



MINUTES

HERCULES CITY COUNCIL AND REDEVELOPMENT AGENCY

Joint City Council Finance Sub-committee

and

Ad Hoc Citizens Advisory Finance Committee (CFAC)

May 17, 2011

City Hall Council Chambers Room

111 Civic Drive, Hercules, CA 94547-1771

Members Present

Myrna DeVera, Vice-Mayor, John Delgado, Council Member,
Hector Rubio, Chair, Frank Batara, William Wilkins, Gabriel Naguit
Virgilio Dela Vega (absent)

Staff Present

Liz Warmerdam, Kathleen VonAchen

Guests Present

Gerard Boulanger, Sherry McCoy, Laila Kearney, Ron McKeever,
Giorgio Cosentino, Ken Morrison, Lori Chinn, Anton Jungherr

Meeting Called to Order: 6:00 PM

1. Budget Discussion (Warmerdam & VonAchen)

Kathleen VonAchen distributed Income Statement and Balance Sheet showing 5-year results for the General Fund from FY2006-2007 through FY2010-2011 and preliminary budget estimates for FY2011-2012. Discussion ensued on the two documents.

The income statement showed that expenses have exceeded revenues for the past 6 years and the General Fund has been operating in deficit since 2006; increasing annually from negative \$313,000 to negative \$6.6 million in the current fiscal year. This level of deficit spending was sustained by the infusion of bond proceeds.

VonAchen stated that the standard financial practice for municipalities is to close the fiscal year with a fund balance equal to 2-3 months of city revenues. She pointed out that the

General Fund's estimated end of year fund balance of \$1.9 million does not meet that goal and is inadequate. Additionally, if current spending levels continue, the fund balance at the end of FY2011-2012 will be negative \$1.2 million.

Budget development is on-going and projected expenditures have been reduced to \$15.8 million, but a deficit of \$3.8 million remains, plus the \$1.5 million shortfall in the Redevelopment Agency's debt service for which the General Fund is ultimately responsible.

Options for closing the gap were discussed. (1) Sizeable increase in fees charged by all city departments; (2) Transfer a percentage of the "Fiscal Neutrality" funds to the General Fund; (3) buy-back RDA bonds as needed to reduce the \$1.5 million shortfall to \$0 using the proceeds from the sale of land and other City assets; (4) impose a 4-day, 9-hour per day work week; (5) negotiate concessions on employee benefits to reduce the amounts paid by the City; (6) shared services with Pinole.

The gap would decrease to \$1.8 million should the above items be successfully implemented. Additional layoffs and cuts to City services would be necessary to eliminate the remaining gap.

Discussion continued on how best to implement the furlough days; schedule them around holidays to extend the weekends, and/or lump them into the week of Thanksgiving and the week between Christmas and New Years.

Warmerdam related little progress in negotiations with the public safety union and recounted a high level of resistance to benefit reductions. Layoffs of police officers may be necessary to close the remaining budget gap.

Summer intern from UC Berkeley was interviewed and will assist with processing business licenses, BART lot management and miscellaneous filing as needed.

The auditor has completed his report and will release his audit report next week.

Recommendations:

- Perform mid-year review of budget to ensure that revenues and expenses are on track.
- Parks and Rec's department to implement additional cost reductions and make the department cost neutral.
- Facility rentals for the most popular days should be set at the full price. Reduced fees charged to non-profit organizations should only be for days that are less sought after; i.e. organizations wishing to rent the facility for Valentine's Day should pay the full fee.
- Billing for dispatch services performed by the City of Pinole seems high at \$500,000 annually. Recommend that staff review the costs and request a comprehensive breakdown of staffing, services provided, and how the shared cost is determined.
- Work Sharing Plan: Frank Batara suggested that staff consider filing a Work Sharing Plan with the EDD where employees work a reduced number of hours per week, but receive an unemployment insurance payment for the remaining hours; this program can be used in lieu of layoffs and perhaps leveraged to gain more concessions in employee benefits.

Meeting Adjourned: 10:00 pm

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