



MINUTES

HERCULES CITY COUNCIL AND REDEVELOPMENT AGENCY

Joint City Council Finance Sub-committee

and

Ad Hoc Citizens Advisory Finance Committee (CFAC)

May 26, 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 de la Vega (absent)

Staff Present

Liz Warmerdam, Pedro Jimenez, Kathleen VonAchen

Guests Present

Laila Kearney, Eric Williams, Rozen Stafford, Claudia Vega,
Gwendolyn Windham, Darice Balabanis, Anton Jungher, Gerard Boulanger

Meeting Called to Order: 6:10 PM

1. RFP Independent Annual Audit (Warmerdam & VonAchen)

The Committee discussed the first draft of the RFP to be used in requesting professional auditing services. Liz Warmerdam explained that the timing for switching auditors is not optimum since it is the end of May and audits are due by the end of December. At this late date, most auditing firms have already been booked for the next fiscal year. The RFP may not receive responses from the higher quality firms in the Bay Area, and may be limited to firms with lesser

reputations or capabilities. Warmerdam suggested that the committee consider selecting a new managing auditor from within the same firm in lieu of selecting a new firm altogether.

Discussion ensued on the lack of satisfaction from of the current auditor whose audit is 5 months late, has not been released and was only received by staff earlier this week. In addition, the current auditor missed numerous red flags that should have brought their attention to the poor fiscal controls within the City's finance department. The auditor's review of the City's finances have been more thorough than in prior years, but only due to the scrutiny that the City has received from the Contra Costa Times, Hercules Patch, Grand Jury, State Comptroller's office, and Calpers.

Recommendations: The committee recommends that the City seek a new auditor and have staff tailor the RFP towards auditors that specialize in the finances of municipalities and not auditors whose main focus is providing corporate tax services.

2. A. Jungher's Financial Recovery Plan (All)

The Committee reviewed the plan point by point. The first four items are under negotiation and may be implemented. Discussion ensued about item #5 converting Parks & Recreation into an Enterprise Fund similar to the Wastewater or HMU; such a move would force the City to transfer its classrooms to the department, which would then have to depreciate and capitalize its assets and amplify the losses. All agreed that the revenues and expenses for Parks & Recs could be tracked by establishing a Special Revenue Fund that uses the Modified Accrual Accounting method without having to create another entity. Also, by having its own fund, Parks & Recs avoids commingling its revenues with other departments.

Pedro Jimenez mentioned that the biggest impediment to his department becoming self-supporting is the library, which has a minimum operating cost of \$76,000 but does not generate any revenues. Thus all other departments have to generate surpluses to cover that cost.

The committee agreed with the remaining points and noted that an intern had already been recruited by the finance department and others are being considered.

3. City Council Compensation (All)

Liz Warmerdam distributed a breakdown of the benefits offered by the City to council members indicating a maximum cost of \$34,000 per member per year, should the member accept all of the benefits being offered. The current cost for the entire Council is \$94,000 and not all members are receiving all benefits offered. General consensus of the group was that the benefits are overly generous and a number of recommendations were proposed:

- Roll back the past 5% annual increases to achieve a 20% reduction. The monthly payments for performing duties should be continued, but at a reduced amount as compensation for the hours of work involved.
- Perform an annual review of the costs for reasonableness when compared to City revenues.
- Survey and compare costs and reimbursements to other nearby cities of similar population size.
- Propose a maximum amount that the City will disburse in pay and benefits.
- Create a cafeteria plan, where a council member can select from a menu of benefit choices up to the maximum paid by the City. Any selections above that limit can be paid out of pocket by the council member. This approach can also be applied towards all City employees in future contract negotiations.

4. Budget Discussion – Parks & Recreation (Jimenez & Warmerdam)

Pedro Jimenez distributed a cost breakdown of salaries and benefit expenses for each program offered by the Parks & Recreation department. In total, Jimenez reduced the City's subsidy of \$1.5 million in the current fiscal year down to \$180,000. A reduction of \$970,000 in the budget was achieved by consolidating programs, combining positions, staff reductions and not filling some open positions. Budget cuts and reductions in services are as follows:

- Library: Eliminated the additional 10 hours paid by the City. The library will be open 35 hours and not able to provide a full time librarian.
- Administration: Activity guide is only available online; no printing nor mailing costs incurred. May seek advertising revenue for the online guide, but does not expect to generate the same level of revenues as the printed guide.
- Facility Rentals: Higher fees will be charged, and consolidated positions. Blackout dates will be implemented on the high demand rental days. Jimenez will discuss specific dates with the Community Services Commission to determine the specific blackout dates.
- Summer Camps: Fees increased and capacity decreased to more closely match the 70 participants for each of the three locations as anticipated for each week during the summer.
- Swim Center: Higher fees for the swim programs, lessons, and swim teams. Pool may be closed on Wednesdays and Sundays, which are the lowest turnout days of the week. Discussions are under way with the East Bay Silver Dolphins swim team to practice during the winter at Contra Costa College to minimize the high costs of heating the pool.

- Before & After School Programs: A noticeable decrease in enrollment occurred this fiscal year, perhaps due to the high unemployment in California and families not needing the service. Consolidated classrooms and eliminated positions to decrease the capacity in the program.

Higher fees will be implemented on all other programs to make them cost neutral. Employee benefit concessions, if successful, will further reduce the \$180,000 subsidy to \$80,000, which is the full cost of maintaining the library.

Counteroffer in benefit reductions was sent to the unions today. Unknown at this time is whether the unions will accept the reductions. HPD is strongly resisting any cuts to salary or benefits and another round of layoffs may have to be implemented focused on the police department.

Meeting Adjourned: 9:20 pm

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