

January 27, 2009 Special Meeting

BENICIA CITY COUNCIL

SPECIAL MEETING AGENDA

City Council Chambers

January 27, 2009

6:00 P.M.

Times set forth for the agenda items are estimates. Items may be heard before or after the times designated.

I. CALL TO ORDER (6:00 P.M.):

II. CONVENE OPEN SESSION:

A. ROLL CALL

B. PLEDGE OF ALLEGIANCE

C. REFERENCE TO THE FUNDAMENTAL RIGHTS OF PUBLIC

III. OPPORTUNITY FOR PUBLIC COMMENT:

This portion of the meeting is reserved for persons wishing to address the Council on any matter not on the agenda that is within the subject matter jurisdiction of the City Council. State law prohibits the City Council from responding to or acting upon matters not listed on the agenda.

Each speaker has a maximum of five minutes for public comment. If others have already expressed your position, you may simply indicate that you agree with a previous speaker. If appropriate, a spokesperson may present the views of your entire group. Speakers may not make personal attacks on council members, staff or members of the public, or make comments which are slanderous or which may invade an individual's personal privacy.

A. WRITTEN COMMENT

B. PUBLIC COMMENT

IV. CLOSED SESSION:

A. Conference with Labor Negotiator

(Government Code Section 54957.6 (a))

Agency negotiators: City Manager and Administrative Services Director

Employee Organizations: Benicia Senior Management Group, Benicia Middle Management Group, Police Management Group, Benicia Firefighters Association (BFA), Benicia Police Officers Association (BPOA), Benicia Dispatch Association (BDA), Local #1, Benicia Public Service Employees' Association (BPSEA), BPSEA Part-Time Unit, and Unrepresented Employees

V. RECONVENE OPEN SESSION:

VI. INFORMATIONAL ITEMS (6:30 P.M.):

[A. Review of current economic conditions and the impact on the FY 2008-09 Municipal Budgets. \(Finance Director\)](#)

During the December 2, 2008 review of the Municipal Budgets, the City Council directed staff to return on the fourth Tuesday of each month with an update on the Economic Recession and the impact on the City of Benicia's FY 2008-09 Budget. This report provides a brief glimpse of the national and regional economic climates and an outline of preparations for contingency measures. Due to the extensive budget adjustments implemented in August and December 2008, no additional adjustments are required at this time.

Recommendation: Receive Budget Report and direct staff as necessary.

VII. ADJOURNMENT (7:15 P.M.):

Public Participation

The Benicia City Council welcomes public participation.

Pursuant to the Brown Act, each public agency must provide the public with an opportunity to speak on any matter within the subject matter jurisdiction of the agency and which is not on the agency's agenda for that meeting. The City Council allows speakers to speak on non-agendized matters under public comment, and on agendized items at the time the agenda item is addressed at the meeting. Comments are limited to no more than 5 minutes per speaker. By law, no action may be taken on any item raised during the public comment period although informational answers to questions may be given and matters may be referred to staff for placement on a future agenda of the City Council.

Should you have material you wish to enter into the record, please submit it to the City Manager.

Disabled Access

In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate in this meeting, please contact Valerie Ruxton, the ADA Coordinator, at (707) 746-4211. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

Meeting Procedures

All items listed on this agenda are for Council discussion and/or action. In accordance with the Brown Act, each item is listed and includes, where appropriate, further description of the item and/or a recommended action. The posting of a recommended action does not limit, or necessarily indicate, what action may be taken by the City Council.

Pursuant to Government Code Section 65009, if you challenge a decision of the City Council in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City Council at, or prior to, the public hearing. You may also be limited by the ninety (90) day statute of limitations in which to challenge in court certain administrative decisions and orders (Code of Civil Procedure 1094.6) to file and serve a petition for administrative writ of mandate challenging any final City decisions regarding planning or zoning.

The decision of the City Council is final as of the date of its decision unless judicial review is initiated pursuant to California Code of Civil Procedures Section 1094.5. Any such petition for judicial review is subject to the provisions of California Code of Civil Procedure Section 1094.6.

Public Records

The agenda packet for this meeting is available at the City Manager's Office and the Benicia Public Library during regular working hours. To the extent feasible, the packet is also available on the City's web page at www.ci.benicia.ca.us under the heading "Agendas and Minutes." Public records related to an open session agenda item that are distributed after the agenda packet is prepared are available before the meeting at the City Manager's Office located at 250 East L Street, Benicia, or at the meeting held in the Council Chambers. If you wish to submit written information on an agenda item, please submit to the City Clerk as soon as possible so that it may be distributed to the City Council

 [budget report.pdf](#)

AGENDA ITEM
SPECIAL CITY COUNCIL MEETING: JANUARY 27, 2008
INFORMATIONAL ITEMS

DATE : January 20, 2009

TO : City Manager

FROM : Finance Director

SUBJECT : **REVIEW OF CURRENT ECONOMIC CONDITIONS AND THE IMPACT ON THE FY 2008-09 MUNICIPAL BUDGETS**

RECOMMENDATION:

Receive Budget Report and direct staff as necessary.

EXECUTIVE SUMMARY:

During the December 2, 2008 review of the Municipal Budgets, the City Council directed staff to return on the fourth Tuesday of each month with an update on the Economic Recession and the impact on the City of Benicia's FY 2008-09 Budget. This report provides a brief glimpse of the national and regional economic climates and an outline of preparations for contingency measures. Due to the extensive budget adjustments implemented in August and December 2008, no additional adjustments are required at this time.

STRATEGIC PLAN:

Relevant Strategic Plan Goals and Strategies:

- Goal 8.00: Build Organizational Quality and Capacity
 - Strategy 8.20: Measure and track service (i.e. financial) performance

BUDGET INFORMATION:

There is no budget impact at this time.

BACKGROUND:

Overview. During the August 19, 2008 and December 2, 2008 City Council meetings, staff presented a number of budget adjustments for FY 2008-09 to offset the loss of property taxes, sales taxes and other revenues impacted by the downturn in the economy. At the second meeting, the City Council was concerned about the rapid decline in the economy and requested that staff return on the fourth Tuesday each month to discuss current economic information and the corresponding health of the City's municipal budget.

In December, the economic downturn led to the expected loss of \$1.2 million in property taxes, sales taxes, and vehicle license fees this fiscal year. In order to mitigate the losses, the City Manager recommended reducing operational expenditures by \$634,005 and reducing or delaying one-time capital purchases of \$289,105, thus maintaining the mandatory 20% Undesignated Fund Balance Reserve, currently at \$6,479,280. The financial reductions had minimal impact on public services in the short term, however, should the economy continue to decline, it is possible that additional reductions or use of the Economic Uncertainty Reserve may be necessary in order to maintain adequate reserve levels.

The budget adjustments approved at the December 2nd Council Meeting aligned property tax receipts with the estimates provided by the Solano County Assessor, which were modified by the Assessor in October due to the large number of foreclosures since January 1, 2008. The adjustments for Sales Taxes aligned the estimates with the latest figures available from the State Board of Equalization and the City's Sales Tax Auditor, HDL Coren and Cone.

At the present time, both of these revenue sources, as well as all other revenue sources, are tracking very close to the December estimates and do not require further adjustment. A separate discussion of Sales Tax follows in this report.

The City Council also asked the City Manager to develop a contingency plan to offset any additional loss of revenues in FY 2008-09. The City Manager has collected the information necessary to implement additional cost reduction measures in the 3% to 6% range. However, during the process, several important considerations relating to public service levels and capital expenditures were noted and are discussed later in this report.

Employment Figures. As of the writing of this report, the national and regional economy has continued to suffer major setbacks, especially in the financial and retail sectors. During the month of December, 540,000 jobs were lost nationwide, which spiked the rate to 7.2%. In addition, seasonal retail hiring was far below expectations and proved to be a leading indicator in what proved to be the worst consumer buying season since the 1940's. Estimates show retail sales off across the nation by 2% to 15%, depending on the severity of job losses in the region.

In November, the California figures showed a loss of 34,000 jobs and an unemployment rate of 8.4%. News just in for December shows the unemployment rate jumped to 9.3% or another 78,200 jobs as employers sliced payrolls to deal with the slowing economy.

In November, Solano County lost 585 jobs and ended the month with a 7.9% unemployment rate. Unfortunately, Vallejo and Fairfield are above the California average with 9.6% and 8.5% respectively. The unemployment rates for December will be released on January 27, 2009 and staff will attempt to retrieve the data prior to the City Council meeting.

Tables 1 and 2 on the following page show the California and Solano rates for the past 19 months. The rates for each have gone up in excess of 60% during this period and will be even higher when the December figures are made available.

TABLE 1.

CALIFORNIA EMPLOYMENT FIGURES						
Year	Month	Labor Force	Employment	Unemployment	California Rate	
2007	Apr	18,137,910	17,192,632	945,278	5.2%	
	May	18,159,313	17,203,645	955,668	5.3%	
	Jun	18,182,148	17,213,990	968,158	5.3%	
	Jul	18,212,649	17,234,622	978,027	5.4%	
	Aug	18,237,052	17,232,919	1,004,133	5.5%	
	Sep	18,243,759	17,216,541	1,027,218	5.6%	
	Oct	18,253,532	17,214,883	1,038,649	5.7%	
	Nov	18,287,808	17,238,302	1,049,506	5.7%	
	Dec	18,319,567	17,240,212	1,079,355	5.9%	
	2008	Jan	18,302,584	17,218,527	1,084,057	5.9%
		Feb	18,265,472	17,216,583	1,048,889	5.7%
		Mar	18,332,051	17,193,661	1,138,390	6.2%
Apr		18,386,553	17,246,035	1,140,518	6.2%	
May		18,446,229	17,186,845	1,259,384	6.8%	
Jun		18,431,325	17,149,481	1,281,844	7.0%	
Jul		18,409,115	17,052,967	1,356,148	7.4%	
Aug		18,415,159	16,993,840	1,421,319	7.7%	
Sep		18,497,504	17,066,579	1,430,925	7.7%	
Oct		18,581,769	17,051,451	1,530,318	8.2%	
Nov		18,579,279	17,017,072	1,562,207	8.4%	

TABLE 2.

SOLANO EMPLOYMENT FIGURES						
Year	Month	Labor Force	Employment	Unemployment	Solano Rate	
2007	Apr	210,421	200,059	10,362	4.9%	
	May	210,425	200,240	10,185	4.8%	
	Jun	211,477	200,241	11,236	5.3%	
	Jul	213,639	201,377	12,262	5.7%	
	Aug	212,716	200,887	11,829	5.6%	
	Sep	212,955	201,396	11,559	5.4%	
	Oct	212,267	200,720	11,547	5.4%	
	Nov	212,347	200,480	11,867	5.6%	
	Dec	213,525	200,912	12,613	5.9%	
	2008	Jan	211,384	197,981	13,403	6.3%
		Feb	210,530	197,662	12,868	6.1%
		Mar	211,909	198,294	13,615	6.4%
Apr		211,875	199,113	12,762	6.0%	
May		212,647	198,959	13,688	6.4%	
Jun		214,065	199,331	14,734	6.9%	
Jul		215,316	199,631	15,685	7.3%	
Aug		215,570	199,626	15,944	7.4%	
Sep		215,037	199,361	15,676	7.3%	
Oct		216,791	200,013	16,778	7.7%	
Nov		216,644	199,428	17,216	7.9%	

State Budget Crisis. The State Budget, which the governor signed in September, projected a \$1.7 billion reserve by the end of the fiscal year. Since then, revenues have fallen so dramatically that the state is now projected to end the fiscal year on June 30, 2009 with a \$14.8 billion deficit. The deficit is projected to balloon to \$27.2 billion by June 30, 2010, reflecting a total shortfall of \$42 billion over the next 18 months. Schwarzenegger called the new Legislature into a special session to address the deficit and has proposed filling the gap with \$8 billion in spending cuts, a 1.5 percentage point increase in the state's sales tax over three years, and a return to higher Vehicle License Fees. So far, Democrats and Republicans have failed to agree to a compromise.

The list below includes City revenues that have been on the State's "short list" before. Fortunately, during recent legislative discussions, there has been no direct mention of taking revenues from cities, due to the restrictions mandated by voters in Prop 1A. Even so, should any revenues be taken, the City Manager is prepared to recommend immediate offsetting measures to balance the City's budget.

Potential State Takeaways and Borrowing

Description	Amount
1. Reducing Supplemental Police Grants	\$100,000
2. Increase in Booking Fees paid to County	\$40,000
3. Withholding Prop. 172 Public Safety Sales Tax Share	\$245,000
4. Reducing Vehicle License Fees Subsidy	\$200,000
5. Borrowing of Property Tax	\$1,100,000
6. Borrowing of Proposition 42 Streets & Roads Funding	\$250,000
Total at-risk revenues and expenditures	\$1,935,000

Local Economic Impacts. The City of Benicia continues to avoid the severity of economic losses experienced by neighboring cities. Very few cities are being spared and many are reporting cutbacks in the 10% range. The cities experiencing the greatest losses are those with big-box retail, shopping malls or auto malls. The City of Benicia does not rely on consumer related sales tax as heavily as other cities but does rely on business-to-business sales in the Industrial Park. This sector is now showing signs of the extended slowdown in consumer spending but is still within the budget forecast for the current year. An expanded discussion follows.

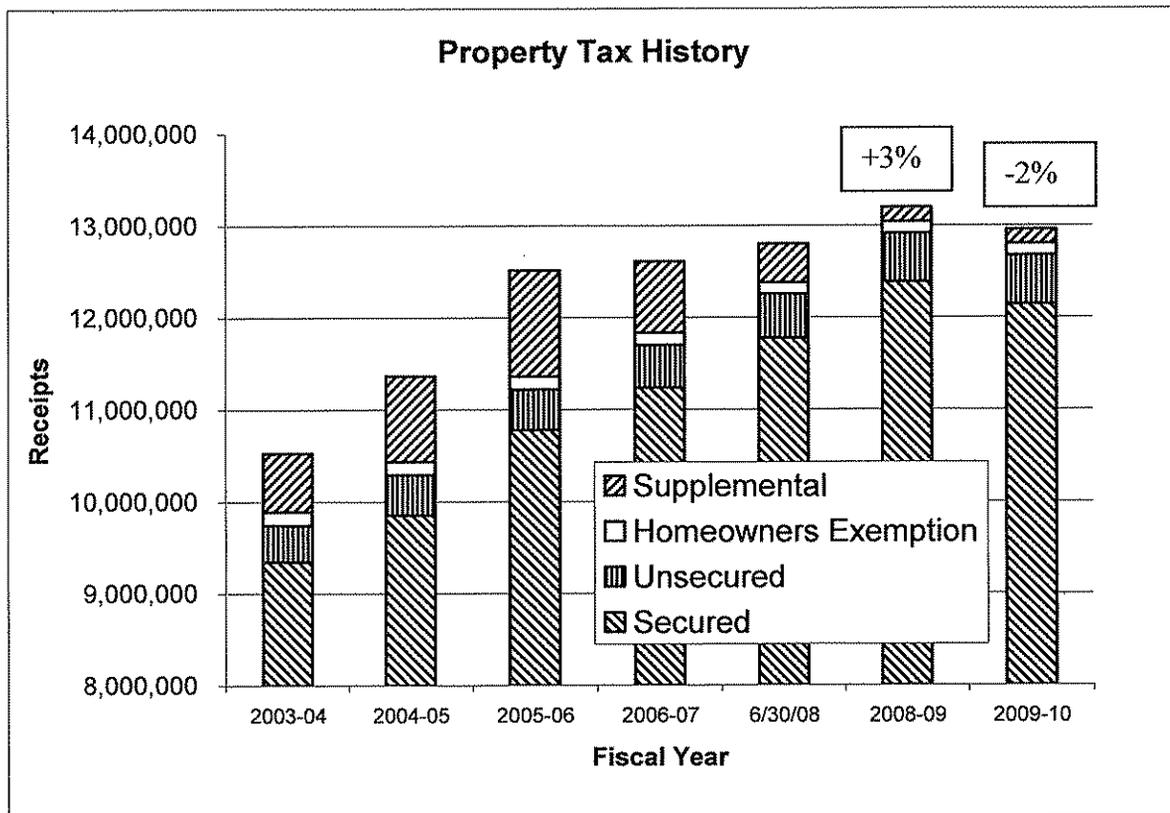
Property Taxes. Staff reviewed property tax estimates at the December 2nd Council Meeting and indicated that secured property taxes have actually increased by 2.7% or \$340,965 above last year's receipts. Unfortunately, the gain in secured taxes was overshadowed by an estimated \$420,000 drop in supplemental property taxes and a \$154,000 drop in unsecured property taxes. The net loss below our current budget estimate is \$327,036 and is in addition to a \$321,510 reduction in our property tax estimates taken on August 19th, for a combined reduction of \$648,546 or 2% of total General Fund revenues for this current fiscal year. Even with this write-down in our budget estimates, combined property taxes are expected to be 3% greater than the previous year or \$415,285.

On December 10, 2008, Solano County collected supplemental property taxes of \$63,450, which covered the period between June 1 and November 30, 2008. While the receipts are \$15,000 below our expectations, no adjustment is recommended at this time.

At this point in time, the property tax estimates for fiscal year 2009-10 are heading towards a 3% drop, approximately (\$380,000), according to discussions with Solano County Assessor. This amount should be offset by the Valero Improvement Projects placed in service through March 31, 2009. This will include 2 crude storage tanks staff estimates will be valued at \$50 million, yielding property taxes of \$500,000, of which the City's 28% share will be approximately \$140,000. The net impact for the year should be around (\$240,000) or (2%) less.

Table 3 below shows the Property Tax History for the four major categories over a seven year period. The Valero Property Tax Appeal refund and the corresponding reimbursement have been included in the Secured Property Tax category.

TABLE 3.



Property Tax Type	Actual 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Actual 6/30/08	Amended 2008-09	Estimated 2009-10
Secured	9,348,710	9,852,275	10,777,865	11,234,130	11,776,580	12,384,430	12,144,430
Unsecured	392,620	436,460	440,765	466,310	476,705	528,160	528,160
Homeowners Exemption	150,710	147,395	142,565	133,005	124,235	128,130	128,130
Supplemental	633,975	928,360	1,153,110	774,070	421,990	154,505	154,505
Total	10,526,015	11,364,490	12,514,305	12,607,515	12,799,510	13,195,225	12,955,225

Sales Taxes. The sales tax report through December 10, 2008 shows that we received \$1.518 million and indicates a decline of 7% below the same quarter last year. This is somewhat better than the previous quarter's figure of -8% and within the City's recent budget adjustment of -10%. While each individual business' sales tax is deemed confidential, it is safe to say that three businesses in the Industrial Park generated an additional \$180,000 above last year's quarterly figures. The businesses are in the industrial supply and industrial construction sectors. Without these three positive results, the decline would have measured -19% below the previous year's net amount of \$1.632 million (which was abnormally high). Even so, the first six months are still tracking above the current year's budget estimate of \$5.8 million by approximately \$200,000.

An important note to mention regarding the Industrial Park is the ability of different represented economic sectors to offset one another during times of change. This has been especially true in the last two quarters, the Industrial Supply and Construction Sectors have stepped in to replace revenues lost in other recognized sectors. The Commercial and Industrial Construction sector is considered a lagging indicator and trails the overall economy by approximately 8 quarters. Given the protracted length of the recession, staff anticipates measurable declines in this sector within the next four quarters. Should this occur, our budget reduction targets for FY 2010-11 could be substantially larger. Again, no sales tax budget adjustments are required at this time.

Tables 4 and 5 below show the Sales Tax Receipts for the last eight quarters and eight years. As you can see from the differences in receipts between quarters and between years, it is difficult to forecast the future with a great deal of accuracy. The estimate for FY 2009-10 represents a drop of 5% below FY 2008-09 estimates, a loss of \$200,157.

TABLE 4.

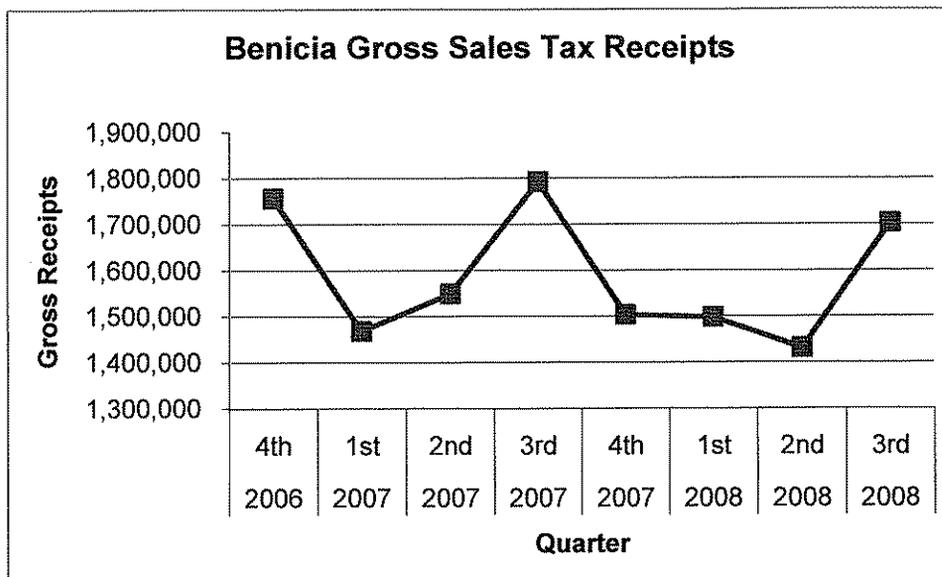
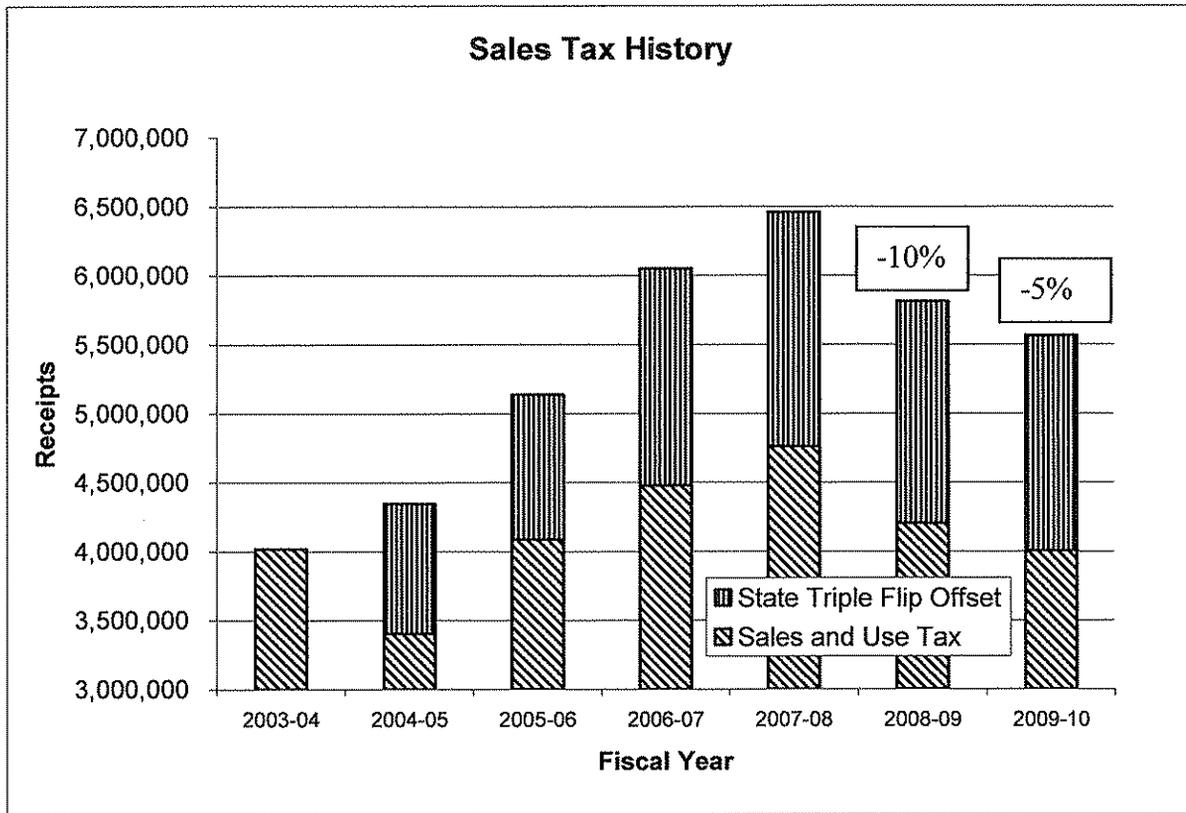


TABLE 5.



Sales Tax Type	Actual 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Actual 2007-08	Amended 2008-09	Estimated 2009-10
Sales and Use Tax	4,017,725	3,403,325	4,088,270	4,476,265	4,761,260	4,203,290	4,003,133
State Triple Flip Offset	0	942,780	1,048,690	1,572,720	1,695,180	1,608,435	1,561,587
Total	4,017,725	4,346,105	5,136,960	6,048,985	6,456,440	5,811,725	5,564,721

Capital Project Funding. During the December 2nd Council Meeting, capital project reductions of (\$489,105) were approved. This left a remaining balance of \$1.4 million in capital projects that had direct General Fund support or quasi-support, such as the Facility Maintenance Internal Service Fund and Library Special Revenue Funds. Should additional cuts are required, some of the projects listed in **Table 6** on the following page could be considered for deferral.

The City Manager and Department Heads are examining each of the projects in **Table 6** with the intention of delaying project expenditures pending the approval of the State Budget changes. As mentioned earlier, there is no current discussion of State revenue reductions but, until the budget is passed and the outcome is know, staff has been directed to delay spending wherever possible.

TABLE 6.
Capital Project Funding
Fiscal Year 2008-09

Project Description	Fund	Approved Budget	Remaining Budget	Approved Reductions	Amended Budget
Capital Outlay					
General Ledger Software Upgrade	GF	30,000	90,000	(90,000)	-
Citywide Windows Software Upgrade	GF	-	60,000	(60,000)	-
Mills Center - Vehicle Purchase (2)	GF	(25,000)	25,000	(25,000)	-
City Gateway Improvements	GF	-	20,000	(20,000)	-
Steaming Video – 10G Telecommunications	GF	40,000	40,000	(28,000)	12,000
Tourism Plan	GF	-	20,000	-	20,000
Community Development Vehicle	GF	15,000	15,000	(15,000)	-
Business Loans & Grants	GF	80,000	68,105	(38,105)	30,000
Total General Fund Capital Outlay		125,000	323,105	(276,105)	62,000
Buildings & Related Infrastructure					
Commanding OffQtr: Phase II Lease Improvements GF/Park		-	-	-	0
Mills Community Center - Improvements	GF	-	-	-	0
Clocktower Improvements	GF	-	70,000	(70,000)	0
Senior Center Upgrades	GF/IS	25,000	25,000	-	25,000
Library Improvements - Structural Strengthening	GF/IS	33,040	67,155	-	67,155
City Hall Non-Structural Improvements	GF/IS	165,000	293,240	(200,000)	93,240
Transfer to Commandants Contingency	GF/IS	72,000	72,000	-	72,000
Corporation Yard - Fuel Tank Improvements	GF/IS	50,000	121,440	-	121,440
Fire Station #12 Upgrades	GF	70,000	282,965	-	282,965
Library Basement Completion	Lib	-	371,260	-	371,260
Total Buildings & Related Infrastructure		343,040	1,231,060	(198,000)	1,033,060
Parks and Recreation Facilities					
Playground Replacement Fund	GF/IS	20,000	-	-	-
BUSD School Fields	Park	-	101,220	-	101,220
Total Parks and Recreation Facilities		20,000	101,220	-	101,220
Miscellaneous Projects					
Upgrade Current Police Range	CAP	10,000	23,000	(8,000)	15,000
Citywide ADA Improvements	CAP	20,000	20,000	-	20,000
Transfer to Commandants Contingency	CAP	28,000	28,000	-	28,000
Clocktower Improvements	CAP	41,115	41,115	(20,000)	21,115
1st Street Sidewalk Improvements	GF	30,000	20,000	-	20,000
1st Street Parking Improvements	GF	32,575	32,575	-	32,575
Total Miscellaneous Projects		133,690	146,690	-	146,690
Stormwater Projects					
Alley Maintenance Program	GF	15,000	15,000	-	15,000
West 5 St Drainage Trunkline Improvements	GF	25,000	25,000	-	25,000
West J St at Continental Apartments Drainage Imp.	GF	75,000	75,000	(15,000)	60,000
Total Storm Water Projects		\$ 115,000	\$ 115,000	\$ (15,000)	\$ 100,000
Total		\$ 736,730	\$1,917,075	\$ (489,105)	\$1,442,970

Temporary Hiring Freeze. There are currently 5.5 full-time and part-time positions held open in 7 divisions. The positions include the following:

<u>Open Positions</u>	<u>FTE</u>
Management Analyst (part-time), City Manager's Office	.5
Admin. Clerk (part-time), Human Resources	.5
Admin. Clerk (part-time), City Attorney	.5
Senior Admin. Clerk, Public Works	1
Maintenance Worker III, Parks & Community Services (Parks)	1
Maintenance Worker III, Parks & Community Services (Building)	1
Firefighter (Fire)	<u>1</u>
Total	5.5

Each month the positions are delayed in filling, the cost savings will be approximately \$44,000. As other positions become vacant, the City Manager and Department Heads will determine whether the position can remain open without impacting service levels.

Other cities in Solano County have relied heavily on staff attrition to meet their hiring freeze goals, excepting Vallejo and Fairfield. Recently, the City of Vacaville utilized layoffs in their Planning Department to assist in meeting their budget targets. In a similar manner, the City of Dixon has introduced furloughs as an option for their Council to consider in the near future. Fortunately, neither of these approaches is necessary at this time in Benicia.

Contingency Planning. As stated in the previous Council report, the approved budget adjustments has minimal impact on public service levels in the short term. The adjustments yielded the required Undesignated Fund Balance Reserve of 20%, which is now at \$6.5 million. This fiscal position leaves the City of Benicia in an excellent position to withstand further declines in the economy but only within certain tolerance levels. Should the economy continue to decline at the same rate as the last three months or if the State's modified budget substantially reduces City revenues, additional budget cutbacks will be required as early as February 2009.

In order to guard against the continued decline in General Fund revenues, the City Manager and Department Heads have begun developing contingency plans that contain various cost-cutting measures. The contingency plans include several options for reducing operational expenditures and deferring capital improvement projects. Should additional reductions be needed during the current fiscal year, recommendations from Departments can be presented in short-order for Council review and action. These plans will also help departments prepare their budgets for the next fiscal year, which is forecast to be more difficult than the current year.