



MEMORANDUM

DATE: November 5, 2010

TO: Mayor Kris Valstad and City Council Members
City Employees
Members of the public

FROM: Charlie Long, Interim City Manager

SUBJECT: City Manager's Weekly Report

Projections of City finances: I am very concerned that the City's budget does not include a five year projection of revenues, expenses and fund balances. The [2010-11 budget](#), which is available with this report and on the [website](#), addresses only current year revenues and expenses. The five year projection of capital projects totaling \$233 million does not show sources of funding.

The highest priority of our new Finance Director, Liz Warmerdam is creating a 5 year picture of our finances showing all revenues and how they are allocated.

Once this project is available, I will release it publicly so the Council can evaluate in the Mid-Year Financial Review how to allocate our resources over the long term. I suggest we hold several public workshops on this issue as part of this evaluation. I estimate that the 5 year projections will be available for public review in early December.

Sycamore North Project: I have been reviewing the financial status of the Sycamore North Project which is currently under construction. This is a mixed use project with 96 residential units above 40,000 square feet of retail.

Several different reports exist throughout the organization showing the project budget. We are rapidly consolidating this information in Finance and consolidating project management in the new Municipal Services Department.

At this point the information I have on project costs are as follows:

	Rental Residential	For-Sale Residential	Retail	TOTAL
Site Improvement Cost	1,175,578	1,273,543	698,009	3,147,130
Building Costs	16,710,281	18,102,805	6,672,097	41,485,183
General Conditions/OH/Fee	2,350,166	2,546,013	819,722	5,715,901
Hard Cost Contingency	583,538	632,166	236,353	1,452,057
Soft Costs	5,142,101	5,801,146	4,405,166	15,348,413
Total Development Costs	25,961,664	28,355,673	12,831,347	67,148,685

Funding for the project is as follows:

	Rental Residential	For-Sale Residential	Retail	TOTAL
Supportable Financing	4,326,000	19,744,325	5,650,000	29,720,325
CalHFA Financing	1,800,000	4,200,000	0	6,000,000
Required City Financing	19,835,664	4,411,348	7,181,347	31,428,360
Total Financing Sources	25,961,664	28,355,673	12,831,347	67,148,685

Over the next few weeks we will be addressing the programs for marketing the retail and residential units. We intend to explore the possibility of partnering with an affordable non-profit corporation on tenant screening and project management. And, we will be analyzing the distribution of the affordable units in terms of physical location throughout the project and the relationship of affordably priced units to market rate units.

The details of many of these issues will be covered in later reports as we finish analyzing them.

Bayfront: Not a lot of progress on Bayfront this week, since Jim Anderson has been ill and unable to participate in discussions. Here is the current status on a range of issues:

The EIR is ready to go to the printer. We promised to consult with Jim prior to releasing the EIR for comment and have been unable to do so because of his illness.

As reported on October 22, I have proposed 7 issues for framing discussion with Bayfront, as follows:

1. Right of way acquisition for the Intermodal Transit Center
2. Schedule of performance for the City and Bayfront to complete the environmental review.
3. Resolution of how open space/recreation obligations will be met.
4. Calculation of the financial gap faced by the project based on validated cost, market and phasing data.
5. Confirmation of private financing, co-investment and public benefits for the project.
6. Amount of public participation for addressing the financial gap. 4
7. Funding sources and application for ITC project.

On October 25, I asked Jim to respond to my proposed framework with suggestions for modifying, subtracting or adding to this framework. His response is still pending.

Once the framework is finalized, I hope to put together a work plan for addressing the issues through an information-driven process.

I also asked Jim to review a list of market consultants with whom he would feel comfortable doing a validated market study on the project. I have also asked him to propose a list of construction consultants who could validate the costs of development. When we have validated market value and costs, we will be able to assess project viability. Jim has not yet gotten back to me on this request.

Finally, we have several other issues pending which we want to discuss with Jim, but have been unable to because he has been ill. One issue involves Jim's concern that our engineering consultant is making design decisions on the ITC that undermine Bayfront. Another is the City's need to have access to the site to delineate wetlands. A third is our request that Jim send us information that he may have on valuation of the right of way we need for ITC in response to the valuation information we sent him on October 28. These issues are still pending.

Council Subcommittee meetings: I have received numerous suggestions on replacing the Council Subcommittee meetings with other forums that allow more information on

City activities to the public and involve the Council in strategic decision making. Those suggestions are shown in the log that is attached to this report.

I am concerned that the Subcommittee meetings seem to focus heavily on routine items and not on more important long term strategic issues. They also do not seem to do a good job of informing the public, nor do they allow the entire Council to be involved.

I believe that the Council needs a forum for discussing strategic issues. I wonder what people think of a monthly Strategic Issues Study Session that could focus on strategic issues and allow in-depth discussion by the Council and public on long term issues.

Affordable Housing Solutions Group contract: Last week I reported on the \$1.1 million of annual services provided by the Affordable Housing Solutions Group. On Tuesday, November 9, I will ask the Council to take the first step toward addressing this issue by approving a \$600,000 reduction in the annual cost of these contracts. Please access the Council agenda package for details.

The second step of addressing the AHSG issue will occur over the next 60 days, when we implement a process for making the remaining services provided by AHSG more competitive.

Fire District Meeting: I met this week with the new Fire Chief of the Rodeo Hercules Fire District, Charles Haney, who wants to discuss increasing the pass-through of redevelopment tax increment from Hercules Redevelopment Agency to the Fire District. The District's budget is about \$5 million and they are running a \$750,000 annual deficit.

I responded that this is an important issue to the City/Agency and that as soon as our 5 year financial projections are completed, that I would be happy to address this issue with the Fire District.

Organizational Changes: We continue to move forward with the many organizational changes that were implemented last week. The new directors are getting up to speed on their additional responsibilities and assessing current procedures to look for ways to improve organizational communication. There are many details that still need to be worked out, but issues are being addressed as they arise.

We have completed an employee survey on communication, cooperation and work place conditions and are in the process of distributing this survey to the employees. The survey will be one source of information that we will use in developing better training and communication within the organization.

Conflict of Interest Code: At next Tuesday's City Council meeting, I'm asking Council to amend the Conflict of Interest Code to require all department directors, consultants and the utility manager to file a Statement of Economic Interest when they assume office. Currently the code requires the City Manager and City Attorney position to file this when assuming office and the department directors to file on an annual basis. I think this change will eliminate the potential time gap for when a new director is hired to when the report is filed, which will be beneficial to the community and increase the City's overall transparency.

Intermodal Transit Center: This week, staff and HDR Engineering held a team meeting with consultants and the developer (via phone) to discuss the cafe building options, LEED certification, the next steps in the EIR/EIS process, the project schedule, Bay Trail easements, recent funding through the East Bay Regional Park District's successful TIGER II grant, and the upcoming Planning Commission meeting where the retaining wall engineering will be confirmed. Consultants call in to the Team meeting at appropriate times to conserve resources. The Team meetings will continue on an "as-needed" basis. We submitted updates to the Metropolitan Transportation Commission's Transportation Improvement Program (TIP) project listing where all projects - including schedule and funding - are listed and tracked.

Palm Avenue Project: The Palm Center Project is a 45,000 Sq Ft project with three buildings of equal size located on the corner Palm and Sycamore Ave. The project received its entitlements from the Planning Commission in November 2009. The architect, Michael Woldemar and Associates is in the process of completing the construction documents for submittal to the building and safety dept for plan checking. Issues that are being addressed are mostly construction and marketing related.

A draft RFQ is currently being prepared for the possibility of a public/private partnership for the development of this project. There are two seasonal wetlands in the area, so Olberding and Associates is reviewing the environmental component. We are also awaiting EBMUD's approval to continue with the road relocation. Since we are approaching the rainy season, most of the construction will take place in the Spring.

I have asked the Municipal Services Department to review the marketing and business negotiations. I have some concerns about this project in terms of its use of Agency resources and may, after the review, recommend changes to the strategy we have been following on the project.

Up to this point, we have achieved the following:

- Accurate Auto Body- A Letter of Intent to negotiate a Lease Agreement (LA) was signed for one of the 15,000 Sq Ft buildings.

- Letcher Bros Auto repair – A business plan with their last three years tax returns was received in October 2010. They are interested in leasing approximately 7,500 Sq Ft space.
- Mr. Mayur Patel – Presented his interest in a general grocery store with a deli. He was directed to prepare a business plan for the City’s review.

As I indicated, I have some concerns that this project may be a dilution of Agency/City resources and, after the review, may recommend changes to the approach we have been taking on this project.

Duck Pond Park: Construction on Duck Pond Park continues to move forward. The majority of the concrete work has been completed and the remaining framing will be completed by the end of next week. We are also moving forward with Phase II of the park, which includes additional pathway connecting to the rear of the existing trail, additional irrigation and landscape, and a dedicated area for future Memorial Tree Grove. The project is still on schedule to be complete by the end of the year.

Hercules Fitness: Staff of the new Municipal Services Department did a walkthrough with the existing tenant of Hercules Fitness to learn about their concerns and discuss possible solutions regarding some flooding areas, windscreens, and a future plan to address parking issues. Nothing has been finalized at this time.

Housing Element: Based on a telephone meeting with the State Housing and Community Development reviewer last week, the Planning Department clarified sections of the housing element related to single-room occupancy units, emergency shelters, and status of various projects including Waterfront, Sycamore Downtown North, Hill Town, New Town Center, and Sycamore Crossings.

Upcoming Events: Next Thursday, November 11 is Veterans Day. Please note that City offices will be closed. The weekly report will still be posted to the website on Friday.

Panhandle Annexation: The Mitigated Negative Declaration and Environmental Review of the ‘Panhandle’ Annexation project is complete. The next step is to bring those documents along with the required general plan amendment and zone ordinance amendment before the Planning Commission who will then make a recommendation to the City Council. A public hearing is tentatively scheduled for Monday, November 15 for the Planning Commission. We have also scheduled an informal meeting with the 7 property owners that are included in the annexation area for Monday, November 8. A staff report outlining the project and required applications will be available for the Planning Commission and public on Wednesday, November 10. We also have an

[Annexation project page](#) on the website with a copy of the Mitigated Negative Declaration.

PD Operations: On Thursday October 28 at 8:16 pm officers responded a suspicious package reported by the Valley Bible Church staff at 1477 Willow Avenue. A suitcase was located in the landscaping adjacent to the church about 30 feet from Palm Avenue. The suitcase was placed next to a bush and dirt was pushed up against it. A hardhat was set on top of the suitcase. Due to the suspicious nature of the package the Walnut Creek Police Bomb Squad was notified and responded. They x-rayed the suitcase and located some wires inside the suitcase and then detonated it. Syringes, drug baggies, videotapes, clothes, headphone wires, papers, and other personal possessions were found inside.

On Monday November 1st, at 8:01am officers served a search warrant at a Rosti Court residence. The warrant was the result of a narcotics investigation that lasted several weeks. Scales, packaging materials, and approximately \$800 cash were seized. There were no arrests at this time.

Project Update: Work on the Public Safety Wireless Mesh Project by the Affordable Housing Solutions Group was suspended effective November 2010.

Chief Attending Workshop: Police Chief Deltorchio is scheduled to attend the Contra Costa County Police Chiefs workshop next week from Monday, November 8 through Thursday, November 11. Commanders Dalby and Goswick will split acting chief duties during his absence.

Subcommittee Replacement Suggestions

These are suggestions I have received so far on replacing the Subcommittee meetings.

If no decisions are to be made and if the Council meets with the public, then I am afraid it will very quickly become an endless argument of the pro and cons and it will build even more frustrations.

I suggest to drastically reduce the number of subcommittees. Actually, most of them could be relocated into their respective division as "regular business".

When it comes to strategic projects, I think subcommittees are not a good solution. Instead, I suggest including a Project discussion/report at every single Council meeting as part of the official agenda. People concerned/motivated will prepare a thoughtful and short speech knowing in advance the subject of discussion. –Gerard Boulanger

The complaint about the sub-committee meetings is that the public couldn't attend. Many in the public wanted to see the meeting telecasted on TV or a audio recording. Minutes have not been maintained. I feel that the meetings should continue but be telecasted to the community so the public can watch. I feel that the meetings should not be held in the evening because it prolongs the workday for city staff. Having the opportunity to see business meetings and discussion prior to the council meetings is good for the public. Being able to hear what staff is suggesting to the council members is good for the community and hearing the response from council members that the public never hears during council meetings is likewise good. Postponing the meetings and asking the community which has no experience in city government leads to chaos. -Dan Romero

Workshops are a very good tool to get fast and qualified feedback from the public while subcommittees are more about going around the subject or/and preaching for special interests. Having said that, I believe workshops should be organized *ONLY to address strategic projects/issues*, and then a specific subcommittee could be build to follow up. However, I don't think we should replace all subcommittees with workshops as there is a risk to build too high of expectations, then frustrations. Transforming subcommittees into workshops may also give too much importance to "minor" projects.

I believe some subcommittees should simply disappear and be replaced by a regular report during Council meetings. It may sounds like I don't want the public to intervene in city affairs, but on some subjects, the public doesn't have enough information to be productive. For example, I attended a finance subcommittee a few weeks ago and I was lost. How can I give feedback on spending more if I don't have the whole picture?

Another example: the Chamber of Commerce or Education, we don't need a subcommittee to decide whether to financially support them or not: we can or we can't. – Gerard Boulanger

Other Suggestions

I suggest Council agenda to include a financial report every month and a report on all major projects every week.

-HMU: I am suggesting the city investigate the whole profit and loss on HMU and to act accordingly. We were told that thanks to HMU, our electric bill will be about 10% less than PG&E. That "discount" is only one part of the equation and I think we must consider the whole picture as HMU customers and as tax payer, thus compare apples to apples.

- NEO Consulting: Highly controversial subject..! Do other cities have such outsourced management? How come city friends could have been involved in such a plot without being stopped by the Council? Even if Mr. Oliva's daughter is not CEO anymore, decisions are made by Oliva's family acquaintances. This subject is by far the one which has created anger from residents making us thinking of lack of transparency and even corruption at the city hall.

Let's assume we need an affordable housing program, who should run it?

-City Hall organization: I suggest to implement a matrix organization where "project managers" will work across the chart in an horizontal way (like a product manager in a company). Those project managers could be present at City Council meetings, Planning Commissions, etc. I also suggest public to be part of the chart (i.e. information meetings). I believe our city hall needs to be focused on projects (for the major ones) using "parallel" advices from Communication to improve interaction/work with four main divisions of services, administrative, City development and finance. I think such a tasks structure will allow staff to deal with inside and outside issues. I also believe a structure not based on pyramidal management will provide some relief for those under the "control freak" attitude of the previous city Mgr. Public maybe officially be involved in Projects. City hall employees may be assigned to one (or more) project(s) and could also work in one of the 4 divisions.

- Ask Council to vote on all expenses over \$5,000 (+-?)

- Ask Council to use closed sessions for what they are meant for and not to talk behind our back

- Setup a communication plan and team for 2011--> which includes regular report on finances, projects, major issues/accomplishments

- Add 10-15 minutes to every Council meeting to give updates on ALL major projects.

-Anderson should not be part of the City Council meetings. This is not the place to work with the city/public, but a place to comment, mostly to disagree. If there is disagreement, they should be addressed somewhere else. We don't need another disturbance. I should say also that we were used by Anderson to promote their own agenda. There are always more than one side to a story, we were not fooled about that but were hopping it might help Waterfront by making some noise.

-That is behind us, and whoever will be at the Council soon, we expect the City and Anderson to find the necessary route to work together in a win/win context. –Gerard Boulanger

The June 22nd council meeting at 2:09:30 Mr. Olivia speaks about a private loan for 7.75 million to fund part of the Palm Ave Project. This has never been brought before the council since. Who is the loan with and why is the city borrowing money to fund this project. Also, the public really doesn't know if we have an anchor tenant for this project. The city staff has kept quiet about who is the anchor and presented the city with the possibility of having signed leases. It is time the public knows if we actually have tenants or is this project speculative. –Dan Romero

-I think there is a huge opportunity with the new Council to turn the boat very fast in the right direction as early as January the 1st.

I suggest the new Council to send ALL of us an informational letter signed by all Councils members which could include:

Approved Code of Ethics

Vision for Hercules - Existing Strategic projects - Future Projects - Other Projects

City Hall Reorganization - Organizational Chart

Communication Policy - What, When, Who and to Whom?

New City Council Meeting Format

Finances Report

Strategic Projects Meeting Agenda (with a card to be returned to the City to attend the meeting)

Such a letter could be part of the Herculean Magazine as a special insert. Actually I think such information should be send quarterly to all residents. –Gerard Boulanger