



January 21, 2020

Welcome to a new decade and the annual City Manager update to the community. As we start 2020, I would like to review 2019, and then turn your attention to what is up for the New Year. Here is to a strong start to a new decade!

### **City Finances**

Hercules experienced difficult times during the Great Recession and has largely recovered, though we continue to be challenged in other ways. An increasing number of State mandates are eating into our limited resources, lingering issues from the dissolution of redevelopment nearly a decade ago remain unresolved, and we face increasing costs such as higher pension rates, utility costs, and more service demands due to growth. While our base tax structure continues to limit the amount of resources available to the City, as we are a low to no property tax city, new commercial development is expected to broaden our tax base and to generate new resources. There may be a gap between when those new resources start to flow and when costs will be incurred, but we have been able to build our reserves to ensure we can bridge that period of time. The 2019/20 General Fund Budget was adopted with a small operating surplus, and one-time monies were allocated to a number of high priority needs of a one-time nature. The City Council did not fully allocate all available resources in order to conserve funds for some contingencies, while still maintaining a dedicated three month reserve. We continue to add to our IRS Section 115 Pension Trust and our Other Post-Employment Benefits Trust (OPED) in order to mitigate possible impacts from rising pension costs, including having initiated on-going contributions to the Pension Trust as a percentage of payroll.

On December 10, 2019, the City Council received the FY 2018/19 annual audit, the earliest completion date in many years, and it was a “clean” audit with positive year end results. While property owners in two zones approved assessment increases to replace failing hollow-core wooden streetlights, two zones of the Citywide Landscape & Lighting Assessment Districts continue to have operating deficits. Service reduction, including the elimination of streetlight repair, have been implemented in Zones 3 & 4 (Gems & Birds); and, Zone 6 (Village Parkway). The City also completed a refinancing at lower interest rates for assessment district bonds which provided improvements for the Bayside neighborhood and those property owners will see savings of \$150 to \$180 a year in their annual assessments.

### **Development**

Construction started in early 2019 on the Grand @ Bayfront, the second phase of the Bayfront, with 231 luxury apartment units, with 15 affordable units, in a four story building on John Muir Parkway. The third phase of two additional buildings, the Warehouse @ Bayfront and the Annex @ Bayfront has been approved and is now in plan check with an additional 473 market rate residential units, with 25 affordable units, on three blocks. The new Safeway at San Pablo and Sycamore is under construction with completion set for the last quarter of 2020. Muir Pointe on John Muir Parkway will see its final homes completed and occupied in early 2020. The approved Willow Avenue Center, which will feature an auto service park and self-storage, will be starting construction in 2020, and will generate sales tax and a new revenue stream for the City from the self-storage component.

Sycamore Crossing, which will feature a retail center, the City’s first hotel- a Hampton Inn & Suites, and a 120-unit residential condominium community, was approved in 2019 and will start construction in 2020 on the site bound by San Pablo, Sycamore, and Tsushima. Also in early 2019, plans were submitted for a new residential community of up to 600 units on the Hilltown site which is at the corner of John Muir Parkway and San Pablo. Hilltown is slated for Planning Commission and City Council consideration in the first half of 2020. A zoning consistency determination was made for a possible renewal of the Franklin Canyon Golf Course site with a high-end RV park and 9 hole golf course and related amenities which would generate transient occupancy taxes and other revenue for the City.

### **Hercules Regional Intermodal Transportation Center**

The Hercules Regional Intermodal Transportation Center saw additional funds committed to the project by the Contra Costa Transportation Authority which will be applied towards design of the next phases. The full buildout of the RITC, which will link bus, train and possibly ferry service at a single locale, is dependent upon securing grant funds to advance the next phases. A big possible funding source for the improvements that will allow train service to start could be Measure J, a local self-help sales tax measure on the ballot in Contra Costa County in March, 2020. In the meantime, new bus service to the Bayfront is slated to start in 2020 with improvements needed to allow that to happen set to start construction at the end of the first quarter of 2020. More information on efforts to get the train to stop in Hercules can be found at [www.HerculesTrainStop.com](http://www.HerculesTrainStop.com).

### **Capital Improvement and Repair**

After more than three years, the upgrade and expansion of the joint Pinole-Hercules Waster Water Plant was completed in December 2019. Further improvements to the sewer collection lines are being made to ensure a safe and reliable system. With the approval of increased assessments by property owners in Citywide Landscape & Lighting Assessment District Zones 1 (Hercules by the Bay) and Zone 7 (Refugio Heights and Mandalay), the replacement of more than 160 failing hollow core wooden streetlights is now underway.

With more funding available thanks to SB 1 revenues, our focus continues on street repair. A major section of Pheasant Drive was rehabilitated using cold in-place asphalt recycling, including new pavement and striping. Design is underway on a grant funded project which will see a new sidewalk constructed from Sycamore along Palm and under the railroad bridge, and continuing along Willow, to the Hercules Transit Center. A traffic calming project was completed on Hercules Avenue with good results. Additional traffic calming and pedestrian safety projects for San Pablo and Sycamore, and Sycamore and Civic are in design and will be implemented in 2020. The City also completed a new restroom and half-basketball court in Duck Pond Park. The East Bay Regional Parks has awarded a contract and will be starting construction of an extension of the Bay Trail East to Rodeo in the first half of 2020. New pool covers & reels, wall mounted basketball hoops, and a permanent stage were added to the Community Center.

### **Quality of Life**

***Police Updates:*** The City reinstated a dedicated Traffic Enforcement Officer and a second Police Commander position was created replacing a Sergeant and filled internally to assist on the management of the department and help support succession planning. A half-time Police Support Specialist was also added to keep pace with new records and other mandates. In addition, a number of Reserve Officers were added to the force. Hercules, like most communities, has seen some increase in property related crimes. While we have adjusted our staffing and efforts to address this trend, it is primarily driven by the lack of consequences for those criminals who undertake this criminal activity as they are not likely to be prosecuted or to receive jail time given changes to the protocols used by the District Attorney and the Courts as mandated by the State of California.

***Public Open Space Encroachments:*** The City had a study done which identified numerous encroachments into public open space by adjacent property owners. The City has taken a zero-tolerance to new encroachments starting last year, and at the request of the City Council, we will be initiating an effort to eliminate existing encroachments starting with the most egregious ones in 2020.

***Paving Ordinance:*** As a reminder, there are now rules in effect here in Hercules regarding the need to get a permit for any paving or addition of hardscape in excess of 120 square feet in area on private property, even if replacing existing paving. If you are thinking of doing any paving in your front, rear, or side yards, please consult with our Planning Department before removing or adding paving/hardscape (more information available at <https://www.ci.hercules.ca.us/home/showdocument?id=11293>).

***Code Compliance:*** Thank you to those residents and property owners who addressed code compliance issues based on a written request from the City as initiated by a team of dedicated volunteers. We see a high level of voluntary compliance which is great. Since voluntary compliance also avoids possible fines and other actions, it is our preferred approach, though we will see an additional emphasis on the issuance of Administrative Citations for those who do not comply starting in 2020.

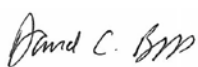
***Other Items of Interest:*** The broadcasts of City Council meetings returned to cable television. The City embarked on an update of the Safety Element of the General Plan and the development of a Hazards Mitigation Plan (<https://www.ci.hercules.ca.us/government/planning/safety-element-hazard-mitigation>) which should be completed in mid-2020.

### **Looking Ahead and Staying Connected**

In 2020, some of the other highlights ahead include: the opening of the first phase of the Bayfront community with 172 apartments and ground floor retail in the Exchange; award of a design build contract for energy efficiency and solar at various City facilities; continued investment in building reserves and funding the City's IRS Section 115 Pension Trust; and, investing in a repairing infrastructure with our annual street repair project, sidewalk repair project, and tree and other landscape related activities, among others. The City's highest priorities for the immediate future continue to be: 1) securing rail and ferry service and completing the Hercules Regional Intermodal Transportation Center; 2) facilitating the build-out of the Bayfront; 3) fostering commercial development to expand the City's revenue base; and, 4) Successfully resolving the City's remaining redevelopment dissolution issues.

Our City employees and volunteers do make a difference here in Hercules on a day to day basis. While we have a relatively small staff, they are talented and dedicated to Hercules. We couldn't be making the progress we do without all of their efforts.

If you would like to keep up with what is happening in the City of Hercules, you can follow the City of Hercules on Facebook and NextDoor and go to the City's website and subscribe to the City Manager's Bi-Weekly Report under the eNotice Sign-up tab on the homepage or through this link: <http://www.ci.hercules.ca.us/index.aspx?page=17>.



**City Manager**