



CITY MANAGER

April 12, 2019

Chair Tom Butt and Members
Contra Costa Local Agency Formation Commission
651 Pine Street, 6th Floor
Martinez, CA 94553-1229

Dear Chair Butt and Commission Members:

The City of Hercules is providing the following comments and information for your consideration as part of the draft Municipal Services Review being considered on April 17, 2019. We appreciate the efforts of LAFCO to ensure that we meet all State mandates in regard to those matters within the jurisdiction of LAFCO. While we participated on a limited basis in the development of the draft, given staff limitations and other pressing matters, we were unable to provide this comment letter prior to your agenda being published.

We recognize that the subject MSR is based on a snapshot in time, however, this does not then result in a complete picture and our comments are offered from that perspective. Much of the information provided in this letter is available in a variety of public sources or was available in the information provided by the City. It is unfortunate that it was not incorporated into the draft before the Commission, hence our letter to you now.

The comments below are enumerated following the order in Chapter 8 – City of Hercules, in your draft MSR:

8.2.2 Broadband

The City of Hercules is concerned about future broadband services, though our response was only in regard to the current service providers based upon the input requested from LAFCO. The City has an ordinance in place which requires new development to install dark fiber and conduit as part of a possible future network and the City Council has budgeted funds to install dark fiber and conduit when we undertake our own public works projects in the public right-of-way. A variety of initial segments have been installed on this basis.

8.2.4 Law Enforcement

The City of Hercules Police Department provides law enforcement services. FY 2018 expenditures were approximately \$6.4 million, up from approximately \$5.9 million in FY 2017.

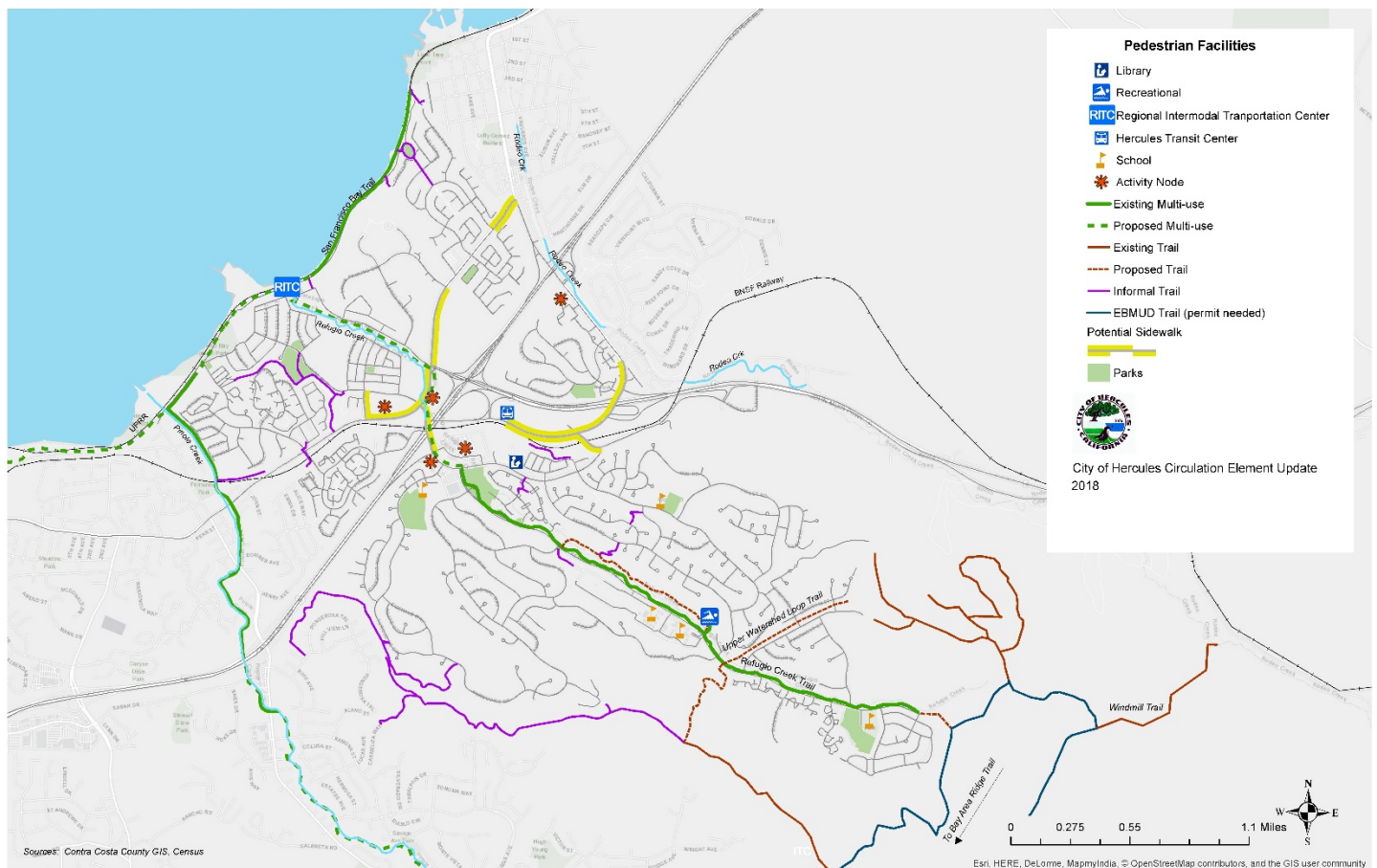
The City of Hercules 2018 FTE sworn personnel is estimated at .988 per 1,000 population (Calculation based on the State Department of Finance estimated 26,317 population as of January 1, 2018 and 26 sworn FTE). The City Council added a Police Officer position as part of the 2018/19 budget, and that followed the addition of two grant funded positions which were continued by City funding when that grants funds were fully utilized. The national average in 2012 was 2.39 FTE sworn personnel per 1,000 population. The total part 1 crimes per sworn FTE in 2018 were 33.27. The 2018 property crime clearance rate by arrest was 10% and the violent crime clearance by arrest rate was 40%.

8.2.6 Lighting

The City's ten traffic signals are maintained by the County of Contra Costa through an inter-agency agreement. Street lights are maintained owned by the City or PG & E depending upon location, and are maintained by either the City or PG & E depending upon the rate structure. Street light maintenance is funded primarily through a Landscape & Lighting Assessment District. Information on costs is available in the annual Engineers Reports for Citywide Landscape & Lighting Assessment District 83-1 and the City's other four Districts.

8.2.7 Parks and Recreation

The City recently updated its General Plan Circulation Element which includes information of trails and documents the City's extensive formal and informal network of trails. The map from the Circulation Element which documents this network is below:



Trail segments for which we have their length available include:

- San Francisco Bay Trail – 2 miles
- Refugio Valley Trail – 2.5 miles
- Pinole Creek Trail – 1.5 miles

The City has three dedicated recreation centers (Refugio Valley, Ohlone, and Foxboro Community Centers) and a senior center.

The City has 45.85 acres of dedicated and improved parks. This does not include dedicated open space, much of which is open for hiking and other recreation.

8.2.8 Solid Waste

As noted, solid waste **collection** services are provided via franchise agreement by Republic in Hercules. Post-collection services are provided to the City by Republic Services via RecycleMore which is a Joint Powers Authority that includes four other West County cities. Solid waste services are paid for directly by residents and commercial users. The City receives approximately \$175,000 a year into a solid waste funds which is used to fund local waste management activities. Details of the Solid Waste Fund are available in the City's annual budget.

The 2017 solid waste collection and post collection rates for 2018 and as adjusted for 2019 are shown below. The 2018 rates reflected the 2017 rates with just an annual CPI inflator.

Rate Tables

Residential	2018 Collection Rate	Base Year Rate Adj 5.41%	2019 Collection Rate	City Waste Program	2019 Post-Collec Charge	2019 Monthly TOTAL
35-gallon	25.69	1.39	27.08	2.08	9.47	38.63
65-gallon	44.31	2.40	46.71	3.79	17.61	68.11
95-gallon	63.04	3.41	66.45	5.60	26.42	98.47
20-gallon	24.78	1.34	26.12	1.40	5.40	32.92
Sr. 35-gal	23.69	1.39	25.08	2.03	9.47	36.58

2019 Commercial Service Rates *					
Bin Size	Times per Week				
	1	2	3	4	5
1 Yard	280.98	492.72	704.62	916.37	1,128.27
2 Yard	466.01	852.57	1,239.11	1,625.67	2,012.07
3 Yard	639.86	1,191.01	1,741.80	2,292.57	2,843.36
4 Yard	807.78	1,518.19	2,228.46	2,938.72	3,648.95
5 Yard	972.51	1,839.99	2,707.30	3,574.77	4,442.09
6 Yard	1,135.50	2,159.05	3,182.95	4,206.66	5,230.57
7 Yard	1,297.36	2,477.51	3,657.80	4,837.93	6,018.07

***Includes \$41.95 per yard/per month/per pick-up per week (IRRF Surcharge)**

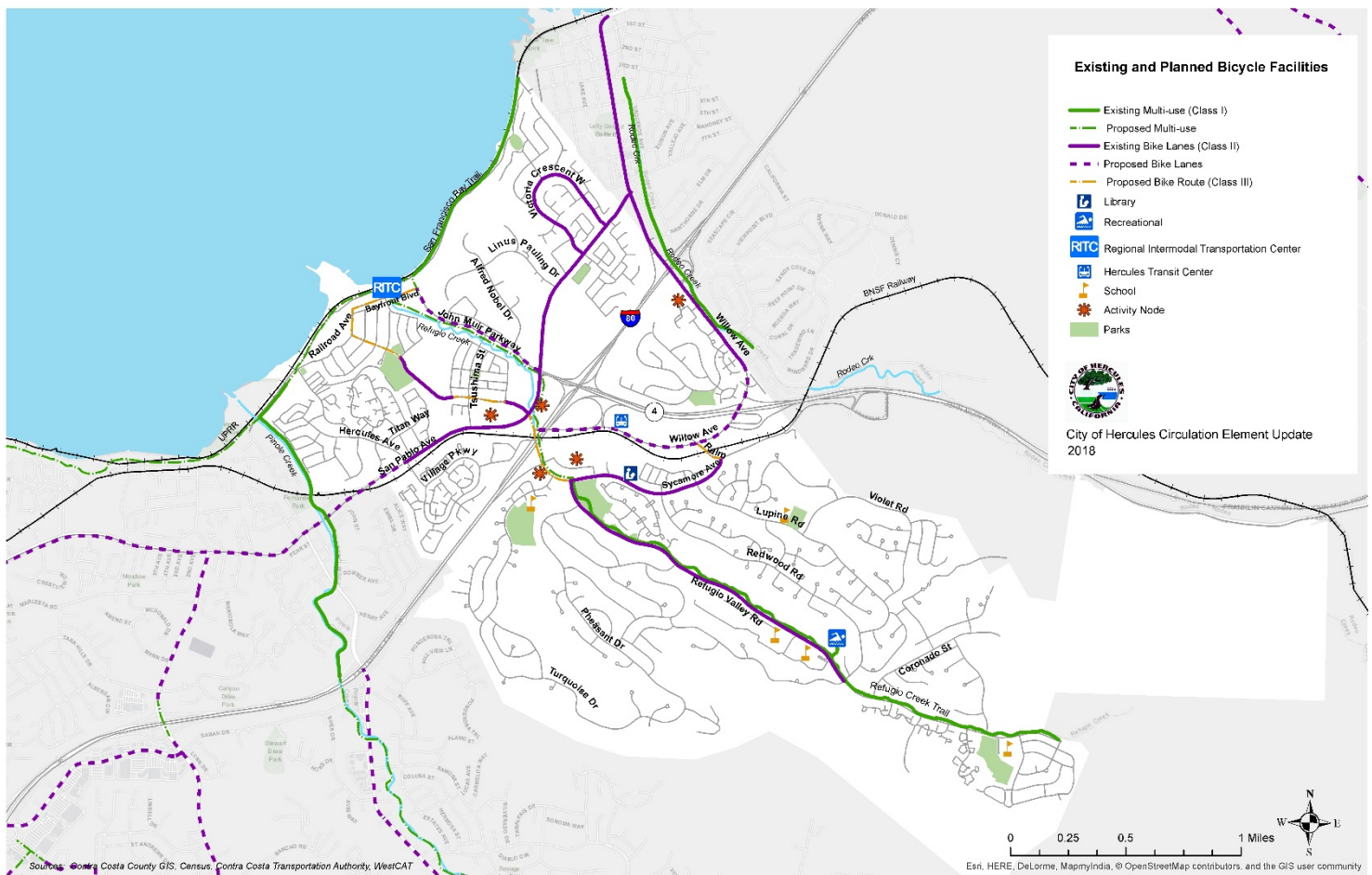
Diversion rates for each City in the RecycleMore service area are available from RecycleMore.

8.2.9 Stormwater/Drainage

There are approximately 40 miles of closed storm drain lines and 80% of high trash generation areas are equipped with trash capture devices (31 in total) and the City also adopted an ordinance which mandates trash capture devices in commercial shopping centers. The City is in full compliance with the National Pollution Discharge Elimination permit.

8.2.10 Streets/Roads

The recently completed update of the City's Circulation Element includes a map of all bike lanes as shown below:



FY 2017 expenditures for streets including capital costs were \$2.75 million in FY 2017.

The 2017 MTA reported PCI index for the City of Hercules was 71, down from 75 in 2014. The City has significantly increased in investment in street maintenance and repair the last three years not only due to SB 1 revenues, but also other local resources including one-time General Fund monies in some years.

8.3.1 General Fund Balance and Reserves

In the 2018/19 FY the City increased its General Fund Reserve to 3 months annual expenditures. In addition, there are other designations and reserves which have been made from the General Fund as articulated in the City's annual budget.

8.3.6 Pension and Other Post Employment Benefits

The City's current unfunded pension liability is reported on in the audit for each fiscal year with the most 2017/18 audit having the figure as of June 30, 2017 at \$16.2 million, which has increased primarily due to CalPERS changes in actuarial assumptions. These audits are available on-line. The City does have an established approach to addressing pension issues and that has been articulated in the budgets for the last three fiscal years, and these budgets are available on-line. In the 2017/18 fiscal year, as articulated in the annual budget and as set forth as a Decision Package approved by the City Council, the City established an IRS Section 115 Pension Trust with an initial contribution of \$500,000. The Pension Trust is designed to offset the CalPERS UAL outside of the CalPERS system. In FY 2018/19, an additional \$1,000,000 in one time funding was contributed to the Pension Trust. In addition, an additional 1% of payroll was deposited as an initial on-going amount with that also being incorporated into the FY 2019/20 budget. The Pension Trust has a current balance of \$1.54 million.

The City has also commissioned a study by an actuarial firm which is currently underway to model the City's CalPERS obligations, the Pension Trust, and variety of scenarios to determine the best overall funding strategies. A factor in that evaluation is the recent negotiation and implementation of an employee cost-sharing of 3% of the CalPERS employer rate.

The City's OPEB obligation has also been addressed strategically with the establishment of an OPEB Trust a few years ago. It is unclear if the OPEB accrued liability used in the MSR shown as \$638,000 at the start of FY 2015 is the total liability or the liability net of the balance in the OPEB Trust. As reported in the FY 2017/18 audit, the total OPEB liability as of June 30, 2018, is \$3.561 million which is off-set by the \$2.105 million OPEB Trust balance, for a net liability of \$1,456 million. In FY 2018/19, the City contributed an additional \$200,000 to the OPEB Trust. The main shift in the net liability was a change in the assumed interest earnings on the OPEB Trust.

8.3.8 Financial Planning and Reporting

The 2017/18 audit was done prior to December 31, 2018.

8.4.4 Financial Determinations

Operating General Fund and Reserves Trends

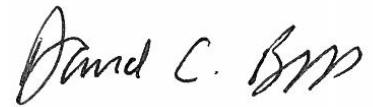
The City diligently differentiates between its on-going operating expenses and those being supported by on-going operating revenues versus expenditures and revenues of a one-time nature. For FY 2018/19, the City's over \$15 million General fund Budget was approved with a small \$126,000 projected operating deficit, excluding one-time expenditures. As noted in the budget message, based on past experience this small budgeted operating deficit is expected to transition into a net operating surplus as revenues are estimated conservatively, and the City actively works to ensure expenditures are well controlled, as has been the case in prior years. In addition, the City has sufficient unallocated fund balance and reserves to cover this diminimis budgeted deficit.

Timeliness and Accuracy of Financial Reporting

As previously noted, the FY 2017/18 audit was timely.

Once again, we appreciate the opportunity to provide comment and clarification.

Sincerely,

A handwritten signature in black ink that reads "David C. Biggs". The signature is written in a cursive, flowing style.

David Biggs
City Manager

xc: Mayor & City Council