

AGENDA

CITY OF WATSONVILLE

CITY COUNCIL MEETING

Motto: "Opportunity Through Diversity; Unity Through Cooperation."



Mission Statement: "The City of Watsonville is dedicated to improving the economic vitality, safety & living environment for the culturally rich Watsonville community, by providing leadership for the achievement of community goals & high quality, responsive public services."

Mayor Lowell Hurst, District 3
Mayor Pro Tempore Karina Cervantez, District 2

Felipe Hernandez, Council Member, District 1
Eduardo Montesino, Council Member, District 4
Daniel Dodge, Council Member, District 5
Trina Coffman-Gomez, Council Member, District 6
Dr. Nancy A. Bilicich, Council Member, District 7

Carlos J. Palacios, City Manager
Alan J. Smith, City Attorney
Beatriz Vázquez Flores, City Clerk

CIVIC PLAZA COUNCIL CHAMBERS
275 MAIN STREET, 4th FLOOR, 6th LEVEL PARKING
WATSONVILLE, CALIFORNIA

INTERPRETATION SERVICES
Spanish language interpretation is available

Americans with Disabilities Act



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**AGENDA
CITY OF WATSONVILLE
SPECIAL CITY COUNCIL MEETING/SUCCESSOR AGENCY
FOR THE FORMER REDEVELOPMENT AGENCY**

May 21, 2013

City Council Chambers
275 Main Street, 4th Floor

6:30 P.M.

1.0 ROLL CALL

2.0 PLEDGE OF ALLEGIANCE

3.0 PRESENTATIONS & ORAL COMMUNICATIONS

3.1 ORAL COMMUNICATIONS FROM THE PUBLIC & CITY COUNCIL

(This time is set aside for members of the general public to address the Council on any item not on the Council Agenda, which is within the subject matter jurisdiction of the City Council. No action or discussion shall be taken on any item presented except that any Council Member may respond to statements made or questions asked, or may ask questions for clarification. All matters of an administrative nature will be referred to staff. All matters relating to Council will be noted in the minutes and may be scheduled for discussion at a future meeting or referred to staff for clarification and report. Any Council Member may place matters brought up under Oral Communications on a future agenda. ALL SPEAKERS ARE ASKED TO FILL OUT A BLUE CARD & LEAVE IT AT THE TABLE DESIGNATED NEAR THE PODIUM, GO TO THE PODIUM AND ANNOUNCE THEIR NAME AND ADDRESS IN ORDER TO OBTAIN AN ACCURATE RECORD FOR THE MINUTES OF THE MEETING.)

4.0 CONSENT AGENDA

All items appearing on the Consent Agenda are recommended actions which are considered to be routine and will be acted upon as one consensus motion. Any items removed will be considered immediately after the consensus motion. The Mayor will allow public input prior to the approval of the Consent Agenda.

Public Input on any Consent Agenda Item

4.1 MOTION APPROVING SUCCESSOR AGENCY FOR THE FORMER REDEVELOPMENT AGENCY MINUTES OF AUGUST 28 & DECEMBER 11, 2012, FEBRUARY 12, APRIL 9 & 23, & MAY 14, 2013

8.0 NEW BUSINESS

8.1 BUDGET STUDY SESSION FOR FISCAL YEARS 2013-2015 (Recommended by Administrative Services Director Vega)

- (a) Staff Report
 - General Fund
 - Enterprise Funds
- (b) City Council/Agency Questions
- (c) Public Input
- (d) City Council/Agency Discussion
- (e) Motion Accepting Report

8.2 EMERGENCY ITEMS ADDED TO AGENDA

11.0 ADJOURNMENT

Pursuant to Section 54954.2(a)(1) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day and on the City of Watsonville website at www.cityofwatsonville.org.

Materials related to an item on this Agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office (275 Main Street, 4th Floor) during normal business hours. Such documents are also available on the City of Watsonville website at www.cityofwatsonville.org subject to staff's ability to post the document before the meeting.

**MINUTES
REGULAR JOINT CITY COUNCIL/
SUCCESSOR AGENCY TO REDEVELOPMENT AGENCY OF CITY
OF WATSONVILLE**

August 28, 2012
6:33 p.m.

City of Watsonville
Council Chambers
275 Main Street, 4th Floor

1.0 ROLL CALL

Mayor Montesino and Council Members Bilicich, Dodge, Hernandez, and Hurst were present. Mayor Pro Tempore Rios and Member Martinez were absent.

Staff members present were City Manager Palacios, City Attorney Smith, City Clerk Vázquez Flores, Public Works & Utilities Director Koch, Administrative Services Director Vega, Parks & Community Services Director Espinoza, Library Director Heitzig, Police Chief Solano, Deputy City Manager Maldonado, Assistant Public Works & Utilities Director Palmisano, Human Resources Manager Manning, Assistant Parks & Community Services Director Blachly, Solid Waste Division Manager Gordo, Police Lieutenants McCartney and Zamora, Police Sgt. M. Ridgway, Principal Engineer Fontes, Environmental Project Manager Templeton, Deputy City Clerk Ortiz, and Interpreter Vasquez-Quintero.

**JOINT CITY COUNCIL/SUCCESSOR AGENCY TO REDEVELOPMENT
AGENCY OF CITY OF WATSONVILLE**

8.0 NEW BUSINESS (Continued)

8.3 AUTHORIZATION OF TWO CITY/SUCCESSOR AGENCY LOANS IN THE AGGREGATE AMOUNT OF \$1,149,288 FOR SUCCESSOR AGENCY ENFORCEABLE OBLIGATIONS, ADMINISTRATIVE EXPENSES, & NEWLY REQUIRED DUE DILIGENCE AUDIT

(a) Staff Report

The Staff Report was given by Administrative Services Director Vega.

(b) City Council Questions

Administrative Services Director Vega and City Manager Palacios answered questions from Member Dodge regarding payment to the State of \$1.8 million.

Members Hurst and Dodge said that it was important for the City to communicate to the press and public the Successor Agency's situation.

(c) Public Hearing (None)

(d) Council/Board Member Discussion

MOTION: It was moved by Member Dodge, seconded by Member Hernandez, and carried by the following vote that the Resolutions below be approved:

AYES: MEMBERS: Dodge, Hernandez, Hurst, Montesino
NOES: MEMBERS: None
ABSENT: MEMBERS: Bilicich, Martinez, Rios

Mayor Montesino stated that the City was not going bankrupt and commended City Manager Palacios and Administrative Services Director Vega for their good work.

(e) **RESOLUTION NO. 118-12 (CM):
RESOLUTION NO. 8-12 (SA):
A JOINT RESOLUTION OF CITY COUNCIL OF THE CITY OF WATSONVILLE & OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF WATSONVILLE APPROVING \$1,129,888 LOAN AGREEMENT BETWEEN THE CITY & THE SUCCESSOR AGENCY UNDER HEALTH & SAFETY CODE SECTION 34173(H) FOR AB 1484 AUTHORIZED ENFORCEABLE OBLIGATIONS & ADMINISTRATIVE EXPENDITURES**

(f) **RESOLUTION NO. 119-12 (CM):
RESOLUTION NO. 9-12 (SA):
A JOINT RESOLUTION OF CITY COUNCIL OF THE CITY OF WATSONVILLE & OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF WATSONVILLE APPROVING \$20,000 LOAN AGREEMENT BETWEEN THE CITY & THE SUCCESSOR AGENCY UNDER HEALTH & SAFETY CODE SECTION 34173(H) TO FUND AN AB 1484 DUE DILIGENCE REVIEW AUDIT**

10.1 ADJOURNMENT

The meeting adjourned at 9:54 PM

Eduardo Montesino, Chair

ATTEST:

Beatriz Vázquez Flores, Board Secretary

MINUTES
JOINT CITY COUNCIL/SUCCESSOR AGENCY FOR FORMER
REDEVELOPMENT AGENCY

December 11, 2012

City of Watsonville
Council Chambers
275 Main Street, 4th Floor

4:40 P.M.

1.0 ROLL CALL

Mayor Montesino, Mayor Pro Tempore Rios, and Council Members Bilicich, Dodge, Hernandez, and Hurst were present. Council Member Martinez was absent.

10.0 CLOSED SESSION

(City Council Conference Room, 275 Main Street, 4th Floor)

- (a) Public Comments regarding the Closed Session agenda will only be accepted by the City Council at this time.
- (b) Closed Session Announcement
The City Council will now recess to discuss those items listed on the Closed Session Statement attached to the Agenda.

C. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION
(Government Code Section 54956.9)

- 1. Initiation of litigation pursuant to subdivision (c) of Section 54956.9:
(1 case)

3.1 REPORT OUT OF CLOSED SESSION

City Attorney Smith reported that Council gave direction on Item C.1 to take the necessary steps to file a lawsuit against the California State Department of Finance.

11.0 ADJOURNMENT

The meeting adjourned at 5:40 P.M.

Eduardo Montesino, Chair

ATTEST:

Beatriz Vázquez Flores, Board Secretary

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**MINUTES
JOINT CITY COUNCIL/SUCCESSOR AGENCY TO REDEVELOPMENT
AGENCY OF THE CITY OF WATSONVILLE**

February 12, 2013

City of Watsonville
Council Chambers
275 Main Street, 4th Floor

5:39 P.M.

1.0 ROLL CALL

Chair Hurst, Vice Chair Cervantez, and Agency Members Bilicich, Coffman-Gomez, Dodge, Hernandez, and Montesino were present.

Staff members present were City Manager Palacios, City Attorney Smith, City Clerk Vázquez Flores, Assistant City Manager/Community Development Director Tavantzis, Interim Public Works & Utilities Director Palmisano, Police Chief Solano, Administrative Services Director Vega, Parks & Community Services Director Espinoza, Library Director Heitzig, Redevelopment and Housing Director Davison, Human Resources Manager Manning, Assistant Parks & Community Services Director Blachly, Administrative Services Manager Reta, Deputy Police Chief Knill, Sgt. Ridgeway, Deputy City Clerk Ortiz, and Interpreter Vázquez-Quintero.

8.0 NEW BUSINESS

8.1 AMENDED & RESTATED COOPERATION AGREEMENT FOR ADMINISTRATIVE SERVICES BETWEEN THE CITY AND THE CITY AS SUCCESSOR AGENCY

(a) Staff Report

Report given by Redevelopment and Housing Director Davison.

(b) Council/Agency Members Questions

Redevelopment and Housing Director Davison answered questions from Member Bilicich regarding the Successor Agency's obligations and costs associated with same.

Redevelopment and Housing Director Davison answered questions from Member Dodge regarding the Amended & Restated Cooperation Agreement and the process behind its adoption.

(c) Public Input (None)

(d) Council/Agency Members Discussion

Member Dodge stressed the importance of having a comparable Cooperation Agreement to avoid litigation.

Mayor Hurst recommended that everyone get familiar with the glossary provided.

- (e) **RESOLUTION NO 1-13 (SA):
RESOLUTION NO 19-13 (CM):
JOINT RESOLUTIONS APPROVING AMENDED & RESTATED
COOPERATION AGREEMENT BETWEEN THE CITY AND THE CITY AS
SUCCESSOR AGENCY FOR ADMINISTRATIVE SERVICES**

11.0 ADJOURNMENT

The meeting was adjourned at 5:51 p.m.

Lowell Hurst, Chair

ATTEST:

Beatriz Vázquez Flores, Board Secretary

**MINUTES
REGULAR
JOINT CLOSED SESSION CITY COUNCIL/SUCCESSOR AGENCY
FOR THE FORMER REDEVELOPMENT AGENCY**

April 9, 2013

City of Watsonville
Council Chambers
Conference Room
275 Main Street, 4th Floor

5:30 P.M.

10.0 CLOSED SESSION

- (a) Public Comments regarding the Closed Session agenda will only be accepted by the City Council at this time.
- (b) Closed Session Announcement
The City Council recessed to discuss those items listed on the Closed Session Statement attached to the Agenda at 5:46 P.M.

1.0 ROLL CALL

Mayor Hurst, Mayor Pro Tempore Cervantez and Council Members Bilicich, Coffman-Gomez, Dodge, Hernandez, and Montesino were present.

Staff members present were City Manager Palacios, City Attorney Smith, City Clerk Vázquez Flores, Deputy City Manager Maldonado, Police Chief Solano, Administrative Services Director Vega, Redevelopment and Housing Director Davison, and Human Resources Manager Manning.

C. CONFERENCE WITH REAL PROPERTY NEGOTIATOR
(Government Code § 54956.8)

- 1. Properties: 36 Airport Road (APN: 015-391-20)
Negotiating parties: Jan Davison (City)
Kimberly Ferm for Pajaro Valley Shelter Services
Under Negotiation: Price and terms of payment

6:33 P.M.

3.5 REPORT OUT OF CLOSED SESSION

City Attorney Smith reported that Council received reports and discussed all items, gave direction on item C1 but took no final action on any of the items.

11.0 ADJOURNMENT

The meeting adjourned at 10:15 pm.

Lowell Hurst, Mayor

ATTEST:

Beatriz Vázquez Flores, City Clerk

MINUTES
REGULAR JOINT CITY COUNCIL/SUCCESSOR AGENCY
FOR THE FORMER REDEVELOPMENT AGENCY

April 23, 2013
5:30 p.m.

City of Watsonville
Council Chambers
275 Main Street, 4th Floor

10.0 CLOSED SESSION

- (a) Public Comments regarding the Closed Session agenda were only accepted by the City Council at that time. (None)
- (b) Closed Session Announcement
The City Council recessed to discuss those items listed on the Closed Session Statement attached to the Agenda at 5:46 P.M.

1.0 ROLL CALL

Mayor Hurst, Mayor Pro Tempore Cervantez and Council Members Bilicich, Coffman-Gomez, Dodge, Hernandez, and Montesino were present.

Staff members present were City Manager Palacios, City Attorney Smith, City Clerk Vázquez Flores, Deputy City Manager Maldonado, Police Chief Solano, Administrative Services Director Vega, Redevelopment and Housing Director Davison, and Human Resources Manager Manning.

C. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION
(Government Code Section 54956.9)

- 1. Initiation of litigation pursuant to subdivision (c) of Section 54956.9:
(1 case)—Item not discussed

6:42 P.M. SESSION

3.1 REPORT OUT OF CLOSED SESSION

City Attorney Smith reported that Council received reports on items A1 and B1, but took no action. C1 was not discussed.

11.0 ADJOURNMENT

The meeting adjourned at 9:41 PM.

Lowell Hurst, Mayor

ATTEST:

Beatriz Vázquez Flores, City Clerk

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**MINUTES
REGULAR
JOINT CLOSED SESSION CITY COUNCIL/SUCCESSOR AGENCY
FOR THE FORMER REDEVELOPMENT AGENCY**

May 14, 2013

City of Watsonville
Council Chambers
275 Main Street, 4th Floor

5:02 P.M.

10.0 CLOSED SESSION

(City Council Conference Room, 275 Main Street, 4th Floor)

- (a) Public Comments regarding the Closed Session agenda were only accepted by the City Council at that time. (None)
- (b) The City Council recessed to discuss those items listed on the Closed Session Statement attached to the Agenda at 5:02 P.M.

1.0 ROLL CALL

Mayor Hurst, Mayor Pro Tempore Cervantez, and City Council Members Bilicich, Dodge (arrived at 5:27 p.m.), Hernandez, and Montesino (arrived at 5:40 p.m.) were present. Council Member Coffman-Gomez was absent.

City Manager Palacios, City Attorney Smith, City Clerk Flores, Redevelopment & Housing Director Davison, Administrative Services Director Vega, and Attorney Susan E. Bloch with Burke, Williams & Sorensen LLP (via conference call) were present.

C. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

(Government Code Section 54956.9)

- 1. Initiation of litigation pursuant to subdivision (c) of Section 54956.9:
(1 case)

6:37 P.M. SESSION

3.2 REPORT OUT OF CLOSED SESSION

City Attorney Smith reported that Council received reports on Items A and B, but took no action. Regarding Item C, he stated Council decided to initiate litigation against the State of California Department of Finance regarding the effectiveness of certain contracts between the former Redevelopment Agency and the City.

11.0 ADJOURNMENT

9:21 p.m.

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City of Watsonville
Finance Department

APPROVED
By Carlos J. Palacios at 10:37 am, May 16, 2013



MEMORANDUM

DATE: May 14, 2013
TO: Carlos J. Palacios, City Manager
FROM: Ezequiel Vega, Administrative Services Director
SUBJECT: 2013-2014 PROPOSED BUDGET AND 2014-15 PROJECTED BUDGET

APPROVED
By Ezequiel Vega at 10:30 am, May 16, 2013

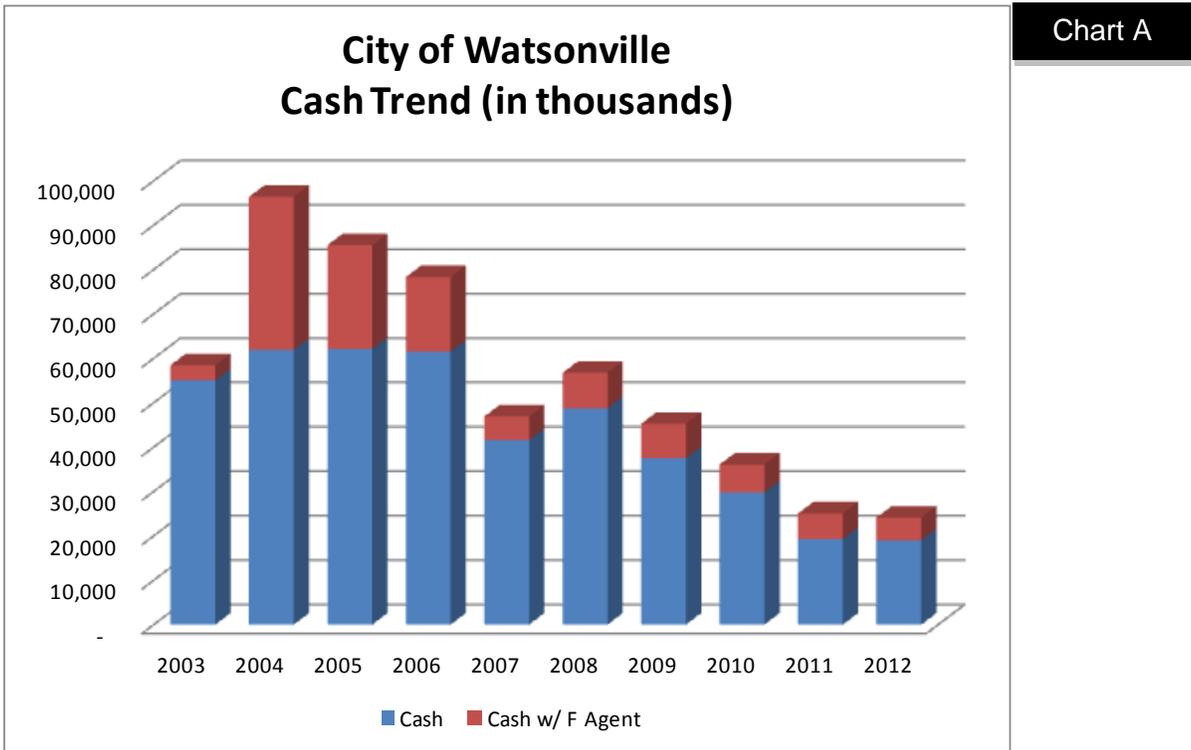
AGENDA ITEM: May 21, 2013 Joint Successor Agency & City Council

RECOMMENDATION:

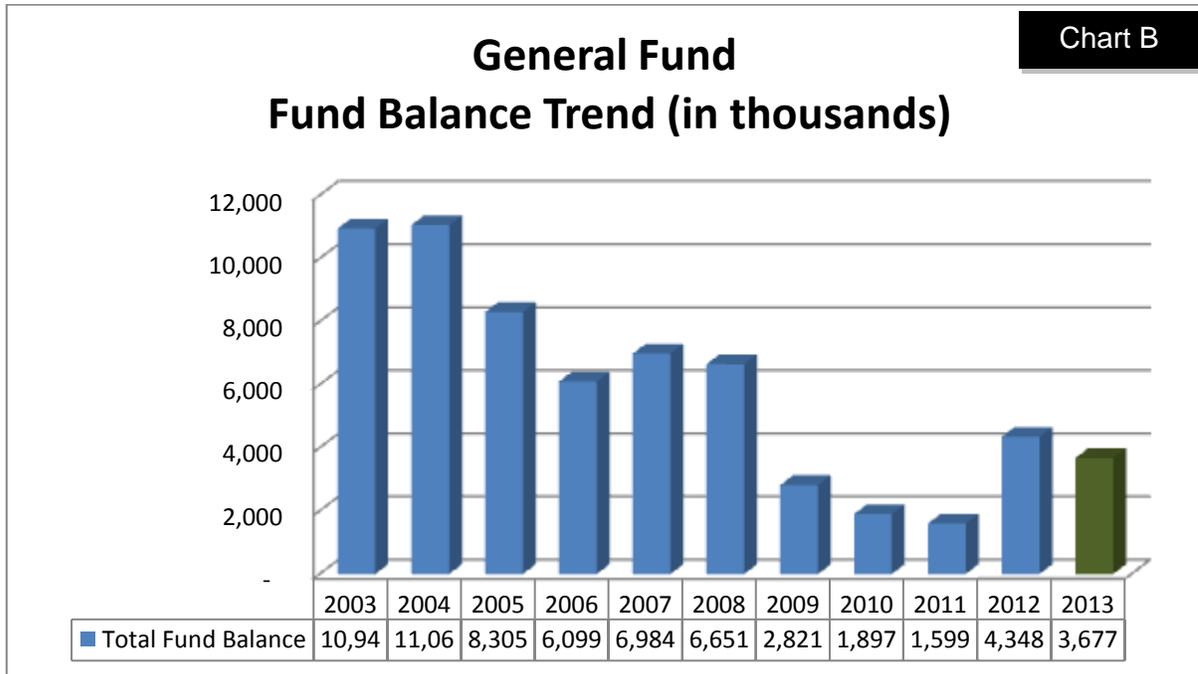
Staff will present the Proposed 2013-2014 Budget and the 2014-2015 projected budget plan including the 5-year Capital Improvement Program. No further action is required.

BACKGROUND:

As previously indicated during the Audited Financial Statements presentation to the Council during the February 12, 2013 meeting; the City of Watsonville has experienced financial challenges which have resulted in reduction of cash reserves citywide and depletion of General Fund reserves. This decline can be seen in the chart below.



In fact, General Fund reserves are projected to be lower at the end of FY 2013-14. The decline in cash and fund balance could be exacerbated by the recent demand for payment from the State Department of Finance (DOF) in the amount of \$4.6 million (more details about this are found in the redevelopment section below).



Keep in mind, FY 2011-12 audited General Fund City reserves when compared to comparable cities are below the median point as reported in the latest audited financial reports for each comparison City.

Watsonville vs. Comparable Cities FY 2011-12

	Salinas	Scotts Valley	Santa Cruz	Gilroy	Monterey Hill	Morgan Hill	Median	Watsonville
GF Revenues and Other Sources	\$ 82,490	\$ 7,703	\$ 77,912	\$ 38,082	\$ 61,050	\$ 23,493	\$ 48,557	\$ 36,658
GF Expenditures	\$ 82,517	\$ 7,833	\$ 95,908	\$ 35,230	\$ 59,125	\$ 25,479	\$ 45,670	\$ 35,809
GF Fund Balance	\$ 7,833	\$ 6,749	\$ 25,531	\$ 25,482	\$ 33,831	\$ 7,282	\$ 18,140	\$ 4,348
		NP	NP					
Fund Balance, % GF Exp	9.50%	86.16%	26.62%	72.30%	57.22%	28.58%	42.90%	12.14%

DISCUSSION:

Following is the proposed schedule with regard to the adoption of the 2013-2014 Budget and the 2014-2015 Projected Budget. On February 26, 2013 the City Council approved the Mid-Year Budget Report and Revised City Budget. On March 1, 2013, the City Council conducted a Study Session on the 2013-2015 Strategic Plan which includes overall policy and strategic goals for the City and provides direction to staff on budget priorities. The Strategic Plan was approved on May

14, 2013. Today, May 21, the City Council is conducting its first study session on the proposed budget for the next two years. On May 28, a second study session on the proposed budget will be held and staff will receive direction from the City Council. It is proposed that the City Council take action on the 2013-2014 Budget and 2014-2015 Projected Budget on June 11.

The City of Watsonville has faced serious financial challenges over the last five fiscal years. In three of those fiscal years, the City made a policy decision to deficit spend in the General Fund operations in order to preserve valuable services and jobs in the community resulting in depletion of General Fund reserves. With these efforts, services were maintained with minimal labor reduction. This was particularly true in the areas of public safety where no Police or Fire layoffs were implemented during that period of time. Please refer to Exhibit 1 below for a summary of prior year reductions.

Exhibit 1

General Fund Reduction Strategy	Timing	Estimated Annualized Savings
Hiring freeze for all non-safety General Fund positions	Winter 2007	\$402k
Reduce Capital projects	Mid-Year 2008	\$133k
Freeze and eliminate various capital projects	June 2008	\$693k
Staffing reductions implemented	June 2008	\$1 million
Increase parking permits & fire false alarm fees; sold excess property	June 2008	\$120k
Reduce General Fund staffing	August 2008	\$75k
Reduce General Fund staffing	October 2008	\$120k
Holiday temporary layoff plan from 12/22/08 through 1/05/09.	December 2008	Net \$440k
Administrative freeze on General Fund travel and training programs	January 2009	\$59k
Freeze additional position	January 2009	\$106k
Reduce General Fund staffing	February 2009	\$131k
Increase Parking Citation rates	March 2009	\$110k
Massive reduction plan for FY 2009-2010: Up to 15% employee comp reduction, Freeze step increases for miscellaneous groups, 3 layoffs & 20 unfunded positions; unfunded all General Fund Capital Projects; 15% reduction in Community/Social grants, 911 Center & Animal Services	June 2009	\$4.5 million
Additional eliminations of General Fund staffed positions & implemented a low-cost Voluntary Retirement program.	Fall 2009	Net \$70K
Additional reductions of General Fund staffing	February 2010	\$379k
Amendments to Vehicle Towing Services Ordinance	March 2010	\$183k
Reduce General Fund staffing, personnel costs and social service grants, continuing reductions from prior budget cycle	June 2010	\$1.5 million
Mid-year reduction plan Eliminated P&CS Superintendent, consolidate programs with P&CS, consolidate customer services between departments, eliminate additional support services, assume maintenance contract for Driving Range, increase lease revenue	Feb 2011	\$301k
Reduce General Fund options with ongoing personnel cost	June 2011	\$1.93 million

reductions, 5% reduction social service grants, and operating reductions from prior budget cycles: 19 Positions eliminated, unfunded and reduced Reduced retirement benefits for all new hires by implementing 2-tier system for Miscellaneous and Public Safety groups		
Additional reductions of General Fund staffing through attrition and RAHD staffing due to elimination of Redevelopment Agency	Feb 2012	\$400k

Assuming that all labor groups maintain current salary and benefit concessions at the current level, the FY 2013-14 *Proposed Budget* is balanced. However, since resolution to ongoing negotiations with the different labor groups is still pending, there is a distinct possibility the budget may be thrown out of balance if the current concessions achieved with the collaboration of the labor groups are not maintained in FY 2013-14. This report will present two separate scenarios:

- Alternative A: FY 2013-14 Proposed Balanced Budget with Continuing Concessions and no layoffs
- Alternative B: FY 2013-14 Proposed Balanced Budget without Some Concessions and with issuance of layoffs.

Proposed Budget Alternative A. Preparing the budget for the new two budget cycle (FY 2013-14 & 2014-15) has been challenging just as in the previous five fiscal years. Even before beginning the budget work, it was readily apparent revenues were not growing at the same pace as expenditures and some level of reduction would be necessary. Accordingly, departments were asked to prepare three different budget scenarios for consideration:

- a) Status quo budget (for all departments, all funds),
- b) One percent reduction budget (General Fund Departments only), and
- c) Three percent reduction budget (General Fund Departments only)

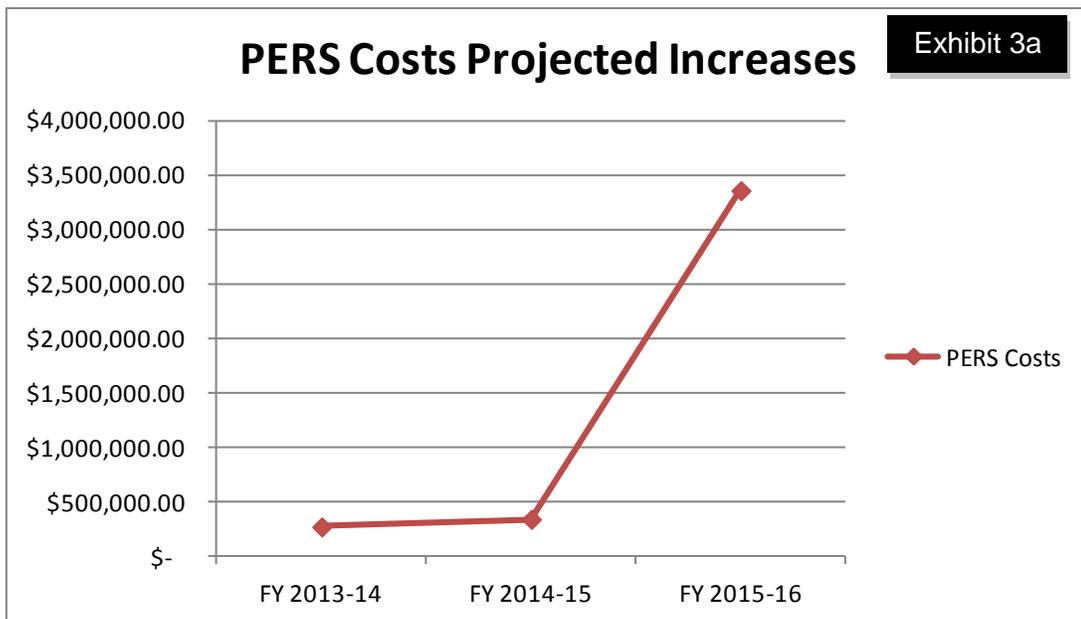
After reviewing the General Fund status quo budget submissions, the City's *Proposed 2013-14 General Fund Budget* was facing an approximate \$700,000 operating deficit. The main reasons (not an all inclusive list) for this deficit were attributed to increases in the following areas:

Summary of Increases	Amount
Police and Fire PERS Increases	\$ 177,000
Miscellaneous PERS Increases	\$ 96,000
Step Increases Police and Fire	\$ 188,000
Health Increases	\$ 92,000
Other	\$ 140,000
Estimated Totals	\$ 693,000

Exhibit 2

As reported in previous reports to the City Council, the City's pension rates have increased significantly over the last 14 years. In addition, pension rates are anticipated to increase in the range of 10% to 16% as early as FY 2015-16 (estimated at \$3.3 million dollars). Exhibit 3 shows

the historical increases and Exhibit 3a shows the marginal increase these costs may experience in FY 2015-16.

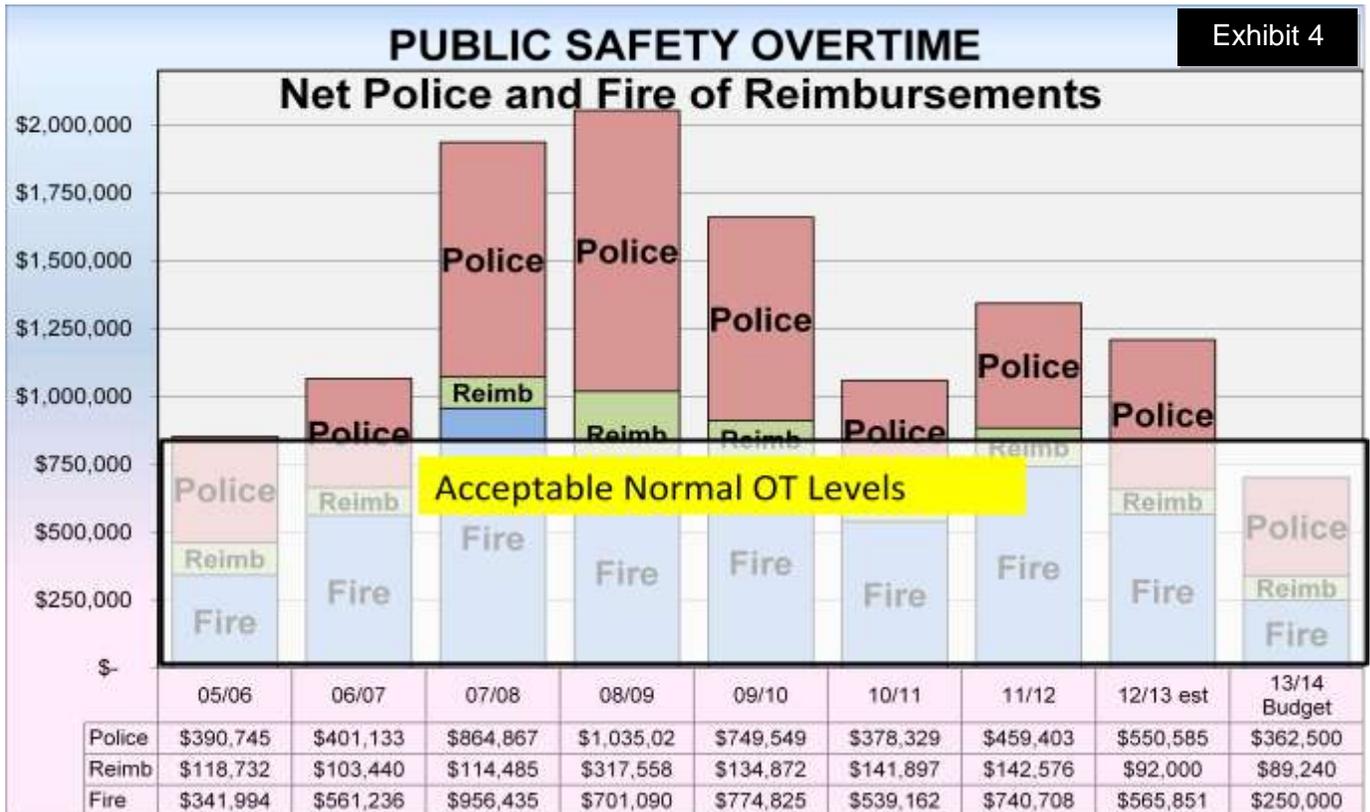


This sharp increase is due mainly to policy changes by CalPERS in the following areas:

- Change in the retirement formula to reduce the smoothing period from a rolling 30 years to a fixed 25 years
- Increase in the longevity of members

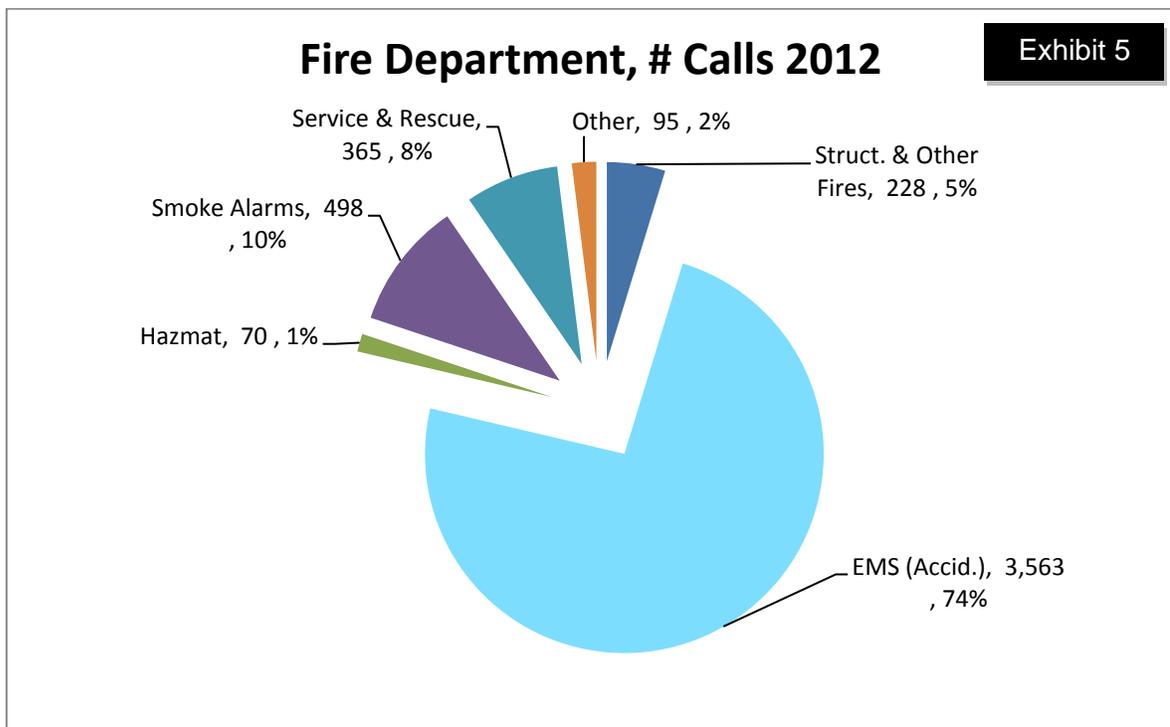
- Decrease of the discount rate by 0.25% (The Discount Rate is the annual projected earnings for PERS investments. Previously this rate was 7.75%, it is currently 7.5% and will be reduced to 7.25 %.)

Additionally, balancing of the budget was also facing ongoing concerns with overtime costs in public safety, particularly the Fire Department. The chart below shows the historical overtime levels through FY 2011-12 and estimated 2012-13 figures and the 2013-14 budget.



Given all these different challenges, City staff worked with each department and agreed to implement their three percent budget reduction scenario. Upon implementation of this scenario, the budget has been balanced with some important operational impacts at department levels.

In the Fire Department, FY 2013-14 operations will continue with a \$250,000 overtime (OT) budget which will be capped to avoid future budget overruns. This means the Department will only have 128 hours of allowed OT per month, per shift. As this maximum is reached monthly, down-staffing would occur in lieu of expending more OT in order to maintain the ninth firefighter on each shift. Once this limit is reached, the ladder truck located downtown would be staffed with two firefighters, not three. The two fire engines at each station would remain staffed with three firefighters each. Although this will be a significant change in staffing, it is anticipated the number of calls will continue to be appropriately staffed given the nature of the calls the Departments will respond to are mainly medical.



Another example of the reductions proposed in this budget includes the reduction of the Parks and Community Services Department programs as follows:

- Reduction of park maintenance temporary labor
- The elimination of the summer drop-in and lunch program at Marinovich and Callaghan parks,
- Reduction of services at the Callaghan summer drop-in by one hour per day
- Elimination of Computer Center Services on Saturdays, reducing the overall service level to 15 hours per week

This budget also proposes the reduction of social service and community service grants by \$75,000 and dedicating those funds for the acquisition of much needed police vehicles. Funding of the police vehicles is considered critical because the Capital Improvement Program funding has been virtually non-existing over the last four fiscal years. This has left the police vehicle fleet in a difficult position, along with many other General Fund Capital needs. Police vehicles are considered particularly important as the fleet is aging and many vehicles have surpassed their anticipated useful life.

A final example is the Police Department. This department met their three percent reduction target by eliminating costs in various divisions including the reduction of the contribution to the Santa Cruz County Anti-Crime Team (SCCACT) in half, obtaining a new grant to pay salaries of an existing staff member in the Police Activities League program, and reducing various departmental expenses in their operational budget. All other departments made similar reductions to their operations budget with similar impacts.

On a positive note, the Library operations revenue has been improving over the last couple of years and projections indicate revenue will continue to be a bright spot for the City. Accordingly, the main Library proposes to open its doors for four hours on Saturdays. Once the schedule is developed an update will be provided to the City Council.

Proposed Budget Alternative B. Without the concessions mentioned in the introductory section of this report, the total deficit City-wide would be \$3.1 million and would affect an estimated 29.10 full time equivalents (FTE). Of this amount, \$2.1 million correspond to the General Fund representing 18.50 FTE positions affected. Thus far, City staff is optimistic about reaching agreement to continue the same level of concessions with four out of eight labors groups. Unfortunately, as of the date of this report, public safety (Fire, Police, and Police Mid-management) and clerical technical (SEIU) labor groups have not agreed to continue concessions to offset the 2013-14 budgeted costs. The City is close to reaching agreement with Public Works (Operating Engineers Local 3), Management, Mid-Management, and Confidential units.

Of these groups, the Firefighters Association (IAFF L-1272) and SEIU 521 are currently at the table while the Police Officers Association and the Police Mid-management units have not yet agreed to bargain. The police labor groups' contract expires in December of 2013 and can continue to choose not to negotiate with the City. The potential impacts of not achieving a status quo budget with these remaining four units are shown in the tables below.

Fire Department. If an agreement for the continuation of employee concessions is not reached with the fire labor group, in addition to the changes outlined in the Budget Alternative "A", it will be necessary that the ladder truck be down-staffed to two personnel: an engineer and a firefighter. The fire captains positions assigned to the truck would be eliminated, triggering bumping provisions through the ranks to implement the reduction of three permanent departmental positions.

Fire Reduction Plan				Exhibit 6
Position	FTE	Fund	Comments	
Fire Captain	1.00	GF	Demote to Firefighter, Firefighter layoff	
Fire Captain	1.00	GF	Demote to Firefighter, Firefighter layoff	
Fire Captain	1.00	GF	Demote to Firefighter, Firefighter layoff	
Total Savings	3.00		\$	426,900

Police Department. Similarly, if an agreement for the continuation of concessions is not reached with the Police Officers Association and the Police Mid-management units, the department will have to reduce its operations as indicated in the table below.

Police Reduction Plan

Exhibit 7

Position Title / Category	FTE	Comments
Lieutenant	-	Demoted to Sergeant
Lieutenant	-	Eliminate Position
Police Officer	1.00	Layoff Officer
Police Officer	1.00	Vacant Position
Police Officer	1.00	Layoff Officer
Police Officer	1.00	Layoff Officer
Police Service Specialist	1.00	Freeze Position
Recreation Coordinator	0.25	Eliminate PAL
Sergeant	-	Demotion to Police Officer
Services and Supplies PAL	-	Eliminate PAL
Temporary Police Officer	-	Layoff Officer
Temporary Recreation Leaders	-	Eliminate PAL
Total Savings	5.25	\$ 710,000

Implementing these reductions would mean the elimination of the Police Activities League (PAL) program, eliminating four Police Officer positions resulting in the layoff of three police officers, demoting one Sergeant to Police Officer, eliminating one Lieutenant, and demoting one Lieutenant to Sergeant, and elimination of one vacant Police Services Specialist and 0.25 Recreation Coordinator.

SEIU Labor Group. Reductions for this labor group would also be necessary if an agreement to continue with concessions is not reached. It is estimated that a total of 5.50 FTEs would need to be eliminated (resulting in layoffs) in order to balance the budget as shown in the table below. Needless to say, this type of reduction to already depleted departments would result in the deterioration of the quality of service delivered to the community.

SEIU Reduction Plan

Exhibit 8

Position	Department	FTE	Savings
Senior Accounting Assistant	PW	0.50	
Senior Accounting Assistant	PW	0.50	
Accounting Assistant	Finance	1.00	
Assist Admin Analyst	PW	1.00	
Library Assistant	Library	0.50	
Library Assistant	Library	0.50	
Code Enforcement Officer	CDD	0.50	
Code Enforcement Officer	CDD	0.50	
Sr Engineering Aide	PW	0.50	
Total Savings		5.50	\$ 446,002

Ongoing Salary and Position Reductions. All miscellaneous employees (including Management and Mid-Management bargaining groups) are currently paid for 36 hours per week which results in a 10% salary reduction beginning in FY 2009 with the exception of a few employees in the Solid Waste division. In addition, step increases have been frozen for all

Confidential, SEIU, Management and Mid-Management positions and employees have contributed an additional 1% of retirement costs in the last two years.

It is important to note that while all miscellaneous employees are being paid for 10% fewer hours, there are some employees who have had salary adjustments when comparing salaries from 2008 to 2013. This is true for employees in all bargaining units and not just management positions.

Due to the ongoing economic crisis, when a position is vacated due to attrition, retirement, or layoff, the City first determines if there is a critical need to fill the position or if there are other cost-saving mechanisms that can be used to continue providing the service. In many cases throughout the City due to positions being eliminated or consolidated, this has resulted in an internal promotion, reclassification, or temporary upgrade as required by MOUs and the City's Personnel Rules and Regulations. While this may result in a slightly higher salary for the person promoted, it results in overall savings to the City. Often, the promoted employee is paid less than the predecessor at either a lower classification or lower step and the position they vacate is often then eliminated rather than being filled. Also, some positions are eliminated through consolidation. The list below is a summary of positions which were eliminated or consolidated during this period. This list is not intended to be all inclusive as its intent is to provide a general summary of changes which have occurred.

Reduced or Eliminated Positions by Department 2009-2012

Community Development

- Community Development Director (duties assumed by Assistant City Manager and Principal Planner)
- Associate Planner (eliminated)
- Assistant Community Development Director (position reduced and filled as Building Official)
- Assistant Engineer (reduction by 50% to utilities)
- Administrative Assistant II (reduction by 50% to utilities)
- Sr. Building Inspector (eliminated)
- Building Inspector (eliminated)
- Sr. Engineering Associate reduction by 100% (transfer to utilities)
- Development Review Technician (eliminated)

Library

- Librarian position reduced from full time to half time
- Library Clerk 50%-(eliminated)
- Library Assistant 50% (eliminated)
- Custodian 50% (eliminated)

Finance Department

- Accounting Technician (eliminated)

Fire Department

- Reclassification of Battalion Chiefs to Division Chiefs to eliminate overtime
- Elimination of one Division Chief position (on-call duties fulfilled by temporary employee)

Police Department

- Deputy Police Chief (position eliminated with reorganization)
- Crime Analyst (eliminated)
- Administrative Services Manager (filled by lower position of Sr. Administrative Analyst)
- Youth Employment Specialist (eliminated)
- Parking Control Officers (eliminated 2 positions)
- Administrative Assistant II (eliminated)
- Executive Assistant (eliminated)

Redevelopment and Housing Department

- Redevelopment and Housing Director (filled with hourly, part-time employee)
- Economic Development Manager (reduced by 25%)
- Administrative Analyst (eliminated)
- Administrative Assistant I (eliminated)
- Construction Manager (reduction by 50% to utilities)

City Administration

- Administrative Analyst (eliminated)
- Administrative Assistant I (eliminated)

Parks and Community Services Department

- Neighborhood Outreach Coordinator (eliminated after promotion made to Admin Analyst to fill vacated Sr. Admin Analyst position)
- Senior Administrative Analyst-reduced by 25%
- Senior Administrative Analyst (eliminated)
- Recreation Superintendent (eliminated)
- Administrative Assistant I (eliminated)
- Office Assistant II 50% (transferred to grant funded position)

Public Works and Utilities Department

- Principal Engineer (filled at lower level of Assistant Engineer)
- Public Works Operations Manager (eliminated, responsibilities absorbed by existing staff)
- Field Services Manager (eliminated, responsibilities absorbed by existing staff)
- Senior Utilities Engineer (eliminated)
- Safety and Regulatory Comp. Officer (filled by lower position of Sr. Administrative Analyst)
- Senior Administrative Analyst (eliminated)
- Assistant Engineer (eliminated)
- Custodian (eliminated)
- Building Maintenance Worker (eliminated, responsibilities absorbed by existing staff)
- Equipment Maintenance Coordinator (eliminated)

Capital Improvement Plan. As funding is limited and can barely cover ongoing costs, City staff is not recommending new projects or equipment acquisition (except for funding in the amount of \$75,000 for police vehicles) to be funded in the Capital Improvement Plan for the General Fund. In the Enterprise Funds, the City has worked on a Capital Improvement Plan that identifies the

most pressing needs only, focusing on making sure ongoing revenues can fund both operations and capital needs without tapping into their existing cash reserves. The capital improvement plan presented with this budget meets those requirements. The tables below show a summary for the Enterprise Funds and the funding shortfall to fund all capital needs

Exhibit 9

Cash Calculations for 710- Sewer Fund			Cash Calculations for 720-Water Fund		
13/14	Cash Est 7/1/13	\$ 2,674,191	13/14	Cash Est 7/1/13	\$ 1,492,661
13/14	Expenditures	(9,283,323)	13/14	Expenditures	(9,641,133)
13/14	Revenue	10,644,119	13/14	Revenue	9,915,710
13/14	CIP	(1,137,302)	13/14	CIP	(532,500)
14/15	Cash Est 7/1/14	\$ 2,897,685	14/15	Cash Est 7/1/14	\$ 1,234,738
	Unfunded CIP	\$ 1,264,000		Unfunded CIP	\$ 10,073,000

Cash Calculations for 730 - Airport			Cash Calculations for 740 - Solid Waste		
13/14	Cash Est 7/1/13	\$ (4,701,648)	13/14	Cash Est 7/1/13	\$ 2,692,509
13/14	Expenditures	(2,788,273)	13/14	Expenditures	(8,782,825)
13/14	Revenue	2,873,036	13/14	Revenue	9,404,400
13/14	CIP	(81,375)	13/14	CIP	(902,000)
14/15	Cash Est 7/1/14	\$ (4,698,260)	14/15	Cash Est 7/1/14	\$ 2,412,084
	Unfunded CIP	\$ 1,000,000		Unfunded CIP	\$ 7,174,000

State Budget & Redevelopment. Currently there are no new concrete developments at the State budget level that would impact the City. However, the dissolution of the redevelopment agency has had a significant impact over the last year. The Successor Agency to the City of Watsonville Redevelopment Agency has faced numerous funding take aways from the State; including a major blow requiring it to pay back \$4.6 million for a loan repayment to the General Fund and Impact Fees Funds made in 2011. City staff will continue monitoring the State's budget development and present updates to the City Council through the City's budget process.

FINANCIAL IMPACT:

The Proposed 2013-14 Budget balances an initial \$700,000 operating deficit in the General Fund. However, if concessions with all labor groups are not continued at the current level, reductions of up to \$3.1 million City-wide or \$2.1 in the General Fund would have to be implemented.

ALTERNATIVES:

The City will continue to seek out alternatives to layoffs in the form of employee concessions, furloughs, reduction in work week, service consolidation with other local service providers or other

options that may present themselves within the next several weeks (before final budget adoption on June 11th). If alternatives are not reached the City Council may choose to direct staff to make reductions elsewhere.

ATTACHMENTS:

None

cc: City Attorney