" on our finances last year. This firm has continued to assist us with financial and project management during the bankruptcy process. Because of the grave damage which can be done to the City by sending mixed signals at this critical juncture of the bankruptcy process, the City Council was eager to get an analysis as soon as possible, which we have endeavored to do.

As you know, the Mayor has resisted admitting to a plan for a tax measure or has responded that we were using a version that was revised 7 more times. This "cat and mouse game" continues to this day. I have not received a copy of the plan directly from the Mayor, nor has he ever discussed this with me. The version of the plan that was analyzed by Management Partners (Exhibit A to Attachment B) is one that I received from a Council-member who in turn received it from Mr. Matt Arnaiz, a housing developer in Stockton. This plan was dated March 22, 2013. He represented that it was indeed the Mayor's Plan.

Upon reading Management Partners review of the tax proposal, it is clear if this measure passed, or anything close to it passed, it would put the City Council in a "Catch 22" position. One option would be to strictly comply with its "spirit and intent" and thus decimate (essentially eliminate) all General Fund departments other than Police and Fire. You heard it right, no Recreation, no Library, no Entertainment Facilities, no Human Resources, Finance, Information Technology, City Clerk, City Manager's Office, etc. We would have two departments left in the General Fund, Police and Fire. This is due to the "maintenance of effort" requirements of the measure and due to the imbedded short fall for each new officer that this ballot measure would create (37 to 49% of each new officer's costs would be borne by the General Fund), but the General Fund is already insolvent without this measure. The other option would be to protect the

meager services in the current General Fund and simply add no police officers, and the money would simply accumulate in a reserve fund.

As you know, completely independent of this measure, the current base services for the General Fund cannot be sustained beyond this next year, even without paying our creditors. Again, before even considering this measure, we will be cutting General Fund programs to simply "tread water" financially. And then you add the need to negotiate a financial restructuring, along with the new impacts of this measure, we will not be able to exit bankruptcy. Furthermore, as you heard from bankruptcy Counsel, the Capital Market Creditors then would have a "bad faith" case for bouncing us out of bankruptcy, which would have the effect of creating a Stockton "Fiscal Armageddon".

From a crime fighting perspective, this is not coordinated with the "best practices" approach identified in the year-long Marshall Plan Project. In fact, it undermines the entire Marshall Plan approach. Besides the shortfalls related to hiring police mentioned above, it makes prosecuting and incarcerating misdemeanants a higher priority than felons. In fact, if this ballot measure was in affect today, the Criminal Justice System would regularly release felons out the back of the jail, while we are incarcerating misdemeanants. Chasing felons would be the responsibility of an insolvent General Fund and chasing, prosecuting and incarcerating misdemeanants would be the responsibility of a dedicated funding source. Is this the message we want to send criminals? It gets the City into the County Criminal Justice business. Furthermore, we all know that incarceration of misdemeanants alone will have no effect on recidivism. We need to focus our energy on violence and felons. Once we have a handle on these crimes, misdemeanors would be next. This measure takes these decisions out of the hands of professionals and elected officials and prescribes a priority that is not grounded in the science of crime fighting, recidivism, and the crime trends of Stockton.

Finally, this measure provides for de-facto change in our governance structure. It creates a second City Manager, who in conjunction with the Police Chief, would control the expenditure of funds from this measure. I on the other hand, get the distinction of deconstructing the City organization to pay for this measure. By default, the Police Chief would no longer be accountable to me because he has a separate source of money, essentially two departments, one of which I cannot influence. Thus, he would have two parallel departments that impact each other. This would be a loss of accountability in the City organization.

DISCUSSION

CITY LABOR RELATIONS

The interesting new addition to the Mayor's Tax Plan is that it brings back the longevity pay premium for police officers, but they give it another name. As you recall, this is something that you have negotiated out of the labor agreements, except for limited grandfathering for some officers. This new provision imbeds compensation into law, completely bypasses the labor negotiation process and would require a subsequent vote of the people to change in the future. It appears this change was made to illicit support from the Police Officers Association (POA) for this measure. As your Council is aware, we have worked very hard to remove these political "quid pro quos" from labor agreements. This "horse trading" approach was a major factor in Stockton's financial demise. I am shocked by the brazen approach of this.

The measure also adds a housing assistance program for police officers to live in or nearby the City. While this is a good policy discussion to have, it does bring up equity issues with other employee groups, and again, to change this program would require a vote of the people.

CITY FINANCES

The City Council knows the General Fund has an immediate deficit approaching $20-26 million that is being covered by suspending investments in the organization and temporarily suspending payments to certain creditors under protection of Chapter 9 of the bankruptcy code. Eventually, we will have to invest in our fragile organization and negotiate a new payment plan for these creditors, which will not include 100% "haircuts" for all of them, or indefinite delay of payment. Even if we meet our confidential restructuring goals, there is still an ongoing deficit in our General Fund that needs to be addressed before any judge approves a bankruptcy exit plan. If you look at our AB 506 ASK, the primary focus is getting us some time, via suspension of payments for most creditors. We cannot wipe out all obligations forever.

In addition to making the General Fund solvent again, we must restore services in a new strategic way that follows the most current thinking in crime-fighting, crime prevention (schools, non-profits, faith-based and business) and criminal justice operations (state and county). The condition of the criminal justice system is so poor, that unless change occurs soon, it will be working against any new policing efforts that we pursue. Our suggested approach can be found in the Marshall Plan that is being presented on this same day.

So, the challenge for your City Council is twofold: 1) Get the General Fund, the source of current services solvent again; and 2) Find resources to enhance our public safety efforts by funding the Marshall Plan. While the details of our strategy to achieve these

two goals remains confidential because of the bankruptcy litigation, your Council's strategy does include a combination of cost reductions through hard negotiating with our creditors and an eventual tax increase. However, they must be implemented "hand-in-hand".

The Mayor's Tax Proposal ensures the General Fund stays insolvent, may bump us out of bankruptcy, appears to be "bad faith" with our creditors and bankruptcy judge, falsely sells the idea that it can easily add 100 new officers, decimates the City organization, bifurcates accountability, creates two City Managers and greatly harms our negotiating position with creditors by simply forcing this conversation in public right now.

I have included a table that compares the Mayor's Plan and the City's Marshall Plan that I hope your Council will endorse tonight (Attachment A).

Respectfully Submitted,

BOB DEIS
CITY MANAGER

BD:cc

Attachment A – Comparison of Public Safety Plans
Attachment B – Independent Analysis Report

The City's Marshall Plan on Crime	Mayor's Tax Proposal
Creates a systemic plan to hold the City accountable. Helps ensure the City doesn't repeat the past mistakes by "forgetting" and defunding the Peacekeeper (Ceasefire) program, a program recognized nationally as key to reducing violence. It will also leverage other resources and agencies toward violence reduction.	There is no plan to be held accountable to other than complying with the complicated financial provisions of the measure. Bifurcates day-to-day accountability for the largest department of the City--Police. Part of the department would report to the City Manager and part of the department to the Tax-Administrator (2nd City Manager). The reality is, there will be little accountability.
Prioritizes violence over misdemeanors for now	Prioritizes misdemeanors over felons or violence reduction

Phase 1 implementation
 	
• Adds approximately 120 new police officers
• Creates a more robust Ceasefire message, allows for more proactive policing including park patrols, community policing, etc.
• Creates "neighborhood blitz teams" to take back challenged neighborhoods
• Creates a violence reduction department that will be focused on:
  ○ Creating mentorships for kids at risk
  ○ Creating a peacekeeper multiplier program by working with schools and grantors agencies to expand peacekeepers
  ○ Working and advocating with the courts and criminal justice system to expand Ceasefire model to those leaving incarceration (re-entry)
  ○ Lobbying and advocating for best practices e.g. changing zero tolerance programs in schools, applying for plethora of grants on behalf of the City, non-profits and schools
  ○ Working and advocating with the courts and criminal justice system to bring integrity back into the system, i.e. create or continue other best practices to reduce the incidence of jail overcrowding (e.g. pre-trial programs, risk-assessment of inmates, community correction center, etc.)
 	
Please note: The speed and depth of Phase 1 implementation will be partly determined by our restructuring efforts via bankruptcy mediation and a new tax measure (not the Mayor's Proposal) that provides the flexibility to implement the Marshall Plan and buttress the General Fund.
 	
Phase 2 implementation--approximately 60-120 more officers
• This will be re-evaluated after Phase 1 is implemented. We will learn a lot from Phase 1, which will guide us to Phase 2. If we add another 120 officers in Phase 2, this would get us to the 2.00 officers per thousand population as recommended by Dr. Braga from Harvard University
	Creates a "Catch 22" for the City Council:
	
	• Add officers and eliminate all other departments besides Fire
	
	OR
	
	• Let the money sit and add no officers
	
	Thus, the measure can add 0 officers to 200 officers over the next ten years on paper.
	
	It depends on how much impairment to the General Fund you can accept. If you add 0 officers, you help protect the current General Fund services. If you add 200 officers, you wipe out the entire City organization that is funded by the General Fund (no Recreation, no Library, no Stockton Ports & Thunder, no Arena, no ice-skating rink, no civic center, no Human Resources, Finance, Information Technology, City Manager, etc.).
	
	The impacts of the proposal include:
	
	• Inability to comply with state laws and the City Charter
	• Ensures the General Fund remains insolvent and never gets us out of bankruptcy
	• May provide the facts for the Capital Market Creditors to get us bounced out of bankruptcy and force a financial "Armageddon" upon the City
	• Creates a special fund for the Mayor and Tax Administrator to pursue certain goals

Management Partners

To: Bob Deis, City Manager, City of Stockton
From: Bob Leland, Senior Manager, Management Partners
Subject: Analysis of Mayor's Tax Measure
Date: March 29, 2013

Executive Summary

Management Partners has been asked to analyze the March 22, 2013 version of the Mayor's tax measure, also known as the Stockton Safe Streets Sales Tax Initiative ("Initiative").

Management Partners was selected after a competitive procurement process to provide an independent assessment of the City's financial position in November 2011. Subsequently Management Partners has assisted the City with both the AB 506 process and bankruptcy management. The firm is one of the leading providers of financial and management consulting services to local governments in California and throughout the country. It should be noted that this is a preliminary analysis, based on an Initiative dated March 22, 2013, and that the draft is subject to some interpretive uncertainty.

The Initiative (see Exhibit A for proponent's description) is a special tax requiring two-thirds voter approval, and its estimated $18 million of tax proceeds are restricted to police services, with important limitations:

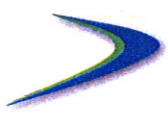
1. 50% of proceeds ($9 million) could be accessed for new sworn police officers provided the City funds a growing number of positions (an estimated 162 over the life of the tax) from the General Fund or other sources, and can fund the "match" required under the Initiative for new officers. The special tax covers $76,000 in base pay (with 2% growth) plus selected benefit costs, which is less than a new sworn FTE actually costs.
2. 10% ($1.8 million) may be spent for part-time police officers, signing bonuses for new hires with at least two years of experience and a retention incentive in the form of longevity pay, which ranges from $1,200 to $3,000 annually for three years based on years of service.
3. 25% ($4.5 million) is allocated to the County (or to a new City jail or contracted facility) to detain, prosecute and incarcerate misdemeanor and non-violent felony offenders. Other expenses from this fund are the costs of a Special Tax Advocate-Administrator

position ($100,000 annually plus benefits), up to $300,000 over four years for consultants on matters to reduce crime, and contributions to other crime reduction programs.

4. 5% ($900,000) is allocated to an incentive for Stockton police officers to live within the 2035 sphere of influence boundary from the current City General Plan. Sworn officers would receive a maximum ongoing annual mortgage or rental subsidy of up to $3,600.
5. 10% ($1.8 million) is allocated to a reserve fund to support the first three purposes; any unused money at year-end is transferred to the reserve fund.

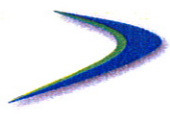
This analysis indicates that while the Initiative is obviously well-intentioned it is fundamentally flawed for two reasons. First, it is a very specific special tax, and none of its proceeds can be used to eliminate the existing shortfall that will remain in the General Fund even after Chapter 9 restructuring. Second, rather than requiring current levels of police staffing to be maintained, which is the standard approach to ensuring that new restricted money supplements current efforts rather than supplants them, the Initiative continually raises the bar, requiring ever-increasing levels of spending on police staffing above current levels. The City is not obligated to meet the this baseline positions requirement, but it can only spend special tax money on new officers if it does, and doing so would severely exacerbate the General Fund shortfall, with the adverse financial consequences discussed below.

1. Initiative may greatly harm the City's interests in bankruptcy. According to the City's bankruptcy counsel, by enacting a measure whose proceeds cannot be used to settle creditor claims, and which actually *reduces* the City's ability to pay any claims because of its adverse impact on the General Fund, the City may be found in bad faith and *lose* its eligibility for Chapter 9, in which case it's pendency plan would end and it would enter an uncontrolled bankruptcy in which creditors could begin seizing City assets. Alternatively, if the City it *is* allowed to remain in Chapter 9, it may not be able to *leave* because the tax and its fiscal consequences may make it impossible to get court approval for a plan of adjustment.
2. Initiative does not close the remaining General Fund gap. Even after achieving the maximum feasible financial restructuring savings made possible by utilization of Chapter 9 bankruptcy proceedings, the City's General Fund is still projected to have an ongoing structural deficit over the period the special tax is in effect. The Initiative's funding cannot be used to close this remaining gap, as a general tax would allow, as shows in the following chart. The shortfall averages $11 million from FY 13-14 through FY 20-21 (the current forecast period) and the average shortfall rises to $15 million when the additional fiscal years the tax would remain in effect are added. This would force the City to make an additional permanent budget cuts on top of the $90 million (a 36% reduction) it has already enacted: At the $15 million level this is equivalent to a 9% across-the-board cut for all departments (including police and fire), a 19% cut for all departments excluding police, or a 38% cut for all departments excluding police and fire.



Further, and as explained below, because the Initiative does not account for all the costs associated with adding police officers to the Department, the actual impact would be considerably *more* negative for the General Fund.

3. Initiative would worsen the General Fund gap by failing to cover the full costs of added positions. This is probably the most significant flaw with the design of the tax measure. Because the initiative will not cover all the costs associated with the positions it would purportedly provide for, the General Fund would incur an estimated $241 million in additional police expenses from FY 2013-14 through FY 2025-26, but would receive no additional tax money from which to pay those expenses. The reasons are as follows:
    a. A significant number of additional officers must be added to the General Fund over time just to continue to qualify for continued spending of special tax proceeds on new officers. (The baseline positions requirement adds $161 million, including overtime and associated non-personnel costs to the General Fund over the Initiative's life for 162 new positions to be paid for by the General Fund.)
    b. A cap is imposed on the salary and benefits officers can receive from special tax proceeds, and certain benefits are excluded; the size of this gap depends on the number of lateral new hires and the amount they are paid over the entry level salary, as well as interpretations and costs associated with covered benefits. (This cap is estimated to add $20 million in General Fund costs, over the life of the Initiative.)
    c. For every 50 officers added, the Police Department requires seven sergeants and two lieutenants to supervise the larger force. However, the special tax will not cover the higher cost of these supervisors, thereby adding an estimated $26 million to General Fund costs over the life of the Initiative.
    d. Overtime, vehicle, radio, supplies and other support costs are excluded, even though such costs are critical to fielding sworn officers. (This is estimated to add $28 million in General Fund costs over the life of the Initiative).
    e. The Initiative can only be used for full- or part-time officers, even if non-sworn positions (such as records assistants, dispatchers, and community service officers) are required to serve the larger sworn force, or can perform the required tasks more cost-effectively. Two non-sworn records assistants are required for every 50 officers, which is estimated to add another $6 million in General Fund costs over the life of the Initiative.
4. Given the above costs the Initiative would force devastating service cutbacks if fully implemented. Between the existing gap and the added expense caused by the Initiative, the City would be forced to cut an estimated $36 million out of the remaining $75 million in annual non-police spending, of which $36 million is for fire services. It would be difficult to cut police and still meet the Initiative's required level of General Fund police spending, and support staff must be at least maintained at current levels to serve

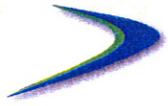


the newly added officers. This would result in a 23% across-the-board reduction for all departments, or a 48% across-the-board cut for all departments except police. To exclude both police and fire from cuts would require a 93% reduction, nearly all, of everything else. Clearly, none of these approaches is tenable, as the City organization would not remain functional.

5. Initiative creates accountability issues and blurs lines of authority. The Initiative creates a Special Tax Advocate-Administrator position ($100,000 salary plus benefits) that is appointed by the Mayor and reports to the City Council rather than the City Manager. This position is granted extensive powers in areas that can obligate the City to large costs, but is not responsible for balancing the budget. This runs counter to the Council-Manager form of government, and creates accountability issues between this position and the overall City organization. As drafted, the City Council cannot act on matters relating to the tax and various public safety issues unless the Tax Administrator makes a recommendation. Although the Tax Administrator does not have authority over the Police Department, this position is charged with recommending various policing-related policies and strategies, which could undermine the command structure and priorities of the Police Department and its chief. Furthermore the City Manager will have a potential problem in holding the Chief accountable given that a large part of the Department's budget would be outside of normal budgetary controls. From a management standpoint this is a recipe for dysfunction. There is no inherent need for such a position, as there is nothing about the management of this money that differs from the management of the other grants and special revenue accounts for which the City Manager, the Police Department and Administrative Services are currently responsible.

Owing to the complexity of the measure, and the severe financial dislocations involved, the most likely outcome is that it would only be partially implemented, as the measure does not *require* the hiring of the General Fund police officers needed to allow special tax money to be used to pay for (additional) new officers. If the City *failed* to meet the baseline positions requirement, the Initiative would result in the following outcomes:

1. No new full-time police officers would be hired. Funding could be used to contract with the Sheriff for policing services, but this could only last for three years and would involve significant issues of inter-jurisdictional coordination, and the Sheriff does not currently have staffing capacity to take on significant new policing responsibilities.
2. Part-time police officers could continue to be used.
3. The allocation for subsidizing County criminal justice costs for the prosecution, detention, prosecution and incarceration of misdemeanor and non-violent felony offenders would continue. These crimes, while adversely affecting the community's



quality of life, are a lower priority than the violent crime which is the focus of the Marshall Plan currently being crafted by the community.

4. Community organizations, the Ceasefire and Peacekeeper programs, the consultant and the Tax Administrator would continue to be funded.
5. The allocations to police officer residency incentives, signing bonuses and longevity pay would continue, although these costs do not directly address policing services in the community.
6. Two-thirds of the City's fiscal capacity of new sales tax revenue (a half cent of the three-quarter cent rate the City is eligible to implement through voter approval) would be committed, with most of it (65%) locked up in the reserve fund, unable to be used for other public safety needs. The public would be paying the half-cent additional sales tax rate, but only 35% of the money would be utilized, and none of it for additional police officers.
7. Failure to achieve the perceived goals of the Initiative would likely erode public trust and diminish the chances of subsequent voter support of the remaining 0.25% sales tax rate or any other revenue measure proposed by the City to close the General Fund shortfall remaining after Chapter 9 without additional budget cuts.

Summary of Provisions

The following is an analysis of the Initiative by section number (see Exhibit A for Initiative text). As noted, there are various areas of administrative or legal interpretation that would be required should this measure be enacted, as a result this is a preliminary analysis with the associated uncertainty.

1. The tax rate is 0.5%, which is 0.25% below the maximum the City could seek to impose. Proponents estimate the tax revenue at approximately $18.0 million.

2. The special tax is dedicated to "hire additional police officers and to prosecute, detain and incarcerate additional sentenced offenders." The initiative actually allocates up to 25% of its proceeds to the County (or for a new City jail or contracted facility) to pay for the detaining of all suspects arrested by Stockton police who are awaiting arraignment, and for the prosecution of misdemeanor offenders and their subsequent incarceration ($4.5 million of the annual $18 million in revenue).

3. The special tax requires two-thirds voter approval. The City's poll showed an initial 71% support for a general sales tax, which requires a majority vote and 78% support for a special sales tax dedicated to "public safety services, such as expanding the police force, increasing neighborhood patrols and improving crime prevention, 9-1-1 emergency response times, and anti-gang programs."

Support for the general sales tax dropped to 62% after hearing both positive and negative messages. The same positive/negative questions were not asked of a special tax, but if the same reduction in support for the general tax were to result, then the level of support for a special tax would be 68%, which is perilously close to the two-thirds margin required for approval.

4. The initiative uses a complex method to compute the "baseline positions" for full-time police officer positions: the number of "sworn" positions that must be funded by the General Fund before special tax money can be used to hire new officers. Starting with 344 in FY 2012-13, this number goes up or down in the proportion that General Fund revenue levels increase, or decrease, compared to the base revenue of FY 2012-13. The initiative cites 344 as the number of non-grant funded officer positions in the FY 12-13 adopted budget, although that number is actually 342, so the City starts out the process "behind" by two positions (321 General Fund positions plus 21 paid from Measure W totals 342). The City's 19 current short-term grant-funded positions are assumed not to apply toward attaining the required baseline positions count. See the Table 1 for current budgeted sworn positions.

Table 1

FY 2012-13 Budgeted Sworn Positions

	Admin	Field	Investig	Sup/Com	Total GF	Meas W	GF+W	Grants	GF+Grant	All Funds
Chief	1	-	-	-	1	-	1	-	1	1
Deputy Chief	2	-	-	-	2	-	2	-	2	2
Captain	1	1	1	1	4	-	4	-	4	4
Lieutenant	2	11	2	-	15	-	15	-	15	15
Sergeant	4	28	9	1	42	-	42	-	42	42
Officer	5	202	50	-	257	21	278	19	276	297
Total	15	242	62	2	321	21	342	19	340	361

The baseline positions figure grows from 344 in FY 2012-13 to 504 by FY 2025-26, based on the currently forecasted revenue growth. The City is not *required* to add these officer positions to the General Fund, but until it did, it would not be able to draw upon the special tax for funding new police officer positions in addition to those added to the General Fund to meet the baseline positions requirement. This results in officers being added to both funds.

Part of the baseline positions requirement is that starting in five years or the end of bankruptcy, whichever is later, five officers funded by the special tax must be transferred annually to the General Fund, and their former special tax funding is allocated back to the reserve fund. The initiative limits the City to 100 police officers funded in excess of baseline positions, but as special tax-funded positions are transferred to the General Fund, a like number could presumably be added to the special tax, so long as the special tax funded total did not exceed 100.

By FY 2025-26 it is projected the General Fund would have to add 162 positions (assuming the resources were available to do it). The special tax-funded positions peaks at 100 in FY 2020-21, but as five positions per year are shifted to the General Fund, the positions paid by the special tax are projected to be reduced to 72 by FY 2025-26 for the Reserve Fund to remain in balance, for a net total of 234 added positions (see Table 2). Any grant-funded positions for which the City might qualify would be in addition to this total.

Table 2
SWORN POSITION CALCULATION

Short at Start	2
GF Revenue Growth	120
Shift from Spec Tax	40
Total GF Added	162
Special Tax Added	112
Shift to GF	-40
Net Spec Tax Added	72
Gross Positions Added	234

5. The special tax is allocated to five funds, each with their own set of restrictions as to eligible uses.

6. Full Time Officer Fund – 50% can be spent on up to 100 new full time officers, provided the City is at or above the baseline position count in the General Fund. However, the tax is limited to paying $76,000 (indexed by 2% annually) per position for "base salary." In addition, this fund will pay for "base salary-related health care benefit, base salary-related pension contribution, base salary payroll taxes, and base salary workers compensation premium."

The measure also explicitly prohibits the tax from paying for "any overtime, add-on pay, or any other compensation other than the cost described above." Over the last five years, overtime costs have averaged around $10,000 annually per authorized officer position. Education incentives, specialty pays, disability insurance, life insurance, unemployment insurance, and for general liability insurance contributions, all appear to be excluded, which means the General Fund would have to pay them as well. The following section provides for a specified form of longevity pay to be paid by the special tax for a limited period, but the General Fund may be obligated to pay for other forms or duration of longevity pay. Covered salary will lag behind actual officer costs over time, especially if new hires are laterals at higher starting pay levels than new recruits at entry-level pay. Supervisor positions such as sergeants and lieutenants would also only have $76,000 of their much higher base salary covered by the special tax.

The measure also excludes *non-personnel* costs associated with officers, such as equipment, training, vehicle and supplies that also average around $10,000 per officer per year. The measure also only funds *sworn* officers, even though the addition of so many officers as a result

of the initiative will increase the need for various support positions in the Police Department, such as records assistants.

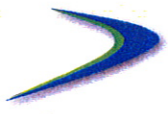
During any time the General Fund is not funding the requisite number of baseline positions, the tax cannot be used to fund any additional police officer positions, and the excess tax money "not being utilized to pay the cost of full time officer positions" goes to the Reserve Fund until the baseline positions level is attained. This appears to allow any existing positions already being paid from the special tax to continue receiving such funding; otherwise, just one vacancy could result in revocation of *all* special tax funding from added sworn officer positions, pushing all costs of such existing added positions onto the General Fund. During a period when the baseline positions test is not being met, the City Council could transfer Reserve Fund money to the "Part Time Officer, Retention/Lateral Hire Incentive Fund" for hiring part-time officers, at the recommendation of the Special Tax Advocate-Administrator and the Chief of Police.

During the first three years of the tax, any unused Full Time Officer Fund money can be used to contract with the San Joaquin County Sheriff's Office to provide deputies to work within the City limits, at the request of the City Council and at the recommendation of the Special Tax Advocate-Administrator and the Chief of Police, and with approval of the Board of Supervisors. Although mutual approval is required, contracting policing functions within the City would introduce many organizational and accountability issues to be resolved between the Sheriff's Office and Stockton Police.

7. Part Time Officer, Retention/Lateral Hire Incentive Fund – 10% is allocated for the addition of part time officers "at a rate not to exceed $35.00 per hour, including payroll taxes and workers compensation premiums." It is unclear whether the payroll tax and workers' compensation are in addition to the $35.00 per hour or part of it. Utilization of part-time officers is at the discretion of the Chief of Police. No such position currently exists. The Police Department uses retired annuitants on a part-time basis in many areas of the department (background investigators to help hire full time officers) and camera operators, and they potentially could assist with the booking room and transportation. There would be significant organizational and labor issues to be resolved in hiring such part-time officers to do work currently performed by full-time officers.

It is unclear whether such part-time officers would be covered by the existing labor contract. There is some difficulty in obtaining sufficient part-time applicants at the present time and it is unclear to what extent the department could absorb additional part-timers. The department's management indicates that its needs are for full-time staff, not part-time staff.

This fund is also available to pay for incentives to retain officers with two years or more of experience (essentially longevity pay based on years of service) and for lateral hire incentives (essentially signing bonuses for new officers with at least two years' experience from another



jurisdiction). These payments range from $1,200 to $3,000 per year, and are limited to three years for current employees. A lateral new hire within the first three years gets the signing bonus and two years of the retention incentive. This would be a meet and confer item. If employees receive the payments for longer than three years, the General Fund would have to pay the ongoing costs.

8. Criminal Justice Fund – 25% is allocated to the following purposes, and can be spent only at the recommendation of the Special Tax Advocate-Administrator, with Council approval:

a-f. To pay San Joaquin County, principally to the Sheriff's Office, for the detention (pre- or post-arraignment) or incarceration of Stockton misdemeanor or non-violent felony offenders, and the District Attorney (or City Attorney) to pay costs of prosecuting these cases. Use of this fund to house sentenced offenders in the county jail or honor farm are limited to offenders in excess of "base inmates" as of the date the tax is adopted. The City could also fund a new City jail or contract for facilities other than the County's, with the recommendation and approvals noted. Prosecution-related expenses of the District Attorney can be paid with Board of Supervisors approval.

g. To pay the Special Tax Advocate-Administrator a "base salary, not to exceed $100,000 annually, including health plan and pension benefits, payroll taxes and workers compensation" to oversee the tax. It is assumed benefit costs are in addition to the $100,000; the pay cap can grow at 2% annually. This position is appointed by the Mayor and reports directly to the City Council, and not the City Manager.

h. To pay for consultants to work directly with the Tax Advocate-Administrator on matters of reducing crime. The Mayor and the Tax Advocate-Administrator are responsible for selecting the consultant; the contract is subject to Council approval at the recommendation of the Tax Administrator and the Police Chief. Up to $150,000 can be spent in year one, and up to $50,000 in each of the following three years.

i. To make contributions to community-based organizations that offer programs and other services to 1) convicted offenders to reduce recidivism, or 2) citizens focused on alternatives to a lifestyle of criminal behavior. There is no limit on such contributions, which are subject to Council approval at the recommendation of the Tax Administrator.

j. To support the Stockton Marshall Plan and programs such as Operation Ceasefire and Operation Peacekeeper, designed to reduce violent crime in the City. There is no requirement that such contributions be made, however.

9. Live in Stockton Incentive Fund – 5% is allocated solely to "offer an incentive for Sworn Officers to live within the Approved 2035 Sphere of Influence boundary" by granting up to $300 per month "to be applied to the mortgage or rent paid" by full-time police officers that reside

with this "Housing Incentive Area" that surrounds the present City limits (see map in Exhibit B). Sworn officers may receive this payment on an ongoing basis. New hire lateral officers are eligible to receive "a payment equal to the Monthly Housing Incentive" for three years; it is unclear whether this is in addition to or in place of a "normal" housing incentive payment.

10. Reserve Fund – 10% is allocated to the Reserve Account, to be used as follows:

a. To supplement any annual shortage of tax revenue to meet the obligations of first three funds (but not Live in Stockton Incentive Fund).

d. All unused proceeds in other funds in any given fiscal year are transferred to the Reserve Fund, so those other funds always maintain a zero balance. If the baseline positions requirement is not met, and no other eligible use is made of the Full Time Officers Fund, then 50% of the tax proceeds will be locked up in this reserve, unable to be used for public safety needs.

e. Once the tax expires, remaining reserve amounts can be used to pay the costs of special tax-funded officers not yet transferred to the General Fund, and after all such positions have been transferred, may be used to pay for part-time officers.

11. The Tax Advocate-Administrator is directed to work with San Joaquin County and the Sheriff to determine the most economically feasible method of detaining and incarcerating sentenced misdemeanor and non-violent felony offenders, including the City leasing and operating appropriate facilities. The operation of jail facilities would be a significant expansion of City responsibilities.

12. The Tax Advocate-Administrator will appoint a five-member citizens oversight committee to oversee operational aspects of the tax and report to the City Council, and may also form a volunteer citizen's advisory committee to provide input on matters addressing crime reduction and prevention in the most cost-effective manner. The Initiative specifies no role in this regard for the City Council.

13. Special tax proceeds must be segregated from the General Fund and cannot be loaned to other funds or used for other than the uses specified.

14. The tax is subject to an annual "fiscal audit by an independent certified public accountant" payable from the Reserve Fund. This presumably could be incorporated with the City's annual external audit.

15. Any discrepancy, including loans or transfers of special tax to another City account, must be corrected within 90 days or all special tax spending ceases until such discrepancy is corrected. This would apparently preclude the City from charging the special tax fund its fair

share of citywide administrative overhead costs, as it does for all other special revenue and enterprise accounts, including state and federal grants, pursuant to federal cost allocation plan guidelines.

16. The Initiative contains a "poison pill" feature that if for any reason a court orders the special tax revenue to be used for any purpose other than stated in the Initiative, the entire tax immediately becomes null and void. This could force either a mass layoff of all positions funded by the special tax, or comparable budget cuts elsewhere in the organization to compensate for the loss of funds.

17. The tax expires December 31, 2025. Assuming it can be imposed starting April 1, 2014, the tax would remain in effect for 11.75 years.

Fiscal Impact

Table 3 on the following page provides a comparison of key fiscal impacts under three scenarios:

1. Pendency Plan and existing shortfall after Chapter 9, with no tax and no increase in safety services.
2. Initiative passes and is fully implemented, with maximum added staff.
3. Initiative passes but baseline positions requirement is not met, so no new sworn staff are added.

The first section of the table displays the estimated use of funds for additional safety services. Amounts are broken out by General Fund (GF) and Special Tax (ST), with a grand total. The second section shows the increase in sworn police staff added, also by fund, with a grand total. The third section shows the existing General Fund deficit accumulated through FY 2025-26, with additional shortfall caused by the Initiative (or funding to eliminate shortfalls provided by the general tax scenario). The fourth section shows the across-the-board cut percentages that would be required to eliminate the total deficit amount from the third section. These budget cuts percentages represent the cuts required given the average annual shortfalls over the *entire* term of the tax; in reality, the shortfalls are lower in the near-term and higher in the long-term, so the City would likely make cuts in stages over time to maintain a balanced budget.

Table 3

SUMMARY TOTAL FISCAL IMPACT THROUGH 12/31/2025

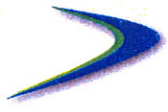
Dollars Rounded to Nearest Million	Pendency Plan Existing Shortfall No Tax/No Svcs		Initiative Fully Implemented Max Added FTE		Initiative-Baseline Positions Not Met No Added FTE	
Use of Funds	GF	ST	GF	ST	GF	ST
New FT Officers	-	-	$241	$160	-	-
Avoid Service Cuts	-	-	-	-	-	-
New PT Officers	-	-	-	$15	-	$15
Retention/Lateral Pay	-	-	-	$3	-	$2
Admin/Consultant/Audit	-	-	-	$3	-	$3
San Joaquin County	-	-	-	$50	-	$50
Anti-Crime/Organizations	-	-	-	$13	-	$13
Police Residency Pay	-	-	-	$13	-	$9
Reserve Fund	-	-	-	$4	-	$169
Totals	-	-	$241	$260	-	$260
Grand Total	$0		$501		$260	
Sworn FTE Added	-	-	162	72	-	-
Totals	0		234		0	
General Fund Deficit						
Existing post-Chap 9	($186)		($186)		($186)	
Added by Initiative	$0		($242)		$0	
Gap Closed by GF Tax	$0		$0		$0	
Net Deficit Over 12 Years	($186)		($428)		($186)	
Across-the-Board Cuts:						
All Departments	10%		23%		10%	
All Depts except Police	21%		48%		21%	
All except Police & Fire	41%		93%		41%	

GF=General Fund, ST=Special Tax

Totals may not reflect sum of detail due to rounding

Conclusion

From a technical financial standpoint, for a city in Stockton's circumstances, no special tax with this level of extreme specificity and super maintenance of effort requirements will work, because there is an annual shortfall through 2025 of up to $15 million that must be eliminated before the City can feasibly add additional staff such as police officers. Stockton needs additional general tax revenue that can both eliminate the remaining shortfall *and* be used to expand public safety services. An alternative two-thirds vote special sales tax of 0.50% limited to public safety that required only current General Fund police staffing levels, and fully paid for all added police costs would *still* require the City to make up to $15 million in General Fund budget cuts at the *same* time the special tax was being used to expand the Police Department. The proposed Initiative, with its numerous limitations, and requirement for spending additional General Fund resources the City does not have, exacerbates the problems inherent in a traditional special tax for a city that faces additional budget shortfalls, as opposed to one with a budget that is balanced and sustainable.



Recent polling showed solid support (66% to 71%) for a sales tax that would "improve and maintain essential City services, which may include implementing a community-wide plan, developed by local leaders and criminal justice experts, with strategies to reduce crime in Stockton, including expanding the police force, improving the 9-1-1 emergency services, increasing anti-gang, and crime prevention programs; and other general services such as street repair, libraries and parks."

The City needs to craft a general tax measure capable of providing it with a sustainable budget, coordinate its timing with a resolution of the Chapter 9 process, and incorporate a statement of priorities for improved services that is responsive to the public. In the eventuality that a special tax must be considered because of bankruptcy timing issues it will have to be crafted to carefully control maintenance of effort provisions and allow some existing General Fund functions to be funded.

EXHIBIT A

Stockton Safe Streets
March 22, 2013

Stockton Safe Streets
Sales Tax Initiative

Purpose

The City of Stockton ("City") has experienced a dramatic increase in crime over the last few years that has seriously deteriorated the quality of life in our community. Our sky rocketing crime rate has dramatically affected our ability to attract new families, businesses, and investment. A safe community is the foundation to a vibrant community. While crime was trending up in the city of Stockton, our City leaders made a drastic, fatal decision to cut 25% of our active police officers. The result was a record number of homicides and a surge in property crimes. Stockton now has the dubious distinction of having the lowest staffed police department in the nation for a large city. Police officers patrolling the streets of Stockton are now responding from emergency to emergency. Normal police patrols that are critical in preventing and interceding criminal activity have been dramatically impacted. Stockton Police Department no longer has a narcotics unit.

A group of concerned citizens have come together in a desire to change our community for the better. We have sought assistance in formulating the policy of this initiative from the most effective crime fighter in the modern age of policing, Chief Bill Bratton. Chief Bill Bratton has led the police departments in New York and Los Angeles to historic low crime rates. New York's crime rate has dropped 60% under his leadership and continues to fall. Mr. Bratton has helped guide the policy behind our initiative to achieve two goals. One, enhance staffing at the Stockton Police Department to allow for reactive and proactive law enforcement operations. Two, as Stockton Police Department becomes adequately staffed, enhanced enforcement of criminal offenses that affect the quality of life for all the citizens of the city of Stockton. The standards for what constitutes acceptable behavior cannot begin with violent felonies but must begin with low-level offenses.

Addressing the first issue involves simply adding more police officers patrolling the streets. Stockton Police Department needs enough police officers to respond to emergency law enforcement calls and to allow for proactive patrols that will deter criminal activity and restore public confidence in the safety of our community.

In addition to police staffing, there needs to be a comprehensive solution where suspects of crime can be detained for arraignment and trial, properly prosecuted, and then properly supervised or incarcerated if sentenced. There has to be consequences for committing all types of crime in Stockton, especially misdemeanor crimes that attack the quality of life of our community. By having a zero tolerance on antisocial behavior, Stockton will reclaim a quality of life necessary for a healthy, vibrant community and economy. Since not all sentenced offenders require to be jailed in order to serve their debt to society, many can be sanctioned with community service and other effective alternatives to custody such as the Alternative Work Program operated by the County. However, this type of sentencing also requires supervision by law enforcement personnel.

Stockton Safe Streets
March 22, 2013

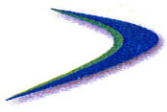
Therefore, this initiative will enhance operations to hold pre-sentenced offenders. There is a serious lack of capacity to hold pre-sentenced offenders for arraignment, which has resulted in a "revolving door" from arrest to release. Likewise, there has been a reduction in staffing at the District Attorney's Office impairing their ability to prosecute misdemeanor crimes, the impact of Prison Realignment on our County's criminal justice system, and the availability of space to incarcerate sentenced offenders. All of these reductions in staffing and capacity are related to budget cuts and decreases in City and County revenue.

The Sales Tax initiative outlined below presents a comprehensive program to fund additional police officer positions, provide funds to detain suspects for arraignment, provide funds to prosecute suspects arrested for quality of life offenses, and provide funds to hold sentenced offenders in jail for up to six months. The main objective of the Sales Tax initiative is to address chronic inadequate staffing at the Stockton Police Department that has seriously deteriorated public safety. The secondary objective of the initiative is to restore the quality of life in our community by focusing on non-violent offenses that deteriorate our community. Under this initiative, there will resources to address quality of life offenses and non-violent felony (such property offenses and low-level drug offenses) crimes where sentences are up to six months in jail, community service time, or other effective alternatives to custody. More serious felony offenders will still be arrested, detained, and prosecuted; however, prosecution and incarceration of such sentenced offenders will need to be addressed under AB109, other State, or San Joaquin County funded programs.

The City has petitioned to be admitted into Chapter 9 Bankruptcy ("Bankruptcy") and has proposed a pendency plan where cost cutting measures and revenue sources will be identified to demonstrate the ability to exit bankruptcy. It is anticipated that the City's creditors will try to access all sources of revenue available to the City to satisfy the City's obligations. The revenue to be generated pursuant to this Sales Tax initiative has been designed to be in a restricted account that is off limits to the City's creditors, thus this initiative will require a two-thirds (2/3rds) voter approval to qualify as a dedicated special tax. It is further intended that the revenue generated by this Sales Tax initiative be administered separate and independent from the City's General Fund without interference from the City's creditors or the Bankruptcy Court. This sales tax cannot be used for any purpose other than what is intended.

The revenue to be generated pursuant to this Sales Tax initiative is not intended to provide funding to offset the costs of the current level of staffing at the Stockton Police Department but rather to provide funding for additional officers while the City remains responsible to fund certain established police office positions utilizing the General Fund and other funding sources available to the City for paying for such staffing.

Another aspect of this Sale Tax initiative is to provide funding for part-time police officers to fulfill some of the more mundane routine tasks that often occupy valuable time of full time police officers working on patrol. Utilizing part-time police officers to



transport, book, and process suspects, or to collect evidence, process evidence, secure and clear crime scenes will free up full time police officers to return to patrolling the streets thus resulting in a greater presence of police officers on the street. The part-time police officers can be qualified retired law enforcement personnel or off-duty active law enforcement personnel and can be utilized as needed to increase efficiency of operations for the Police Department.

An Advocate/Administrator position will be created and funded by the Sales Tax for purposes of administrating all aspects of revenue and expense pursuant to the restrictions set forth in the initiative. In addition, the Advocate/Administrator will be able to hire the services of a consultant for the first four years and to set up a volunteer advisory committee to assist in establishing the best programs to participate in with regards to incarceration or alternative programs to incarceration for convicted misdemeanor and non-violent felony offenders arrested by the Stockton Police Department.

There are proposed safeguards in the Sales Tax initiative to maintain the Sales Tax revenue as restricted funds where the initiative is subject to being terminated if the restricted funds are used for any other purpose than what is proposed.

(Note: Based upon the sales tax revenue collected in the 2011-2012 fiscal year, it is anticipated that this Special Tax will generate approximately eighteen million dollars ($18,000,000.00) per year, subject to adjustments based upon retails sales activity)

Stockton Safe Streets
March 22, 2013

Expenditure Plan

1. An additional one-half (1/2) cent sales tax ("Special Tax") initiative to be placed on the ballot in a special election, in the August to November, 2013 time period, either by authorization of the Stockton City Council or a citizen initiative petition with the appropriate signatures of Stockton voters where approximately Twelve thousand (12,000) signatures will be required to qualify the initiative.

2. The Special Tax will be authorized to be used by the City of Stockton ("City") to hire additional full time sworn police officer positions and to prosecute, detain and incarcerate additional sentenced offenders.

3. The Special Tax will require a 2/3rds vote to qualify as a special purpose dedicated tax per the State Constitution and the tax revenue generated will be deemed restricted funds subject to spending limits identified in this Special Tax initiative.

4. **Baseline Positions** - The City's 2012-2013 fiscal year budget provides for three hundred forty four (344) full time sworn police officer ("Sworn Officer") positions ("Baseline Positions") that are funded by sources other than the Special Tax, including the City General Fund. The number of Baseline Positions to be maintained by the City utilizing funding sources other than the Special tax in order for the City to utilize the Special Tax for additional full time police officer positions shall be subject to the following:

a. In the event the City's revenue sources, other than the Special Tax, increases from the base revenue of the 2012-2013 fiscal year, the number of Baseline Positions shall increase proportionately. However, the City shall not be obligated to fund said proportional increase in the number of Baseline Positions. In the event the City's revenue sources, other than the Special Tax, decreases from the base revenue of the 2012-2013 fiscal year, the number of Baseline Positions shall be decreased proportionately.

b. Any Sworn Officer positions that are fully funded by short term grants with terms less than or equal to five (5) years shall not apply towards the Baseline Positions.

c. Beginning on the later of (a) the fifth (5^{th}) annual anniversary of the approval of the Special Tax or (b) the City successfully exiting Bankruptcy, and for each subsequent annual anniversary thereafter, the City shall be required to increase the number of Baseline Positions by a minimum of five (5) Sworn Officer positions where said five (5) Sworn Officer positions shall be transferred from the Tax Funded Positions and the Full Time Officer Fund shall not be utilized to fund the Sworn Officers transferred from the Tax Funded Positions to the Baseline Positions. The funds previously allocated to pay the salaries, health, and pension benefits for each five (5) Tax Funded Positions transferred to the Baseline

Positions shall be reallocated annually to the Reserve Account from the date of transfer thereafter.

5. All revenue received by the City from collection of the Special Tax shall be allocated to five (5) restricted funds for the exclusive use as defined herein for each fund (the "Expenditure Plan").

6. **Full Time Officer Fund** - Fifty Percent (50%) of the annual Special Tax revenue shall be allocated to the ("Full Time Officer Fund") to be utilized by the City only as follows:

a. To pay the base salaries, health and pension benefits, payroll taxes, and workers compensation premiums for up to one hundred (100) Sworn Officer positions (individually referred to as a "Tax Funded Position" and collectively as "Tax Funded Positions") filled by the City in excess of the Baseline Positions.

b. The total allocation from the Full Time Officer Fund for each Tax Funded Position will be limited to seventy six thousand dollars ($76,000.00) annually to pay the cost of the base salary only. The cost to pay the City's contribution to the base salary related health care benefit, City's contribution to the base salary related pension contribution, base salary payroll taxes, and base salary workers compensation premium for each Tax Funded Position shall be paid from the Full Time Officer Fund. The Full Time Officer Fund will not be utilized to pay for any overtime, add-on pay, or any other compensation other than the cost described above. The total allocation from the Full Time Officer Fund for the base salary shall be increased by two-percent (2%) per year. This provision is intended to only limit the amount to be contributed from the Full Time Officer Fund towards the compensation of each Tax Funded Position, not to place any restriction on the total compensation paid to any Sworn Officer.

c. During any period of time that the City does not fund, from sources other than the Special Tax, the Baseline Positions, the Full Time Officer Fund cannot be utilized to fund any additional Tax Funded Positions and all Full Time Officer Fund revenue that is not being utilized to fund Tax Funded Positions shall be transferred into the Reserve Account until the City resumes funding, from sources other than the Special Tax, the Baseline Positions During any period time that the City does not fund, from sources other than the Special Tax, the Baseline Positions, an amount equal to the annual revenue allocated to the Full Time Officer Fund that is not being utilized to fund Tax Funded Positions may be transferred from the Reserve Account to the Part Time Officer, Retention/Lateral Hire Incentive Fund subject to the approval of the Stockton City Council at the recommendation of the Special Tax Advocate-Administrator and the Stockton Chief of Police

d. At any time during the initial three (3) years of the Special Tax, any funds allocated to the Full Time Officer Fund for each year that are not utilized to pay

the cost of Tax Funded Positions as per Sections 6.a and 6.b herein may be reallocated to the Part Time Officer, Retention/Lateral Hire Incentive Fund or utilized to contract with the San Joaquin County Sherriff's Office to provide Sherriff's Deputies to work within the incorporated City boundary subject to the approval of the San Joaquin County Board of Supervisors and the Stockton City Council at the recommendation of the Special Tax Advocate-Administrator, Stockton Chief of Police, and the Stockton Police Officers Association.

7.- **Part Time Officer, Retention/Lateral Hire Incentive Fund** - Ten Percent (10%) of the annual Special Tax revenue shall be allocated to the ("Part Time Officer, Retention/Lateral Hire Incentive Fund ") to be utilized by the City only as follows:

a. To pay for part time police officers at a rate not to exceed $35.00 per hour including payroll taxes and workers compensation premiums. The Part Time Officer, Retention/Lateral Hire Incentive Fund shall not be utilized to pay any health plan and pension benefits paid to said part time police officers. The utilization of part time police officers will be at the discretion of the Stockton Chief of Police.

b. To pay the cost of providing incentives to retain Sworn Officers included in the Baseline Positions with at least two (2) years experience ("Retention Officers") with the Stockton Police Department and to attract lateral hiring of Sworn Officers with at least two (2) years prior experience to fill Tax Funded Positions or to fill Baseline Positions ("Lateral Hire Officers").

c. Retention Officers shall be eligible to receive an incentive ("Retention Incentive") to be paid on a monthly basis commencing on the date of implementation of the Retention Incentive program set forth by the Stockton Chief of Police and approved by the Stockton City Council and shall continue for three (3) years thereafter. The amount of the Retention Incentive shall be in accordance with the following schedule that is based upon years of service with the Stockton Police Department:

Two (2) to Three (3) years service: $100.00 per month
Four (4) to Five (5) years service: $150.00 per month
Six (6) to Seven (7) years service: $200.00 per month
Eight (8) or more years service: $250.00 per month

d. Commencing on the date of implementation of the Lateral Hire Incentive program set forth by the Stockton Chief of Police and approved by the Stockton City Council and for three (3) years thereafter, any Lateral Hire Officer shall be eligible to receive a hiring incentive ("Lateral Hire Incentive") to be paid in a lump sum amount at the time the Lateral Hire Officer receives his or her first paycheck from the City. The amount of the Lateral Hire Incentive shall be calculated by utilizing the monthly Retention Incentive amount that corresponds to the years of Sworn Officer experience accumulated by the Lateral Hire Officer

and multiplying that corresponding monthly rate by twelve (12). For example, a Lateral Hire Officer with four (4) years prior Sworn Officer experience will be eligible to receive a lump sum incentive payment equal to one hundred fifty dollars ($150.00) multiplied by twelve (12) or eighteen hundred dollars ($1,800.00).

e. Lateral Hire Officers shall be eligible for the Retention Incentive for two (2) years following their first year of service with the Stockton Police Department.

f. Lateral Hire Officers shall also be eligible for the Lateral Hire Housing Incentive as set forth in Section 9.c herein.

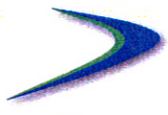
8. **Criminal Justice Fund** - Twenty Five Percent (25%) of the annual Special Tax revenue shall be allocated to the ("Criminal Justice Fund") to be utilized by the City only as follows:

a. To pay expenses related to detaining suspects, arrested by the Stockton Police Department, awaiting arraignment or Pre-Trial evaluation at the San Joaquin County Jail, San Joaquin County Honor Farm, a City Jail operated by the City or under contract with a qualified operator, or at a facility approved by the Stockton City Council at the recommendation of the Special Tax Advocate-Administrator.

b. To pay expenses related to detaining or monitoring suspects arrested by the Stockton Police Department that have been arraigned or have been processed through Pre-Trial evaluation and are awaiting trial for a misdemeanor or non-violent felony offenses. Detention of such suspects can be at the San Joaquin County Jail, San Joaquin County Honor Farm, a City Jail operated by the City or under contract with a qualified operator, or at a facility approved by the Stockton City Council at the recommendation of the Special Tax Advocate-Administrator.

c. To pay expenses related to prosecuting misdemeanor and non-violent felony offenses of suspects arrested by the Stockton Police Department subject to authorization of the Stockton City Council at the recommendation of the Special Tax Advocate-Administrator. Prosecution of misdemeanor offenses may be performed by the City Attorney's Office, subject to approval of the Stockton City Council at the recommendation of the Special Tax Advocate-Administrator. Payment of expenses related to prosecution by the San Joaquin County District Attorney's Office shall also be subject to approval by the San Joaquin County Board of Supervisors.

d. To pay expenses related to supervising misdemeanor and non-violent felony offenders arrested by the Stockton Police Department that have been sanctioned with community service or other effective alternatives to custody. Contracting for supervision by an agency other than the City will require approval by the contracting agency and the Stockton City Council at the recommendation of the Special Tax Advocate-Administrator.

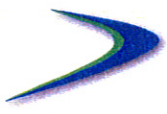


e. To pay the expenses related to incarcerating sentenced misdemeanor and non-violent felony offenders arrested by the Stockton Police Department for a maximum of six (6) months at the San Joaquin County Jail, the San Joaquin County Honor Farm, a Community Correction Center located within San Joaquin County, or other facility authorized by the State of California to house sentenced misdemeanor and non-violent felony offenders, subject to authorization of the Stockton City Council at the recommendation of the Special Tax Advocate-Administrator.

f. As of the date of approval of the Special Tax, the Stockton Chief of Police and the San Joaquin County Sherriff shall determine the number of sentenced misdemeanor and non-violent felony offenders that were arrested by Stockton police officers and are housed in the San Joaquin County Jail and the San Joaquin County Honor Farm within the previous six (6) months (cumulatively the "Base Inmates"). Use of the Criminal Justice Fund to house sentenced misdemeanor and non-violent felony offenders in the San Joaquin County Jail, the San Joaquin County Honor Farm, or a Community Correction Center located within San Joaquin County as per Section 8.e herein shall be limited to sentenced misdemeanor and non-violent felony offenders in excess of the number of Base Inmates.

g. To pay the base salary, not to exceed one hundred thousand dollars ($100,000.00) annually, including health plan and pension benefits, payroll taxes, and workers compensation premiums for one (1) administrative position ("Special Tax Advocate-Administrator") to oversee the administration of the Special Tax as per this Expenditure Plan. The Special Tax Advocate-Administrator shall be hired by the Stockton City Council and shall report directly to and take direction directly from the Stockton City Council regarding matters of the Special Tax. The Special Tax Advocate-Administrator shall be hired utilizing the same procedures identified in the City of Stockton Charter to hire the Stockton City Manager (the Mayor of the City of Stockton shall select the person to fill the position and the City Council shall ratify the Mayor's selection), shall report directly to the Stockton City Council, and shall act independent of all other City departments. The Special Tax Advocate-Administrator shall not have any authority over the operation of the Stockton Police Department. The Criminal Justice Fund can be used to pay an indexed cost of living adjustment up to a maximum of 2% per year for the Special Tax Advocate-Administrator.

h. To pay the cost to fund consultant work for a period of up to four (4) years from the date of implementation of the Special Tax to work directly with the Special Tax Advocate-Administrator, the Stockton Chief of Police, and other criminal justice professionals on matters related to utilizing the Criminal Justice Fund in the most cost effective manner to reduce crime in the City of Stockton. The Mayor of the City of Stockton and the Special Tax Advocate-Administrator shall be responsible to select the consultant. The cost for said consultant work



shall not exceed one hundred fifty thousand dollars ($150,000.00) the first year and shall not exceed fifty thousand dollars ($50,000.00) per year for each of the following three (3) years. The contract for consultant work authorized by this Section 8.h shall be subject to approval by the Stockton City Council at the recommendation of the Special Tax Advocate-Administrator and the Stockton Chief of Police.

i. To support community based organizations that have objectives to (a) offer programs and other services to convicted offenders focused on reducing future criminal behavior and thus reducing recidivism, and (b) offer programs and other services to citizens focused on providing guidance and alternatives to a lifestyle that leads to committing crimes. All contributions to any such community based organization shall be subject to approval by the Stockton City Council at the recommendation of the Special Tax Advocate-Administrator.

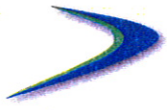
j. To support the Stockton Marshall Plan and the programs, such as Operation Ceasefire and Operation Peacekeeper, identified in the Stockton Marshall Plan to reduce violent crime in the City.

9. **Live in Stockton Incentive Fund** - Five Percent (5%) of the annual Special Tax revenue shall be allocated to the ("Live in Stockton Incentive Fund") to be utilized by the City only as follows:

a. To offer an incentive for Sworn Officers to live within the Approved 2035 Sphere of Influence boundary as indicated on the City of Stockton 2035 General Plan Map as may be adjusted by amendment thereto or the area located east of State Route 99, south of Eight Mile Road, north of Foppiano Lane, and West of the Central California Traction Railroad (collectively the "Housing Incentive Area").

b. At any time prior to the Expiration Date, any Sworn Officer that lives within the Housing Incentive Area will be eligible to receive up to three hundred dollars ($300.00) per month to be applied towards the mortgage or rent paid by said officer. The amount to be paid per month shall be based upon the amount of funds available in the Live in Stockton Incentive Fund for each calendar year divided by the number of Sworn Officers residing within the Housing Incentive Area eligible to receive the monthly incentive (the "Monthly Housing Incentive").

c. Commencing on the date of implementation of the Lateral Hire Incentive program set forth by the Stockton Chief of Police and approved by the Stockton City Council and for three (3) years thereafter, any Lateral Hire Officer shall be eligible to receive a payment equal to the Monthly Housing Incentive in effect at the date of hire multiplied by twelve (12) to be paid in a lump sum amount at the time the Lateral Hire Officer receives his or her first paycheck from the City (the "Lateral Hire Housing Incentive").



Stockton Safe Streets
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10. **Reserve Account** - Ten Percent (10%) of the annual Special Tax revenue shall be allocated to the ("Reserve Account") to be utilized by the City only as follows:

a. The Reserve Account shall be used to supplement any annual shortage of Special Tax revenue to meet the obligations of the Full Time Officer Fund, the Part Time Officer, Retention/Lateral Hire Incentive Fund and/or the Criminal Justice Fund in any given fiscal year.

b. All funds allocated to the Full Time Officer Fund, the Part Time Officer, Retention/Lateral Hire Incentive Fund, the Criminal Justice Fund, and the Live in Stockton Incentive Fund that are not utilized in any given fiscal year as per this initiative shall be placed into the Reserve Account.

c. Upon the Expiration Date:

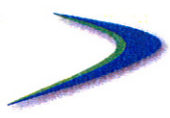
i. All funds in the Reserve Account, if any, shall be made available to subsidize the annual cost of the remaining Tax Funded Positions that have not been transferred to meet the Baseline Position requirements as per Section 4.c herein.

ii. When all Tax Funded Positions have been transferred to meet the Baseline Position requirements as per Section 4.c herein, all funds in the Reserve Account, if any, shall be allocated to fund part time police officer positions pursuant to Section 7 herein until the Reserve Account reaches a zero balance.

11. The Special Tax Advocate-Administrator will work first with San Joaquin County and the San Joaquin County Sheriff to analyze the most economically feasible method of detaining and incarcerating sentenced misdemeanor and non-violent felony offenders at facilities located within San Joaquin County, including the City leasing and operating appropriate facilities located within San Joaquin County.

12. A volunteer citizen's oversight committee shall be formed consisting of five (5) members from the Stockton community to oversee the operational aspects of the Special Tax and report their findings directly to the Stockton City Council. The Special Tax Advocate-Administrator may also form a volunteer citizen's advisory committee consisting of members of the community and shall utilize existing resources within the Stockton Police Department and San Joaquin County to the extent possible to provide input on matters related to addressing crime reduction and prevention in the City in the most cost effective manner.

13. The revenue generated by the Special Tax will be strictly segregated from the City general fund and used only for the purposes outlined in the Special Tax measure. It shall not be subject to any other purpose including loans to other City funds or any other appropriation.



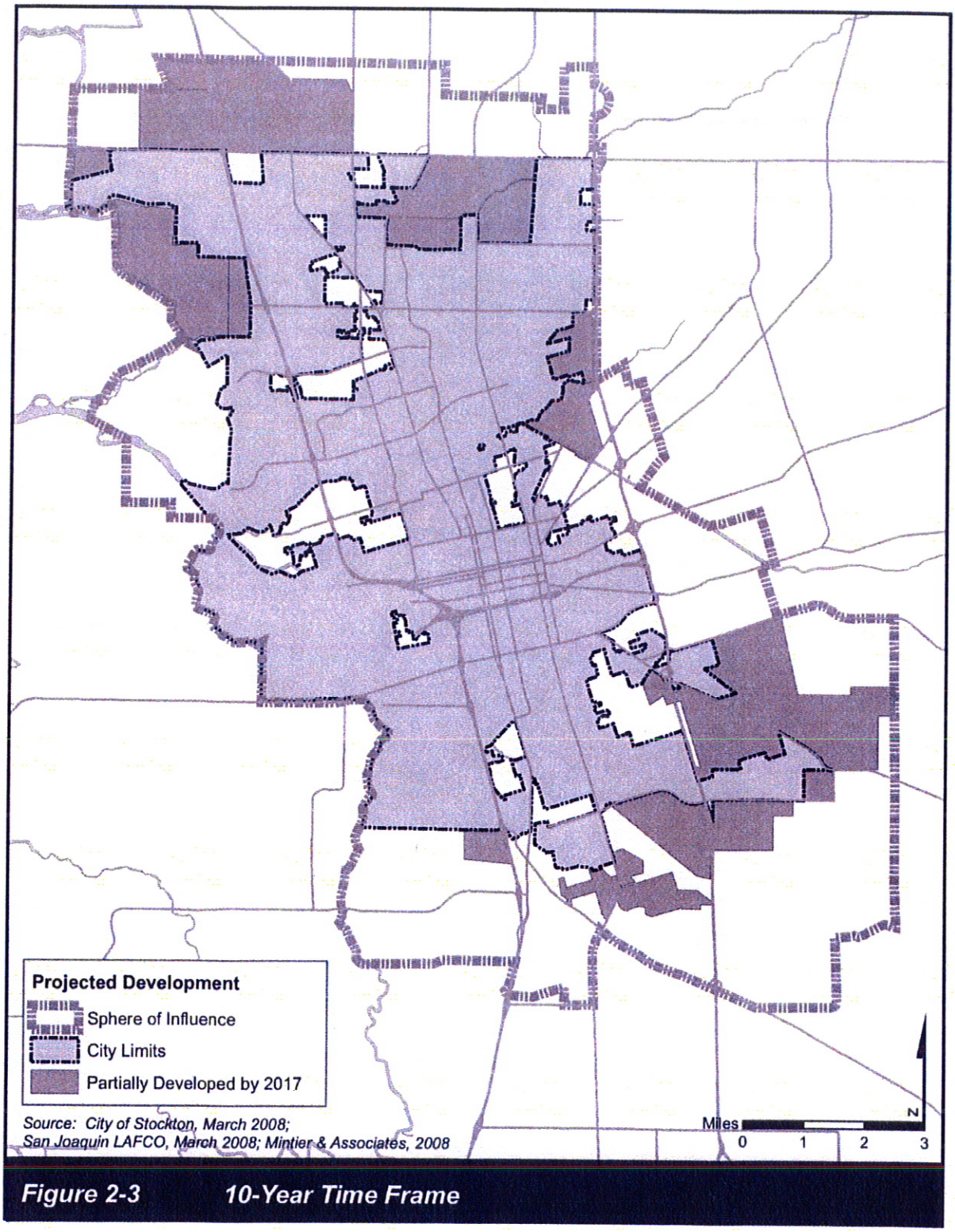
14. The Special Tax revenue fund will be subject to an annual fiscal audit by an independent certified public accountant licensed in California to determine an accurate accounting of the revenue collected and the adherence to the restricted use of funds defined herein, subject to authorization of the Stockton City Council at the recommendation of the Stockton City Manager. The cost of said annual audit will be paid from the Reserve Account.

15. If any discrepancy (including loans or transfers to other city fund accounts) is determined by the independent fiscal audit it shall be corrected within 90 days of the final audit report. If the discrepancy is not corrected within 90 days, all expenditures from the Special Tax shall be immediately suspended and all revenue collected by the Special Tax shall be allocated to the Reserve Account until said discrepancy is corrected.

16. If, for any reason, a court of competent jurisdiction orders the Special Tax revenue to be used for any purpose other than stated herein, the Special Tax shall become immediately null and void.

17. The Special Tax will expire on December 31, 2025 (the "Expiration Date").

EXHIBIT B



Source: City of Stockton 2008 Municipal Service Review