

SPECIAL MEETING OF THE
CONCORD CITY COUNCIL
CONCORD SENIOR CENTER
2727 PARKSIDE CIRCLE
CONCORD, CALIFORNIA
SATURDAY, FEBRUARY 24, 2018

The Concord City Council met in a special meeting at the Concord Senior Center located at 2727 Parkside Circle at 9:15 a.m. on Tuesday, February 24, 2018, with Mayor Birsan presiding. Minutes follow in abbreviated form per Resolution 3361 and Council Minutes of September 26, 1966.

ROLL CALL

COUNCILMEMBERS PRESENT: Laura Hoffmeister, Ron Leone, Tim McGallian, Carlyn Obringer, Edi Birsan

STAFF PRESENT: Valerie Barone, City Manager; Susanne Brown, City Attorney; Kathleen Tropa, Assistant City Manager; Joelle Fockler, City Clerk; Karan Reid, Director of Finance; Justin Ezell, Director of Public Works; Andrea Ouse, Director of Community and Economic Development; Guy Bjerke, Director of Community Reuse Planning, Jasmin Loi, Director of Human Resources; Guy Swanger, Chief of Police; Steve Voorhies, Director of Parks and Recreation; Leslye Asera, Community Relations Manager; Scott Conn, Network & Operations Manager; Mario Camorongan, Assistant City Engineer; Aldrich Bautista, Associate Engineer; Christopher Rhoades, Budget Analyst; Donna Lee; Budget Officer

MEMBERS OF THE PUBLIC
WHO ADDRESSED THE COUNCIL: Brian Beckon, Concord; Kenji Yamada, Concord

COUNCIL WORKSHOP – Review the General Fund Long-Range Financial Forecasting Model and Options to Close the Projected Long Range Structural Deficit

City Manager Valerie Barone introduced the item and reviewed the purpose of the workshop – to begin consideration of the proposed budget strategies and to provide feedback to staff on options to close the project structural deficit.

Ms. Barone introduced Andrew Belknap, Regional Vice President, Management Partners, who introduced Management Partners staff Steve Toler, Robert Leland, and Heain Lee. Mr. Belknap reviewed the workshop agenda; the project objectives, including a 10-year financial forecast model and development of a set of recommended budget strategies to address structural deficit; the roles for the workshop; and meeting guidelines.

Mr. Belknap introduced Robert Leland who recapped the February 6 presentation to the City Council on the City's fiscal environment, forecast assumptions, and outcomes from the fiscal forecast.

Councilmember Leone spoke of the possibility of Redevelopment being reintroduced and not modeled, noted that the recession forecast is conservative, and commented on the possibility of a soccer project with fields, hotels, restaurants, etc. that would be a tremendous asset to the City. He spoke of concerns over SB1 and recommended that, if the City was to go back to the voters to renew Measure Q, it not wait until Measure Q is set to expire.

Councilmember Hoffmeister asked how long the time frame model was for a recession, why the facility needs assumption does not grow, is accrued leave is incorporated in the model, and if the model could be changed to reflect lower CALPERS discount rate

Councilmember McGallian spoke of the assumptions being calculated on an average and not with added growth.

Vice Mayor Obringer asked about the assumptions for property tax and if it included new construction, the anticipated employee health cost growth at 3.5 percent, and the effects of changes at the federal level, was interested in what the cost would be to increase the conditions of the roads, and what the gauge was for the level of the roads.

Mayor Birsan requested confirmation that the cost of the roads shortfall was more than pension cost.

Mr. Belkhamp presented an overview of budget strategy types, including: expenditure controls and cost shifts, service delivery changes, revenue enhancements, and service level reductions. He introduced Steve Toler who gave a presentation on the proposed strategies that included:

- Pension Costs – increase employee share of CalPERS pension cost
- Health Care Costs – increase employee contribution towards health care benefits,
- Parks Maintenance – contract for services
- Camp Concord - concession agreement and/or improve cost recovery
- Fleet Services - fleet utilization improvements; increased shared services
- Street Sweeping - contract for services or implement shared services
- Police Dispatch – enhance shared services opportunities
- Admissions Tax – enact a new admissions tax
- Local Transactions and Use Tax – extend/ make permanent the 0.5% tax
- Local Transactions and Use Tax – increase tax rate to 0.75% or 1%
- Cannabis Excise Tax – enact excise tax
- Utility Users Tax (UUT) – enact UUT
- Transient Occupancy Tax (TOT) – increase tax rate
- Business License Tax (BLT) – modernize and increase tax amount
- Franchise Fees for Jet Fuel Transport – implement fee
- Take no action (inserted for completeness)
- General Fund services and staffing reductions
- Diablo Creek Golf Course – enhance revenues, privatized operations, or repurpose golf course

Mr. Belkhamp explained the criteria used in evaluating the budget strategies. The factors included potential for community support, technical and operational ease of implementation, timing necessary for implementation, disruptive impact on service delivery, disruptive impact within City organization, and overall fiscal impact. Three tiers were used – Tier 1, high potential; Tier 2, medium potential; and Tier 3, low potential.

Councilmember Hoffmeister inquired about a possible tax rate increase to the Local Transactions and Use Tax and if it was possible to extend the current rate and then go back and increase the rate. She mentioned that the Contra Costa Transit Authority may go to the voters with an increase its tax rate in 2018. She questioned the information used for the Transient Occupancy Tax Rates assessment and if commercial development related revenue could be incorporated into the model and spoke of the City pricing itself out with the increase of business license tax. Ms. Hoffmeister inquired about new PEPRAs employees vs. classic employees and if the higher costs of classic employees was incorporated into the model. She noted the service levels and quality of work of City employees vs. contract parks maintenance. Councilmember

Hoffmeister asked if the excise tax revenues for cannabis tax would be collected at point of sale and if the model could incorporate manufacturing, distribution, and testing facilities. She asked about the concept behind implementing shared services for street sweeping.

Vice Mayor Obringer asked about the employee representation units' response to the possible increase in employee share of pension and health care costs. She was interested in hearing from other cities about the level of service at parks after they moved to contract maintenance. Vice Mayor Obringer inquired about fleet shared services and the capacity to insource services. She spoke of selling the John Muir Hospital property to John Muir and if that possibility had been explored.

Councilmember Leone felt that John Muir Health has the funds to support purchasing the John Muir property and possibly leasing out property on the Naval Weapons Station project. He stated that he is in favor of extending Measure Q, earlier rather than later; exploring the proposed revenue increases; negotiating with labor groups over pension and health care cost increases; and exploring revenue and consolidating services with shared multi-jurisdiction resources. He spoke in opposition to reducing employees by contracting services.

Councilmember Hoffmeister asked about modeling for increases in employee health care employee contribution and increases in pay. She noted the positive impact of the print shop providing services to other jurisdictions.

Mayor Birsan asked about strategies implemented by other jurisdictions that were failures, stated his opposition to reducing employees by contracting services and his support of regional services and confirmed that he would personally look into the possibility of John Muir purchasing its land and providing housing on the Base or current City properties to employees for a lower pay base. He suggested looking at the possibility investing funds for forward maintenance for the roads from a general use tax (extending Measure Q), saving money in the long term.

Mayor Birsan called a recess at 11:50 a.m. The meeting resumed at 12:20 p.m.

Robert Leland presented four budget strategy proposals:

- Scenario 1 – Strong Revenue Strategies; Phase in Capital Costs
 - Local TUT (sales tax) – increase to 1% (November 2020 election)
 - Cannabis Tax (November 2018 election)
 - Maintenance/capital – funded at 100%, eight-year phase in of \$14.3 million starting FY 2018-19
 - Restored capacity to fund General Fund costs of \$12 million starting FY 2029-30
- Scenario 2 – Balanced Approach – Moderate Revenues; Mix of Capital/Operating Cuts
 - Local TUT – permanently extend rate at 0.5% (November 2020 election)
 - Admissions tax (November 2018 election)
 - Cannabis tax (November 2018 election)
 - Maintenance/capital – roads/parks funded at 70%, nine-year phase of \$9.7 million starting in FY 2018-19
 - General Fund cuts – five-year phase in of \$6 million starting in FY 2018-19
 - Restored capacity to fund General Fund costs of \$12 million starting in FY 2032-33
- Scenario 3 – Balanced Approach – Moderate Revenues; Maintain Capital Funding; Larger Cuts to Operations
 - Local TUT – permanently extend rate at 0.5% (November 2020 election)
 - Cannabis tax (November 2018)

- Maintenance/capital – funded at 100%, nine-year phase in of \$14.3 million starting FY 2018-19
- Restored capacity to fund General Fund costs of \$12 million starting in FY 2031-32
- Scenario 4 – Strong Operating and Capital Expenditure Reductions; Local TUT Measure Not Renewed
 - Local TUT – not renewed (expires in FY 2024-25)
 - Cannabis tax (November 2018)
 - Maintenance/capital – funded at 305, ten-year phase in of \$4.9 million starting in FY 2018-19
 - General Fund cuts - \$10 million over seven years starting in FY 2018-19
 - Restored capacity to fund General Fund costs of \$5 million starting in FY 2035-36

Following clarifying questions by the Council, Mayor Birsan opened a public comment period.

Brian Beckon, Concord, stated that he was opposed to the concept that we can't grow ourselves out of the problem.

Kenji Yamada, Concord, asked about reducing costs by doing road maintenance upfront for back end savings, and spoke of public outreach to highlight good staff work when preparing for revenue enhancements.

Mayor Birsan closed the public comment period.

Robert Leland reviewed the fiscal model formats to develop scenarios. The Council then worked with "drivers" from Management Partners on laptops to develop scenarios of their own.

Mr. Belkham reviewed an exercise for the Council developed to get a sense of Council's priorities. Each Councilmember received seven "dot" stickers and were requested to put their stickers next to the budget strategies that are priorities.

Based on the exercise, there was a strong preference to extend Measure Q with an increase of .5% to 1%, an admissions tax, a cannabis tax, service delivery change of street sweeping, a review of all city assets to evaluate how to generate the greatest return from all city assets, and a transient occupancy tax. Management Partners inserted the strong preferences into the model and displayed the results. Council's individual requests were also reviewed.

Management Partners explained the next steps, which include the preparation of a summary of City Council direction from the workshop and provide to staff by March 4, 2018, and prepare a draft Implementation Action Plan and final report by March 31, 2018.

Staff's next steps include:

- Assign implementation action steps and deliverable dates to appropriate staff;
- Consider and implement any budget amendments required for existing biennial operating and capital budgets for FY 2018-19;
- Conduct any additional analyses necessary to implement action items; and
- Draft ordinance changes and schedule and conduct public hearings for any tax measures for November 2018 ballot.


CORRESPONDENCE

- a. City of Concord City Council Budget Strategies Workshop PowerPoint Presentation

Mayor Birsan adjourned the meeting at 2:20 p.m.



EDI E. BIRSAN
MAYOR



JOELLE FOCKLER, MMC
CITY CLERK