

March 17, 2009 Special Meeting

BENICIA CITY COUNCIL

SPECIAL MEETING AGENDA

City Council Chambers

March 17, 2009

6:30 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 (6:30 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:

A. WRITTEN

B. PUBLIC COMMENT

IV. INFORMATIONAL ITEMS:

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

In December 2008, the City Council directed staff to return each month with an update on the Economic Recession and the impact on the City of Benicia's FY 2008-09 Budget. This month's report provides an overview of the state and regional economy and the expected impact on cities in Solano County. While the economic situation continues to deteriorate, no additional adjustments are required at this time due to the extensive budget adjustments implemented in August and December 2008.

Recommendation: Receive budget report.

VI. ADJOURNMENT (7:00 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.

 [Special Meeting IV-A.pdf](#)

AGENDA ITEM
SPECIAL CITY COUNCIL MEETING: MARCH 17, 2009
INFORMATIONAL ITEMS

DATE : March 10, 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.

EXECUTIVE SUMMARY:

In December 2008, the City Council directed staff to return each month with an update on the Economic Recession and the impact on the City of Benicia's FY 2008-09 Budget. This month's report provides an overview of the state and regional economy and the expected impact on cities in Solano County. While the economic situation continues to deteriorate, no additional adjustments are required at this time due to the extensive budget adjustments implemented in August and December 2008.

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. This is the third presentation in as many months regarding the budget impacts of the national, regional and local economic recession. The economic downturn has been escalating in the past four months and is expected to continue into the future. Since the beginning of March, several articles in regional newspapers have focused on rising unemployment rates due to mass layoffs and falling home prices leading to negative-equity positions. The local impacts of these two situations have yet to be realized in Benicia but staff feels that it is important to advise the City Council of the possible negative impacts in the future.

Employment Figures. As stated for the past three months, the national and regional economy has continued to suffer major setbacks, especially in the financial, retail and homebuilding sectors. During the month of January 2009, 650,000 jobs were lost nationwide, which spiked the rate to 7.6%. While the numbers are not official for February 2009, early predictions show a similar number of job losses and an unemployment rate of 8.1% nationwide.

In January, the California figures showed a loss of 79,300 nonfarm jobs and an unemployment rate of 10.1%. News just in for February, shows the unemployment rate is expected to jump to 11.1% or another 79,300 jobs as employers sliced payrolls to deal with the slowing economy.

In January, Solano County lost 1,200 jobs and ended the month with a 10.1% unemployment rate. Unfortunately, Vallejo and Fairfield are above the California average with 12.4% and 11.0% respectively. *Table 1.* below provides a brief glimpse of selected cities in the surrounding areas and shows the wide disparity between each and the positive results for Benicia.

Table 1.
January Unemployment Rates

| Area | Labor Force | No.of Employed | No.of Unemployed | Unemployed Rate % |
|----------------------|----------------|----------------|------------------|-------------------|
| Benicia city | 17,000 | 15,900 | 1,100 | 6.3% |
| Vacaville city | 45,800 | 42,400 | 3,400 | 7.5% |
| Dixon city | 9,000 | 8,300 | 700 | 8.0% |
| Fairfield city | 49,600 | 44,100 | 5,500 | 11.0% |
| Vallejo city | 65,800 | 57,700 | 8,100 | 12.4% |
| Napa city | 44,200 | 40,300 | 3,900 | 8.8% |
| American Canyon city | 5,600 | 4,900 | 800 | 13.8% |
| Dublin city | 15,600 | 14,800 | 900 | 5.6% |
| Pinole city | 10,700 | 10,100 | 600 | 5.8% |
| Oakley city | 13,900 | 13,000 | 900 | 6.5% |
| Martinez city | 22,200 | 20,600 | 1,600 | 7.2% |
| Pleasant Hill city | 20,600 | 19,100 | 1,500 | 7.3% |
| Concord city | 71,000 | 64,100 | 6,900 | 9.7% |
| Antioch city | 49,800 | 44,800 | 5,100 | 10.2% |
| Pittsburg city | 30,900 | 26,500 | 4,400 | 14.2% |
| Richmond City | 53,800 | 45,900 | 7,800 | 14.5% |
| San Pablo city | 14,200 | 11,600 | 2,500 | 18.0% |
| All Above | 539,700 | 484,100 | 55,700 | 10.3% |

Table 1. lists Benicia in third place in our region, behind Dublin and Pinole in Contra Costa County. This partially explains why the Industrial Park continues to show signs of positive health, even in the midst of the economic slowdown. One of the explanations that has surfaced recently, is the retooling efforts by the petroleum refiners beginning in December. Both Conoco-Phillips and Tesoro chose the downturn in gas prices as an opportune time to shut down for the retooling efforts. During this time, the Industrial Park businesses serving the oil industry have

kept busy providing the necessary manpower, equipment and supplies that resulted in jobs and sales tax. This surge in business has offset other losses due to the slack economy.

Tables 2 and 3 on the following page show the California and Solano rates for the past 24 months. The rates for each have more than doubled during this period and are continuing to increase at an escalating rate. As mentioned in the above, the rates are causing severe hardships for California and certain cities but Benicia has managed to avoid the financial hardships that others are facing through the diversity of businesses represented in the Industrial Park.

The tables also show the predictions for the month of February, which parallel the nationwide trends. The February results, due out March 11, 2009, show a duplication of the January job losses of approximately 3,000 countywide. This compares to the loss of 650,000 nationwide. If the unemployment trend continues, the Solano County unemployment rate will soon be above 12.0%.

Table 2.

| California Employment Figures | | | | | | |
|--------------------------------------|--------------|--------------------|-----------------|-------------------|------------------------|------|
| Year | Month | Labor Force | Employed | Unemployed | 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% | |
| Dec | | 18,557,231 | 16,951,474 | 1,605,757 | 8.7% | |
| 2009 | Jan | 18,477,931 | 16,611,660 | 1,866,271 | 10.1% | |
| | Feb '09 Est | 18,398,631 | 16,271,846 | 2,126,785 | 11.6% | |

Table 3.

| Solano Employment Figures | | | | | | |
|---------------------------|-------------|-------------|----------|------------|-------------|------|
| Year | Month | Labor Force | Employed | Unemployed | 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% | |
| Dec | | 217,844 | 199,176 | 18,668 | 8.6% | |
| 2009 | Jan | 215,400 | 193,800 | 21,700 | 10.1% | |
| | Feb '09 Est | 212,956 | 188,224 | 24,732 | 11.6% | |

Property Tax Considerations. Staff reviewed property tax estimates at the December 2nd January 27th Council Meetings and indicated that secured property taxes have actually increased by 2.7% or \$340,965 above last year's receipts. The combined property tax receipts are expected to be 3% greater than the previous year or \$415,285.

Unfortunately, the property tax estimates for next year, fiscal year 2009-10, are heading towards a 3% or \$380,000 drop, according to the Solano County Assessor. This amount should be partially 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 down only 2% or \$240,000.

There is, however, a serious trend that has been developing in the area of "Negative Equity" amongst homeowners. This is a situation where the value of the home is less than the secured loans against the property. For example, a home valued at \$400,000 that has outstanding mortgages of \$450,000 would have Negative Equity of \$50,000.

Several recent studies throughout the nation show that California and Florida lead the states in the sheer number of negative equity homes. *Table 4.* below shows the results of a poll taken by Core Logic in December. As you can see from the table, California and Florida are the leaders in the volume area and have ratios at 33.7% and 34.8%, respectively.

Table 4.
December 2008 Negative Equity by State*

| State | Mortgages | Negative Equity Mortgages | Near** Negative Equity Mortgages | Negative Equity Share | Near** Negative Share |
|----------------|-------------------|----------------------------------|---|------------------------------|------------------------------|
| California | 6,452,766 | 1,901,066 | 2,174,955 | 29.5% | 33.7% |
| Florida | 4,245,623 | 1,284,679 | 1,479,234 | 30.3% | 34.8% |
| Texas | 2,776,017 | 497,361 | 677,397 | 17.9% | 24.4% |
| Illinois | 2,075,097 | 236,936 | 332,261 | 11.4% | 16.0% |
| Ohio | 1,888,878 | 435,107 | 567,344 | 23.0% | 30.0% |
| Georgia | 1,458,185 | 335,668 | 470,216 | 23.0% | 32.2% |
| Massachusetts | 1,393,027 | 151,750 | 205,524 | 10.9% | 14.8% |
| Maryland | 1,308,860 | 170,849 | 228,615 | 13.1% | 17.5% |
| Arizona | 1,283,174 | 407,604 | 477,244 | 31.8% | 37.2% |
| Washington | 1,280,834 | 125,992 | 173,891 | 9.8% | 13.6% |
| North Carolina | 1,197,288 | 134,508 | 218,655 | 11.2% | 18.3% |
| Michigan | 1,149,588 | 459,385 | 549,672 | 40.0% | 47.8% |
| Virginia | 1,118,334 | 219,282 | 280,759 | 19.6% | 25.1% |
| Colorado | 1,048,437 | 225,074 | 292,840 | 21.5% | 27.9% |
| Tennessee | 728,981 | 119,442 | 174,487 | 16.4% | 23.9% |
| Missouri | 664,563 | 100,507 | 135,161 | 15.1% | 20.3% |
| Nevada | 608,374 | 335,340 | 359,117 | 55.1% | 59.0% |
| South Carolina | 459,705 | 53,770 | 83,745 | 11.7% | 18.2% |
| Minnesota | 442,040 | 64,643 | 87,183 | 14.6% | 19.7% |
| Wisconsin | 428,027 | 69,414 | 94,991 | 16.2% | 22.2% |
| Utah | 418,176 | 56,763 | 74,770 | 13.6% | 17.9% |
| Indiana | 408,062 | 55,004 | 77,353 | 13.5% | 19.0% |
| Oklahoma | 308,095 | 33,779 | 62,323 | 11.0% | 20.2% |
| Iowa | 210,620 | 39,194 | 60,385 | 18.6% | 28.7% |
| Rhode Island | 205,881 | 32,357 | 41,192 | 15.7% | 20.0% |
| Kentucky | 205,813 | 31,393 | 49,734 | 15.3% | 24.2% |
| Kansas | 200,728 | 35,212 | 47,941 | 17.5% | 23.9% |
| Idaho | 191,050 | 26,993 | 35,292 | 14.1% | 18.5% |
| Nebraska | 181,129 | 30,116 | 45,079 | 16.6% | 24.9% |
| Arkansas | 171,577 | 28,685 | 45,496 | 16.7% | 26.5% |
| New Hampshire | 164,082 | 33,536 | 44,700 | 20.4% | 27.2% |
| Delaware | 147,900 | 16,700 | 23,617 | 11.3% | 16.0% |
| Louisiana | 124,980 | 16,186 | 21,849 | 13.0% | 17.5% |
| Washington, DC | 99,973 | 14,915 | 19,216 | 14.9% | 19.2% |
| Alaska | 72,987 | 9,730 | 13,379 | 13.3% | 18.3% |
| Nation | 41,958,989 | 8,311,496 | 10,471,519 | 19.8% | 25.0% |

* This data only includes properties with a mortgage as of December 2008.

** Defined as properties within 5% of being in a negative equity position.

According to a San Jose Mercury News, an estimated 27% of East Bay homeowners owe more on their loans than their property is worth, compared with 19.8% of U.S. homes that are underwater due to negative equity, according to a report released on March 4, 2009. In San Joaquin County, 54.5%, in Solano County, 42.7%, in the San Francisco-San Mateo-Marín region, 5.8% of the homes were underwater.

According to Core Logic, more than 8.3 million U.S. mortgage holders owed more on their loans in the fourth quarter than their property was worth as the recession cut home values by \$2.4 trillion last year. An additional 2.2 million borrowers will be underwater if home prices decline another 5%, First American, a Santa Ana-based seller of mortgage and economic data, said in a report Wednesday. Households with negative equity or near it account for a quarter of all mortgage holders.

What does this mean for Benicia? Today, it means that we keep an eye on this developing trend and continue to communicate with local Realtors and the County Assessor to determine the outcome of Benicia-specific real estate information. There are many determinants of home value and Benicia has stable economic indicators in each of these areas.

For example, our low unemployment figures in Benicia and northern Contra Costa County place our residents in a healthier household income range that can support continued mortgage payments. Secondly, the lack of major subdivision development through the years has reduced the number of homes sold, in comparison with other nearby cities, which means the average Benicia homeowner has been in their home longer than others and has a smaller home loan.

Of course, the values in Benicia will also be impacted by our nearby cities, such as Vallejo, American Canyon and Napa to the North and Martinez, Concord and Pleasant Hill to the South, just to name a few. Even in this situation, the strong demand and more stable home prices in northern Contra Costa County help to offset the negative trends developing in Vallejo and American Canyon.

As stated above, this new statistic will be researched thoroughly and compared to all of the other developing information as we proceed through the next few months. Staff's goal in presenting this information to the City Council now is to add to your understanding of local and regional fiscal trends, should immediate action relating to any of these be required in the near future.

Due to the recent publication of this information, staff will continue to analyze the data and present further results during the City Council meeting.

Contingency Planning. Staff is nearing completion of a balanced 10% expenditure reduction plan, referred to as the Contingency Plan, for FY 2008-09. The need to have the Contingency Plan assembled earlier was relaxed by the State's avoidance of City takeaways when they passed their budget last month. By balanced, we mean a plan that does not rely on across the board cuts, but is a reflection of the needs of the community. Departments have prepared reduction plans for each of the departments to give us choices from which to prepare the balanced plan.