



overall assumption used as a baseline:

- Salaries and Benefits

The most significant cost is driven by its labor. Labor accounts for almost 60% of total expenditures. Below are significant assumptions used to estimate the cost of salaries and benefits:

- Regular Salaries – Personnel services costs included a 4.5% wage increase and a 3% one-time retention bonus based on the two-year labor agreements with the employee groups.
- PERS Miscellaneous and Public Safety Normal Cost and Unfunded Actuarial Liability (UAL) rates are projected as follows based on CalPERS actuarial assumptions:
- Health care costs, including medical, dental and vision, are projected to increase by 3% from the FY 22-23 Kaiser rate.
- 1% of employee salaries will be contributed towards IRS Section 115 Pension Trust per policy direction established by the City Council.
- All other expenditures are estimated to increase by 3%.

As part of the budget process, City departments requested additional requests over their baseline budgets to enhance service delivery, to respond to legislative mandates, and to implement special and capital projects. These various funding requests were presented to the Council as part of the FY 2023-2024 Proposed Budget and summarized as follows:

The City’s annual budget is a planning tool that matches the services desired by the community to the estimated resources available to provide those services, such as police, parks and recreation, community development, public works and administration. The budget provides a detailed plan for the next fiscal year and five-year forecast to anticipate future needs and opportunities.

**General Fund Budget**

A portion of the All-Funds budget includes the General Fund. The General Fund comprises general-purpose revenues, such as taxes, fines and fees, interest, and other income that may be used to support general governmental operations. The FY 2023-2024 Annual General Fund Budget totals \$18.4 million in revenue and \$18 million in operating expenditures.

The General Fund’s primary revenue sources are Sales Tax, Utility Users Tax (UUT), Property Tax (including Motor Vehicle License Fee in-lieu), Franchise Fees, and Business License. Together they comprise 83% of total revenues. Overall, General Fund revenues in FY 23-24 are projected to increase by approximately 7% compared to what was projected in FY 22-23. The revenue increase is substantially driven by proceeds from sales tax and the program fees from re-opening the Parks & Recreation programs. The revenue projections are based on the staff’s analysis of local conditions and reflect the information received from several

sources, including the City’s UUT, Sales and Property Tax consultant, and the County Assessor’s office.

•Sales Tax is the largest revenue source for the City’s General Fund is remitted to the City from the State monthly. Sales Tax revenues are projected to increase significantly based on quarter three analysis generated from the data from the Board of Equalization (BOE). However, total sales tax revenues are highly concentrated within a few major operators and substantially generated from business-to-business sources. Its top three producers generate over 50% of the City’s sales tax revenues. When one or more of these key revenue sources deviate from projections, funding for future programs and services may be affected. If one or more of these key revenue sources were to cease local operations within Hercules, the resulting drop in sales tax revenue would likely have a significant negative impact on the provision of programs and services.

The City continues to benefit from the ongoing implementation of the Wayfair court decision that resulted in an increase in local government’s share of online sales and the more significant number of purchases made online. These trends are part of the City’s share of the County pool. The following chart depicts the source of the City’s sales tax revenues by industry group.

•Utility User’s Tax (UUT) are revenues collected from the consumption of utility services, including (but not limited to) electric, gas, water, sewer, telephone (including cell phone and long-distance), sanitation, and cable television. The City determines the tax rate and the use of its revenues. UUT revenues are estimated at \$3.7 million for FY 23-24. Based on the trend and its consumption rate, the City continues to see erosion in Wireless Telecom’s UUT revenues due to the update in allocations of the bundled packages from the respective providers. These updated allocations shifted a more significant percentage toward data that is not taxable. On November 8, 2022, the Hercules voters approved Measure N, which removed the sunset provision that would have caused the expiration of the UUT in January 2025. The City’s UUT revenue is approximately 20% of the general fund budget.

•The City of Hercules has been classified as a low-to-no property tax jurisdiction. The

**BUDGET IMPACT**  
General Fund Other Funds TOTAL

Ongoing costs:	General Fund	Other Funds	TOTAL
Senior Planner	188,000		188,000
Standby and Call back pay	1,700	74,300	76,000
Maintenance Supervisor	(36,000)	36,000	-
Contract CIP Engineer		250,000	250,000
Animal Control Services	27,000		27,000
Recreation Specialist	5,750		5,750
Overall Operating Cost	165,000		165,000
Cellebrite	9,000		9,000
Tri-City Consortium	40,000		40,000
Special Event	85,000		85,000
General Liability & Worker’s Compensation Insurance	200,000		200,000
<b>Total, Ongoing costs</b>	<b>685,450</b>	<b>360,300</b>	<b>1,045,750</b>

One-Time Costs:	General Fund	Other Funds	TOTAL
Media Services	24,000		24,000
Regional Government Services (RGS)	65,000		65,000
Grant Writing Services	50,000		50,000
Business Attraction Grant	100,000		100,000
Eat Local Program	50,000		50,000
<b>Total, Ongoing costs</b>	<b>289,000</b>	<b>-</b>	<b>289,000</b>



# CITY OF HERCULES FY 2023-24 LIST OF ADDITIONAL BUDGET REQUEST

Budget Impact

Title	Fund	Department	Description	Justification	General Fund	Other Funds	Total
<b>Ongoing costs:</b>							
Senior Planner	General Fund	Community Development	This request is to create a new, permanent Senior Planner position in the Community Development Department, reporting to the Community Development Director. The Senior Planner would perform professional land use and urban planning work, including current and long-range (advanced) planning, implementing the General Plan, reviewing complex zoning and development applications, and coordinating special projects. Development fees will partially offset the cost of this position.	This will enable the department to successfully manage the volume of professional work required to respond to inquiries from the public; process the City's planning applications; develop and update the City's long-range plans; maintain and update the Zoning ordinance and other City regulations; staff the Planning Commission, regional advisory committees, and interdepartmental planning efforts; implement new requirements of state law, such as online permitting; and develop and implement new programs, policies, and resources to further fair housing and otherwise implement the City's 2023-31 Housing Element, once adopted. The Senior Planner would also assist the Director in implementing Council priorities such as business recruitment, additional community engagement, and development of user-friendly handouts explaining common Planning application types and requirements.	\$188,000		\$188,000
Standby and Call back pay	All Funds	Public Works	Currently the Public Works Superintendent is "on-call" 24 hours a day 365 days a year. Hercules is one of the last remaining agencies in the County adhering to this practice. With the rotation, each staff person will be on standby for a 1-week rotation.	Implementing a rotation will make urgent/emergency coverage during non-working hours more sustainable, provide employees a professional growth opportunity, include cross training, and based upon experience gained be a step forward for succession planning and raise the level of performance of the Maintenance & Operations Division overall. Additionally, it will be more effective as it will allow the Superintendent to focus on higher level duties, such as management, supervision, and operational planning. Based on the current allocation, the General Fund impact is approximately \$1,700/year.	\$1,700	\$74,300	\$76,000
Maintenance Supervisor	All Funds	Public Works	This request is to promote a Maintenance Worker II to a Maintenance Supervisor.	Efficiency in the Maintenance unit. The savings will offset the total cost by eliminating the intern position and a Maintenance Worker II. Based on the current allocation, this change has no General Fund impact.	(\$36,000)	\$36,000	\$0
Contract CIP Engineer	Capital Projects Fund	Public Works	Limited term to manage assigned CIPs.	To manage the CIP projects. The contract will be part of the CIP costs funded by multiple funding sources and will execute the following CIPs: ADA Transition Plan (Parks, Buildings, and Streets); Parks Master Plan; Beechnut Park; and Community Center Repairs.		\$250,000	\$250,000
Animal Control Services	General Fund	Public Works	An increase in Animal Control and sheltering services provided through an agreement with the Contra Costa County Animal Service Department from \$210,000 to \$237,000 annually.	Although the City's costs will increase under the proposed agreement, City staff believes it is beneficial to the City to execute the new agreement with more clarity and commitment from Animal Services on service levels and contributes to the financial sustainability of Animal Service programs.	\$27,000		\$27,000
Recreation Specialist	General Fund	Parks & Recreation	Increase work hours from 25 to 30 hours a week.	These changes will help the Recreation unit continue to deliver a broad range of programmed activities, as well as maximizing the appropriate use of recreation assets, and reserve the use of facilities, courts, fields, and picnic sites.	\$5,750		\$5,750
Overall Operating Cost	General Fund	Parks & Recreation	Return to pre-pandemic service level.	Returning to pre-pandemic service level will increase the operating cost by \$310K and offset by increase in program revenues by \$145K.	\$165,000		\$165,000
Cellebrite	General Fund	Police	Increase to Other Miscellaneous Services	Cellebrite is a hardware/software system used to extract data from cell phones for investigative purposes which is only authorized pursuant to a warrant. We currently have a Cellebrite device which is inoperable due to outdated software/ hardware. The additional request is to keep the system functioning to assist detective's investigations with serious violent crimes.	\$9,000		\$9,000
Tri-City Consortium	General Fund	Police	Increase to Other Government Agency Charges	The City of Hercules contracts with the City of San Pablo and the City of Pinole (Tri-City Consortium) for dispatch and record's management services. Both services are critical for the police department. The cost of these services has increased by an additional \$40,000 annually over the next five years.	\$40,000		\$40,000
Special Event	General Fund	Parks & Recreation	Increase to contractual services for Special Event	The past few years the Hercules City Council has authorized money to be spent on special events including events like the Fourth of July celebration, National Night Out, Bayfront Run and Festival, Bottles and Bites and the Cultural Festival. Anticipating the Council's desire to continue to offer these special events to the community staff is recommending \$85,000.00 to be appropriated for special events in FY 2023-24.	\$85,000		\$85,000
General Liability & Worker's Compensation Insurance	General Fund	General Liability/Worker's Compensation	Increase in Liability Insurance Premium	Based on MPA renewal rates for FY 23-24.	\$200,000		\$200,000
<b>Total, Ongoing Costs</b>					<b>\$685,450</b>	<b>\$360,300</b>	<b>\$1,045,750</b>
<b>One-Time Costs:</b>							
Media Services	General Fund	Police	Increase to professional services for Media Services.	Media services have been an area of concern for quite some time. We have relied heavily on a volunteer Reserve Police Officer for PIO duties, we have supervisors who have never been trained on issuing written press releases, and we have been running a social media program without proper training and oversight which may expose our city to future legal liability issues. For multiple years we have looked for PIO training, but we have not been able to find training anywhere in Northern California.	\$24,000		\$24,000
Regional Government Services (RGS)	General Fund	Human Resources	Increase to professional services for Human Resources Services	To provide the City with HR management services.	(\$65,000)		(\$65,000)
Grant Writing Services	General Fund	City Manager	Increase to professional services for Grant Writing Services	To hire a consultant who specialize in grant writing, grants management, and prospect identification. The consultant will assist in identifying grant to fund various projects.	\$50,000		\$50,000
Business Attraction Grant	General Fund	Community Development	Business attraction grant program	Assist certain types of desired new retail businesses with move-in costs associated with occupying a vacant storefront spaces in Hercules. The funding will be used for a pilot Business Attraction matching grant program with a goal of incentivizing small businesses that increase vibrancy and provide amenities to locate in Hercules.	\$100,000		\$100,000
Eat Local Program	General Fund	Community Development	Eat Local Bonus Gift Card pilot Program	Eat Local Hercules will be an incentive program to use local restaurant catering services.	\$50,000		\$50,000
<b>Total, One-Time Costs</b>					<b>\$289,000</b>	<b>\$0</b>	<b>\$289,000</b>
<b>Total</b>					<b>\$974,450</b>	<b>\$360,300</b>	<b>\$1,334,750</b>