



MINUTES

HERCULES CITY COUNCIL AND REDEVELOPMENT AGENCY

Joint City Council Finance Sub-committee

and

Ad Hoc Citizens Advisory Finance Committee (CFAC)

July 19, 2011

City Hall Council Chambers Room

111 Civic Drive, Hercules, CA 94547-1771

Members Present

John Delgado, Vice Mayor, William Wilkins, Council Member

Hector Rubio, Chair, Virgilio de la Vega, Vice Chair

Gabriel Naguit, Bill Shea

Staff Present

Liz Warmerdam, John McGuire, Janielyn Bayona

Guests Present

Gloria M. Rodriguez, Mike Bowermaster

Gerard Boulanger, Laila Kearney

Meeting Called to Order: 6:15 PM

1. Introductions (All)

Committee roster was changed due to the election of William Wilkins to the City Council. Since a maximum of two council members may be on the committee, DeVera and Wilkins exchanged positions leaving a vacancy for a City resident. Bill Shea was introduced as the new member filling the vacant position. It was noted that Frank Batara had resigned his position due to limited time availability. All attendees introduced themselves.

2. SunTrust Lease (John McGuire)

McGuire explained that the lease is a funding mechanism used by the City for the purchase of energy efficient equipment provided and installed by Siemens at the swim center and each of the childcare centers at Ohlone, Lupine and Hanna Ranch. Equipment includes solar panels and a cogeneration unit. SunTrust is the bank providing the funding for the purchase and receives the lease payments.

Siemens performed a baseline energy audit and guaranteed the equipment would provide an energy cost savings of \$76,000 annually. Contract has a cost of \$2.1 million paid over 15 years at a rate of \$200,000 per year. Operation began on 9/27/2007. The solar panels are performing well and the City has received credits from PG&E; however, the cogeneration unit has been problematic with multiple service calls requiring \$8,500 in annual maintenance.

The contract calls for annual energy audits, at a cost of \$20,000, to determine if the energy savings are being met. McGuire has been unable to find any records of an energy audit being performed for the past 3 years. Staff will contact Siemens and request a copy of the prior year energy audits, if they were performed.

The contract also calls for an Accumulated Savings Account to be paid into by Siemens to make up the difference in energy savings should the guaranteed \$76,000 annual savings do not materialize. The account has a balance of \$0.

Action: Bill Wilkins volunteered to study the lease agreement and determine if the contract terms are being met, and course of action is available to the City.

3. Proposals from Independent Audit Firms (Warmerdam & Bayona)

Liz Warmerdam distributed proposals from 5 firms that had responded to the City's RFP for annual audits CAFR, and Management Report. Janielyn Bayona distributed a spreadsheet with the responses from each firm to the RFP requirements.

The committee reviewed each proposal and ranked each firm based on the following criteria:

- Experience auditing cities
- Experience auditing utilities (HMU)
- Local presence
- Staffing experience and credentials
- Sufficiency of staff and resources allocated to the task
- Approach in dealing with City management and presenting difficult results
- Ability to present recommendations to resolve problems found

Discussion continued on the responses from each firm and to create a timeline to interview and select an auditor. It was noted that Chavan Associates estimated 200 work hours more than the other auditors and thus proposed a much higher fee. The committee asked staff to contact Chavan and ask them to review their hourly estimate.

Action: Interviews will be held Thursday 7/28/11. Committee decided to interview OUM and Gallina. Chavan would be interviewed, if their numbers can be adjusted to be more in line with the budgeted amount, otherwise JJACPA would be the 3rd firm to interview. Bill Shea will represent the committee in the interview process. Council members may send a representative should they so choose.

4. Interim Finance Director (Warmerdam & Bayona)

Liz Warmerdam is considering several candidates for the position; which is critical now, as the City needs to decide how to restructure debts and manage the negative cash balances in the RDA accounts. The top two candidates are retired finance directors from the Cities of Vallejo and San Jose. Both have experience guiding their cities through financial difficulties due to decreased increment tax revenues for their respective redevelopment agencies. The candidates are available through Municipal Resources Group and Robert Half.

5. Cost Benefit Analysis for RDA Pay to Play (Warmerdam & Bayona)

For the RDA to continue operating, it must make a payment of \$1.4 million to the State by September 1st otherwise the RDA will be disbanded in October. Housing fund money can be used for the payment, of which \$1.0 million is available. The source for the remaining \$400,000 has not been identified.

Should the RDA be disbanded, property transfers from the RDA to the City could be voided and subject to clawback provisions. Assets and uncommitted funds would be turned over to a successor entity for liquidation and to service debts.

Liz Warmerdam proposed hiring Keyser Marsten or RSG to analyze tax increment projections and perform a cost benefit analysis and determining whether the City should make the payment or allow the RDA to disband.

6. Additional Item (Warmerdam & Bayona)

Warmerdam mentioned that CCTA has begun an audit of the City; the effort is to review how grant funds were spent including the recently awarded STIP grants.

Meeting adjourned at 9:40 pm.

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