

MINUTES

of a special meeting of the City Council of the City of Redlands held in the Council Chambers, Civic Center, 35 Cajon Street, on February 10, 2009, at 8:00 A.M.

PRESENT

Jon Harrison, Mayor
Pat Gilbreath, Mayor Pro Tem
Mick Gallagher, Councilmember
Pete Aguilar, Councilmember
Jerry Bean, Councilmember (arrived at 8:25 A.M.)

ABSENT

None

STAFF

N. Enrique Martinez, City Manager; Daniel J. McHugh, City Attorney; Lorrie Poyzer, City Clerk; Jim Bueermann, Police Chief; David Hexem, Chief Information Officer; Daniel Hobbs, Redevelopment Agency Director; Rosemary Hoerning, Municipal Utilities and Engineering Director; Tina Kundig, Finance Director/City Treasurer; Jeff L. Frazier, Fire Chief; Oscar W. Orci, Community Development Director; Deborah Scott-Leistra, Human Resources Director; Gary van Dorst, Quality of Life Director

Public Comments - Mayor Harrison called the special meeting of the City Council to order and explained to the standing-room-only audience that this meeting was scheduled to review the current budget. Noting a number of speaker sign-up forms were submitted expressing concerns about the senior centers and Community Center, Mayor Harrison asked Police Chief Bueermann for his comments. Police Chief Bueermann reported that because of the economic situation and declining revenues, six part-time workers were laid off in the Recreation Division and three positions remain unfilled. At this time there are no discussions to close the senior centers and Community Center. Mayor Harrison provided an opportunity for the public to address them on the subjects which were scheduled on the agenda. Speaker forms were submitted by: Lajos F. Kardos, Frank Maloney, Richard Bussee, Zita Busse, Joe Sanchez, Margaret Harding, Mary Reyes, Kathy King, Recreation Commissioners Patty Peoples, Roy Cencirulo and Gabriel Jacob, Stella Cedano, Marilyn Drolet, Paula Wadga, Patrice Bopknight, Pauline Stancliff, Barb Dixon, James Tuazon, Dennis Stanley, Ray Arias, and David Baer. JoAnn Nash read a letter from John F. Nash opposed to the building of a new Super Wal-Mart. Also addressing the City Council were: Nancy Sudue, Kathy Van Dieter, Patricia Jones, Recreation employees Kristen and Tiffany and Joan Andleman. Nineteen e-mails were also received.

The City Council briefly recessed at 8:56 A.M. and reconvened at 8:58 A.M.

Mid-Year Budget Review - Finance Director/City Treasurer Kundig reported that over the last several months the City Manager, Finance and departmental staff have met with the Budget Committee to address the City's economic

outlook as a result of the major decline in the economy. The City Council has been kept apprised of potential revenue shortfalls facing the City, as well as recommended budget reductions to meet these shortfalls.

In October, department heads were asked to review their budgets and provide budget reductions as a result of expected shortfalls in sales tax revenues (\$1.2 million), property tax revenues (\$700,000), motor vehicle license fee revenues (\$225,000) and a contingency for shortfalls in development revenues of \$575,000. Departments responded with budget reductions of \$1,283,000. In addition, non-sworn employees were asked to furlough ten days to provide an estimated savings to the General Fund of \$460,000 and sworn employees were subsequently asked to participate with savings of \$297,000 and \$237,000 from Police and Fire, respectively. Employees in all bargaining groups are to be commended for their willingness to participate in the City's efforts to solve its financial challenges, and sworn employees of the City of Redlands have set an example for sworn employees in other communities.

As the economy has continued to decline, so have the City's revenues. Additional shortfalls in development revenues have exceeded the original contingency of \$575,000. A shortfall in development revenues of \$800,000 in Community Development and \$1,000,000 for Municipal Utilities and Engineering was recently reported to the Budget Committee and to the Council. Furthermore, the City's sales tax consultant has just reported an additional decline in sales tax revenues at mid-year, with the estimated shortfall now expected at \$2 million by fiscal year-end. Other categories of revenues, although individually not as major as property tax, sales tax and development revenues, collectively, could result in a significant additional shortfall in revenue, up to as much as \$800,000, if not more, by fiscal year-end. As a result of these estimates, the City Manager and staff are preparing for an overall shortfall in General Fund revenue of \$5.525 million by June 30, 2009.

In addition to the initial budget reductions provided by departments and the furlough savings by employees, additional reductions by departments have been recommended. The Police Department has provided additional reductions of \$681,000, primarily resulting from salary savings due to vacancies. Other reductions include salary savings of \$127,000 from Fire, \$80,000 from Community Development, and \$25,000 from Finance, and \$7,500 in books from the Library. Potential savings from the golden handshakes (\$100,000) and from the contingencies for major crime overtime (\$125,000) and health premium increases (\$100,000) add another \$325,000 to help address the budget gap.

Another potential source to close the revenue shortfall is one-time revenue from Redevelopment Agency Bond proceeds. The Council has already initiated the steps for reimbursing the City's General Fund and Enterprise Funds for certain infrastructure and building improvements by moving City infrastructure contracts to the Agency. City Staff estimates that approximately \$1.08 million

from these bond proceeds will reimburse the General Fund for eligible street construction contracts as a result of your February 3, 2009, action. This one-time revenue has been earmarked to be used to replenish reserves for prior year employee retirement payouts, for the golden handshakes, and to fund street resurfacing, cut as a result of initial departmental budget reductions. In addition, on February 17, 2009, staff will be presenting the City Council with additional actions similar to the action taken on February 3, 2009, which will generate nearly \$1.9 million in facilities capital reimbursements which will be transferred into reserves, with a recommendation to borrow \$1 million for the operating budget. The internal loan of \$1 million would be repaid over a six-year period with no payment or interest accrued over the first two years and payments will begin at the end of the third year at the existing LAIF (Local Agency Investment Fund) rate. Another \$165,000 in staff costs associated with Safety Hall infrastructure repairs may be bond eligible and would provide an additional source to close the revenue shortfall. Another \$1.5 million of the bond proceeds will be used to reimburse the Municipal Utilities and Engineering Department for water and traffic "Capacity" projects. Finally, approximately \$2.6 million and \$.122 million will be used to reimburse the Municipal Utilities and Engineering Department for the Lugonia and Stuart Storm Drain Projects. All of these dollar amounts will be refined and summarized as part of your February 17, 2009, action.

The City Manager and Executive Team are working to identify additional cuts of \$900,000 between now and June 30, 2009, which when added to the other budget reductions and reimbursement from bond proceeds, results in \$5,587,000 available to close a revenue shortfall currently projected at \$5,525,000.

To the extent that budget reductions and other sources are identified to cover the anticipated revenue shortfalls as they occur, the City will preserve the Unreserved General Fund Balance of \$4.9 million that it began fiscal year 2008-2009 with, and its reserves of \$5.7 million.

Each department director reviewed the reductions for their respective department and the resulting impacts on service. Councilmembers discussed the situation at length. Councilmember Gilbreath moved to acknowledge receipt and file the report. Motion seconded by Councilmember Aguilar and carried with Councilmember Harrison voting NO.

PUBLIC COMMENTS

None forthcoming

CLOSED SESSION

The City Council meeting recessed at 10:22 A.M. to a closed session to discuss the following:

1. Conference with labor negotiator - Government Code Section 54957.6
Agency Negotiators: N. Enrique Martinez, Debbie Scott-Leistra and Steve Filarsky
Employee Organizations: Redlands Association of Management Employees; Redlands Association of Mid-Management Employees; General Employees Association of Redlands (SBPEA); Redlands Civilian Safety Employees Association (SBPEA); Redlands Police Officers Association; Redlands Professional Firefighters Association; Redlands Association of Safety Management Employees; and Redlands Association of Fire Management Employees
2. Conference with legal counsel - Existing litigation- Government Code Section 54956.9(A)
 - a. One case: The Redlands Association v. City of Redlands et al
3. Public Employee Performance Evaluation - Government Code Section 54957
 - a. Title: City Manager

ADJOURNMENT

No report was expected following the closed session. The next regular meeting will be held on February 17, 2009