



MINUTES

SPECIAL MEETING OF THE HEMET CITY COUNCIL

March 31, 2008

4:00 pm
Douma House
300 E. Newport Rd.
Hemet, CA 92543

www.cityofhemet.org

Please silence all cell phones

Call to Order

Mayor Searl called the meeting to order at 4:10 p.m.

Roll Call

PRESENT: Council Members Lowe, McBride, VanArsdale, Vice Mayor
Christie, and Mayor Searl

ABSENT: None

Closed Session

Notice of Opportunity for Public Comment

There were no public comments presented.

1. Public Employee Appointment
Pursuant to Government Code section 54957
Title: City Manager

The City Council recessed at 6:20 p.m.

City Attorney Closed Session Report

2. Public Employee Appointment
Pursuant to Government Code section 54957
Title: City Manager
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6:30 p.m.
Hemet Public Library Conference Room
300 E. Latham Avenue

Reconvened at 6:42 p.m. The Meetings of the Hemet City Council, the Hemet Redevelopment Agency and the Hemet Housing Authority ran concurrently.

PRESENT: Council Members Lowe and VanArsdale, Vice Mayor Christie and Mayor Searl
ABSENT: Council Member McBride

Fiscal Year 2008/2009 Budget Review

3. Fiscal Year 2008/2009 Budget Review

Len Wood, Interim City Manager, gave the City Council a powerpoint presentation regarding the City's financial situation. During the 07-08 budget preparation projections made it clear that there is a large problem, specifically in the General Fund. Mr. Wood gave the City Council an overview of the resources and requirements for the 06-07 adopted budget, the 06-07 actual budget and the effect that it had on the cash reserves. Reductions were made to balance the General Fund in the 07/08 budget of approximately \$3.2 million. These reductions were obtained by eliminating 20 positions, reducing overtime and reductions in operating costs, equipment replacement and internal services charges. Mr. Wood gave the City Council an overview of the resources and requirements for the 07-08 adopted budget, the 07-08 amended budget and the negative effect that it is having on the cash reserves. The problems assessed by mid-year include a loss of revenue from sales tax of \$3 million and a loss of Development Fees of \$500,000 to \$1.5 million. Unanticipated expenditures for the 07-08 fiscal year are \$530,000 for fire overtime, \$275,000 for the early retirement/early out program and \$1.25 million in legal fees. Mr. Wood showed the City Council graphs outlining the sales tax and community development revenues since fiscal year 05-06. The Department Heads have assessed the situation and have developed a game plan for the remainder of the fiscal year 07-08. The goal is to preserve the General Fund balance. A hiring freeze for all General Fund positions will be instituted. A soft-freeze will be placed on all department spending, except critical expenditures. Staff will utilize alternative funding sources whenever possible. Mr. Wood explained the financial phases: Equilibrium State, healthy financial state; the Problem State, optimistic; the Crisis State; and the Implosion State, usually requiring outside intervention. The fiscal year 08-09 expenditures exceed fund balance placing the City of Hemet in the Crisis State, with a \$5.6 million dollar deficit. Other City of Hemet funds in deficit are: Lighting and Landscaping Maintenance District (\$1,305,773) estimated at June 30, 2008; Public Safety Community Facilities District (\$1,598,662) estimated at June 30, 2008; and Refuse (\$861,512) estimated at June 30, 2008. The Game Plan for the Fiscal Year 2008-2009 budget is to bring the General Plan into balance. Every department needs to participate. Staff will examine both one-time and ongoing remedies, including: alternative service delivery options; modifying labor agreements; implement user fee study; and enhance economic development efforts. 78% of the General Fund preliminary budget is salaries and fringe benefits, 14% internal service funds and 8% operations.

Council Member McBride arrived at 7:00 p.m.

Public Safety (Police and Fire) are equivalent to 78% of the General Fund expenditures for the 08-09 preliminary budget, all other general fund departments equal 22% of the General Fund. Longer term fiscal improvements include: restoring the General Fund balance by repayment of loans and sale of land; strive for a structurally balanced budget; and develop fiscal policies. Mr. Wood presented a budget calendar: City Manager to work with the departments on balancing the 2008-09 budget; report to the City Council on progress on balancing the budget and receive direction; and present annual budget to the City Council in a workshop setting with all departments.

Len Wood, explained that all vacant positions will be frozen except where offers have already been extended.

The City Council expressed concern with hiring any positions that might not be available in 3 months.

Len Wood, if hiring is recommended for any positions, a report will be provided to the City Council.

Vice Mayor Christie, recommended that staff continue to work with the labor groups.

The City Council expressed concern with the possible reduction in property tax in future years.

The City Council agreed with the budget calendar recommended by the City Manager.

Communications From the Public

There were no comments from the public.

Future Agenda Items

There were no future agenda items requested.

Adjournment

Adjourned at 7:30 p.m. to Tuesday, April 8, 2008 at 9:30 a.m.