

DRAFT

**A Strategic Plan for Hercules
(Strategic Management Plan)
November 14, 2011**

**Public Draft # 1
For the City Council and Web-Site**

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A Strategic Plan for Hercules

(Strategic Management Plan)

PURPOSE

This Plan is essentially a business plan for City government. It is not a General Plan that documents how the City is to be built out and what it will look like when it is. A General Plan update, which takes well over a year to accomplish, will be undertaken as soon as it is feasible to do so. This Strategic Plan (Plan) will serve to guide the City Council and staff in the implementation of the City government's priorities. As such, it sets forth the long term goals of the City of Hercules and provides strategies and objectives designed to successfully move the City toward the achievement of its goals, which undergird its mission. By providing direction and prioritizing goals, this plan will enable the City Manager and staff to strategically direct resources in accordance with City Council policy and to measure success in a way that is transparent to the community.

VISION

Hercules shall continue to grow as a safe, vibrant, family-friendly and business-friendly community that is among the premier places to live and work in the greater Bay Area.

MISSION

The City government's current Mission Statement: "Our mission is to lead our diverse community and enhance the quality of life in the City of Hercules. We do this by providing effective, efficient, and innovative services with integrity."

Proposed City government Mission Statement: "Our mission is to enhance the quality of life and economic vitality in Hercules by providing the highest quality municipal services possible in an ethical, efficient and effective manner."

ORGANIZATIONAL VALUES

Values are important for any organization. At this time, as the City of Hercules recovers from a time of bad governmental culture, it is especially important to establish and institutionalize a governmental culture in which the community, City Council and staff can take pride. The following core values exemplify the way the City should do business.

- Integrity – honesty, transparency, fair dealing
- Professionalism –exemplary conduct, competence, continuous improvement
- Service – customer orientation, courtesy, hard work
- Collaboration – teamwork, communication, community interaction
- Creativity – thinking, innovating, encouraging critical analysis
- Tenacity – setting priorities, staying focused, not getting discouraged
- Responsibility – taking ownership of one's work, accountability, going the extra mile

STRATEGIC ANALYSIS – INTERNAL AND EXTERNAL ENVIRONMENT

In order to establish and achieve long-term goals and thereby contribute to the success of our mission, the City must operate within an environment consisting of internal and external opportunities and constraints. An assessment of this environment is helpful in this effort. One tool for this analysis is a Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis. Looking at the City in its present state, the SWOT chart looks like this:

Strengths

- Location of the City: Access to employment; Interstate 80; Highway 4; moderate climate.
- Best City in which to live along I-80 corridor: Great housing stock; low crime; nice parks; well maintained; good community feeling; among the better schools in West County.
- Affluent community: Highest median income on I-80 corridor.
- All new City Council: A chance for a new way of doing business and restoring confidence in City government.
- Central Hercules Plan: A community-based vision for future development in Hercules.
- Waterfront: Bayfront views; high-end neighborhoods; good potential to increase neighborhood serving retail and dining; potential for Amtrak and ferry service.
- Good environment for business: Bio Rad; Mechanics Bank; etc.
- Strong sense of community: Civic pride and sense of ownership.

Weaknesses

- The past is casting a shadow: Trust in City government has been damaged; Poor decisions have severely impacted finances and limited financial options.
- City revenues are down and it could be a few years before they rise.
- The City is operating with an unsustainable structural deficit of \$1 million per year.
- City government is under-staffed.
- Revenue structure: Constrained by low property tax allocation.
- Public Utility: Ongoing financial problems and not enough customers to be competitive.
- Sycamore North: A money pit and a high visibility symbol of failure.
- The overall economy: Recovery sluggish at best; the for-sale residential real estate market is stagnant.
- Redevelopment finances: No future help at best; a detriment to City finances at worst.
- Hercules is not a brand: The City's attributes are not widely known.
- Hercules is not considered business-friendly.

Opportunities

- Economic development: There is an opportunity to brand Hercules as a premier place to live and work.
- The new City Council, new City Manager, new City Attorney and dedicated staff can establish a new way of doing business, regain confidence of the community and credit rating agencies as we dig out of this financial hole.
- Intermodal Transit Station: Get the train stop here ASAP. The state may not be able to subsidize ferries and operations for years, but the City must be in a strong position to compete.

- Sycamore North: Failed project has potential to be re-cast as a market rate project, in conjunction with the development of Sycamore Crossing and Market Hall, can bring neighborhood serving retail and restaurants to the “Central Quarter.”
- Real estate assets: Land is still available for private development; the sale and development of desirable City-owned sites can bring short term funding for high priority actions and contribute to long-term financial and civic vitality.
- The Bay Trail and the Bay Ridge Trail can be interconnected.

Threats

- Inaction: Failure to deal with structural deficit in the short term will make things worse in the long term.
- Lower revenues: In this economy, revenues could decrease.
- Imprudence: The temptation to just do something even if it is wrong could create missteps; the City must be deliberate, but decisive, as past efforts to do too much too fast led to bad deals and a financial crisis.
- Lack of funding for all community desires can lead to pressure to loosen fiscal restraint or to lose focus on top priorities for the overall community.
- Old habits: Hercules has a history of putting trust in grandiose promises that cannot be delivered. It’s time for reality-based leadership.

IMMEDIATE CHALLENGES

An overriding issue of paramount importance is the need to restore the community’s trust in the municipal government. The last non-interim administration managed to mismanage Hercules Municipal Utility (HMU), the Redevelopment Agency, various real estate ventures and the City’s finances to the point of the City Manager being fired and the City Council being swept from office through the 2010 general election and the 2011 recall election. In spite of the fact that the Mayor, City Council, City Manager and City Attorney are all new, the community is not yet ready to place its full trust and confidence in City government. The good news here is that the City government at all levels is now operating in an honest and transparent way. Much credit is due to the present Mayor and City Council, as well as three recent interim City Managers and staff. However, management controls still need to be implemented to ensure that glitches or mistakes, which could be fodder for distrust in this environment, are rarities.

The biggest challenge that the City faces is its finances. The Redevelopment Agency’s annual debt service is approximately \$1.4 million greater than its annual tax increment revenue and state required one-time Redevelopment Agency payments of over \$6 million have not been paid. The City’s 2011-2012 General Fund budget is carrying a structural deficit of approximately \$1 million. Actual revenues are currently below budget projections and the financial environment may get worse before it gets better.

These and other challenges will be addressed below.

LONG TERM GOALS, GRAND STRATEGIES AND SHORT TERM OBJECTIVES

The following long-term goals are not in a prioritized order of importance, but rather start with the City's most acute challenges and then flow by relationship of one goal to another.

Based on input from the community [ADDITIONAL COMMUNITY INPUT WILL BE SOLICITED TO THIS DRAFT DOCUMENT], City Council and staff, the long term goals for the City and the grand strategies to achieve them are as follows:

Long Term Goal A: Restore Trust in City Government

Strategy 1: Institute a culture of positive values at City Hall. This City government initiated "Strategic Plan for Hercules" document and process is an important step toward instituting positive values. By seeking community input and publishing the City's values and priorities, community trust in City government will be enhanced.

Short Term Objectives:

- Complete, publish, and begin to implement a strategic plan.
- Council Members, City Manager, and City Attorney must exemplify City values.
- City Manager will regularly communicate and engage with staff, and instill positive values in the organization.

Strategy 2: Be open and honest about the extremely serious problems and issues that the City is facing. The current administration didn't create any of the problems, but has taken on the Herculean task of solving them.

Short Term Objectives:

- Include big-picture financial information in strategic planning charrettes.
- Issue quarterly financial updates for budget versus actual revenue and expenditures.
- Conduct a special City Council study session in March for mid-year budget review.

Strategy 3: Analyze current practices and implement changes that will make City government more user-friendly. Improve the accessibility of information to the public and make it easier for Council Members to hear from the public and to bring forth public concerns to the Council as a whole.

Short Term Objectives:

- Institute a monthly report on all projects and programs and put on the web-site.
- Consider a single non-emergency hot-line for code enforcement, maintenance, repair and other non-911 issues.
- Update meeting procedures as needed to improve public access.

Strategy 4: Improve public communications from the City Council and from staff. Devise and implement better ways to deliver information to the community and make it easier for the public to access information.

Short Term Objectives:

- Update media contact list.
- City staff to outreach to community organizations.
- Review Information Technology (IT) strategies, tools and capabilities.
- Analyze feasibility of upgrading cable broadcasting equipment.
- Design and initiate electronic tracking system for records storage.

Long Term Goal B: Achieve and Maintain Financial Stability

Strategy 1(a): Balance the Budget - Cut operating costs. Operating costs are the thing over which management has the most control. Salaries and benefits are by far the biggest variable cost, but the City is already very short-staffed as compared with most cities.

Short Term Objectives:

- Do not spend more than is necessary, even if there is “money in the budget.”
- Implement a “soft” hiring freeze, only filling essential positions when vacated.
- Reduce staff through attrition.
- Restructure debt where possible to reduce near term debt payments.
- Postpone all non-essential capital purchases.
- Reduce travel and conferences to essential activities.
- Consider new ways to deliver municipal services in more cost-effective ways.
- Consider dropping non-essential community services that run deficits.
- Consider service-sharing with other communities when mutually beneficial.

Strategy 1(b): Balance the Budget - Increase revenues. In the short term, revenue enhancement is very limited. Development and implementation of longer term efforts are covered under Economic Development.

Short Term Objectives:

- Review all Parks and Recreation fees before mid-year budget review.
- Consider cost effectiveness of increasing code enforcement activities.
- Consider increasing code enforcement fines.
- Consider increasing other fees for services, such as police ticket sign-offs.
- Review Planning and Building cost recovery fee structure to ascertain if fees for these services should be increased.
- Partner with the County and/or other communities when beneficial for grant opportunities.

Strategy 2: Do not go bankrupt. Watching how Richmond avoided bankruptcy in 2004 and how Vallejo declared bankruptcy in 2008, spending \$8 million in legal fees since, is a lesson in contrasts. When the financial problems in Richmond became evident, the City chose to immediately eliminate the structural deficit and once the unions saw the books, they all became part of the solution that stabilized Richmond’s finances. As in Hercules this year, there were layoffs, remaining workers

took a financial hit and it was painful. The result was a new start and financial stability within two years. The good news is that Hercules chose the better road and the structural deficit was significantly reduced. The bad news is that there remains a \$1 million structural deficit. Most concerning is that, while Richmond's problem was a spending problem, the problem in Hercules is two-fold: low revenue and high debt.

Short Term Objectives:

- Facilitate development to produce property tax and sales tax (Long-Term Strategy C).
- Increase and enhance economic development efforts (Long-Term Strategy D).
- Sell or lease Hercules Municipal Utility (HMU) to fund necessary projects and/or enhance reserves.
- Stop general fund subsidies of the Redevelopment Agency.
- Consider an assessment district to maintain and enhance either police services or cultural and recreational services.
- Consider updating the lighting and landscaping districts to increase funding and level of service.
- Begin to push County and State elected officials to increase Hercules' share of each dollar of property taxes that is collected in Hercules.

Worth noting here is that Hercules receives the smallest percentage of each property tax dollar collected within its city limits than any city in the county and the county gets a higher percentage of each property tax dollar collected in Hercules than in any other city in the county. A recent report showed Hercules at 5.42% and the county at 15.95%. At the top of the list, Pittsburg, Pinole, El Cerrito and Richmond received 18.34%, 18.84%, 22.23% and 28.51% respectively. This antiquated system was implemented when Hercules had an oil refinery paying significant taxes, low property taxes and a very small population. It's time to update this inequitable distribution and that will require relentless political pressure.

Strategy 3: Decide what to do about the Redevelopment Agency and its debt. The Hercules Redevelopment Agency (HRDA) currently owes the state over \$6 million in Supplemental Educational Revenue Augmentation Funds (SERAF) and its annual debt service exceeds its annual tax increment revenue by about \$1.4 million. That doesn't count the costs of administering the HRDA. If Assembly Bills x26 and x27 (ABx26/27) are upheld by the court, that would require the HRDA to pay another lump sum of about \$1.2 million, which it doesn't have, to continue an agency that, because of the SERAF debt, is not allowed to fully function. There really aren't any good options.

Short Term Objectives:

- Develop a plan for the two HRDA scenarios under ABx26/27.
- Seek ways to restructure debt.
- Seek state legislation to create a payment plan rather than lump-sum payments for SERAF and ABx26/27 requirements.

Long Term Goal C: Solve Real Estate Problems and Create Opportunities

Strategy 1: Sell City-owned real estate that does not have a long-term public use. The City has millions of dollars tied up in real estate assets that should be developed by the private sector and the City has failed to acquire properties for the Intermodal Transit Center (ITC) or a permanent corporation yard. Funds realized from the sale of developable properties will provide some funding for public projects, such as the ITC and corporation yard, but far from enough.

Short Term Objectives:

- Finalize the ITC-Bayfront transaction to acquire the ITC site.
- Leverage ITC site control into grant funding for station and related infrastructure.
- Finalize sale and expedite completion of Sycamore North project.
- Complete process to ready Sycamore Crossing site for retail/mixed use development.
- Close the sale of the Yellow Freight site to fund other necessary expenditures.
- Market and sell Parcel C and Victoria Crescent sites to fund other necessary expenditures.
- Consider other City owned parcels and sell them if there is no future public purpose.

Long Term Goal D: Enhance Economic Development Efforts

Strategy 1: Assign staff to economic development activities. Hercules no longer has staff exclusively dedicated to economic development and there is no funding to do so. Thus the City Manager and Deputy City Manager must also wear this hat, among others.

Short Term Objectives:

- Develop and implement economic development strategies.
- Recruit qualified volunteer help on a regular and/or ad hoc basis from the City Council, Chamber of Commerce, local business leaders and the community at large.
- Participate in regional economic development efforts that will help Hercules.

Strategy 2: Create a “brand” for Hercules and promote the brand. Hercules is one of the nicest cities anywhere in which to live, work, raise kids or not, and to enjoy life. But it’s a little known secret and the City needs to become a brand that people want. The City coffers cannot spare one penny for this effort, so if necessity is the mother of invention, the City Council, staff and community will have to invent.

Short Term Objectives:

- Work with the City Council, staff and volunteers to develop a brand and marketing strategy in-house.
- Consider whether the City’s fee structure or permitting process might be impediments to new businesses opening in Hercules.

Strategy 3: Recruit businesses that make sense for Hercules; retain and grow existing businesses. More important than having an economic development plan or a “brand” is getting in front of business site selection decision makers and selling them on Hercules. It’s not a hard sell, but is

does take time and effort. Also, existing businesses must not be neglected. The best bet for economic development is often the growth of existing businesses.

Short Term Objectives:

- Prioritize and visit potential businesses to recruit to Hercules.
- Prioritize and visit existing Hercules businesses.
- Enlist appropriate volunteers to help as needed.

Long Term Goal E: Plan and Guide the Remaining Build-Out of the City

Strategy 1: Create innovative and cost-effective approaches to accomplishing required objectives. The Planning Department, working with the Planning Commission, City Council and City Manager, is charged with updating the General Plan and the Housing Element, which are required by law, as well as establishing and updating as necessary all the land uses in the City. However, the City's current finances can only support a very small staff and cannot afford expensive consultants that usually assist in long-term planning efforts.

Short Term Objectives:

- Complete the update the City's Housing Element.
- Review the Central Hercules Plan and consider updating in light of realistic market conditions, while maintaining basic principles.
- Complete the update of the Growth Management Element of the General Plan.
- Revise the City Zoning Ordinance to be consistent with the General Plan and Specific Plans.
- Plan for the resources and funding to update the City's General Plan.
- Revisit the City's sign ordinance and update as needed.

Long Term Goal F: Facilitate and Regulate Quality Construction and Ensure Proper Maintenance of Public Infrastructure and Facilities

Strategy 1: Complete the reorganization of the Municipal Services Department to improve coordination and efficiencies. The Engineering and Public Works functions for capital projects in Hercules have recently been handled by a Municipal Services Department, which also had oversight of real estate transactions. Maintenance, building permits and inspections were managed by the Chief Building Official. Going forward, the Municipal Services Department will include public works, engineering, maintenance, building permits, building inspections and code enforcement. Real estate asset management and transactions will be managed by the office of the City Manager.

Short Term Goals:

- Re-assign various duties.
- Publish reporting structure.

Strategy 2: Re-evaluate and make recommendations to improve the City's capital improvement program, clean water program and all lighting and landscape assessment districts. Priorities, processes and cost-effectiveness need to be reviewed to ensure optimum operations.

Short Term Goals:

- Prioritize the City's capital improvement program.
- Consider the costs and benefits of bringing back a formal code enforcement program.
- Consider the costs and benefits of bringing back the rental inspection program.
- Review all current internal processes and update as necessary.
- Review and update current maintenance schedules and work assignments, and update as necessary.
- Effectively manage day to day operations to ensure Hercules keeps its reputation as a well maintained city.

Long Term Goal G: Provide Outstanding Cultural and Recreational Services

Strategy 1: Evaluate programs for community impact and cost effectiveness, and make recommendations to improve the overall effectiveness of the City's efforts in services managed by the Parks and Recreation Department. Parks and Recreation manages a wide array of programs that serve the community. Many of these programs are fee-based and some of those are self-supporting. Other programs require subsidies, which will be an issue for discussion at mid-year budget review and throughout the 2012-2013 budget process.

Short Term Goals:

- Continue to provide high quality recreation programs that reinforce Hercules's reputation for a high quality of life.
- Continue to work on the current cost recovery objective of being budget neutral.
- Finalize a "Joint Usage Agreement" between the City of Hercules and the West Contra Costa Unified School District (WCCUSD) for usage of elementary, middle and high school facilities for after school recreational programming.
- Analyze and report on costs and revenues on a program by program basis.
- Create and implement new ways to fund Park and Recreation programs, including increasing participation.
- Consider collaborating with neighboring cities offering similar programs to reduce and and/or share costs.
- Continue to manage facilities rentals and find ways to increase number of rentals and income from rentals.
- Continue to manage day-to-day programs and operations.

Strategy 2: Continue to look for ways to augment City funding for parks and recreation programs and initiatives. Federal, state and foundation grants are sometime available, on a competitive basis, for parks, open space and recreation programs.

Short Term Objectives:

- Research federal, state and foundation funding availability under "Health and Wellness" and other programs.
- Apply for federal, state, and foundation grants as appropriate to support and enhance our parks, open space and recreation programs.

Long Term Goal H: Provide Excellent Police Services to the Community

Strategy 1: Protect life and property. The primary mission of the Hercules Police Department is to protect life and property under the motto of “Duty, Honor, Community.” The professionals within the department enforce State laws and local ordinances, and strive to work in partnership with the community to find long-term, proactive solutions to neighborhood quality of life issues. The Hercules Police Department has, along with other City departments, had to learn to do more with less in this budget year. Given the reduced staffing, the Police Department will have to be efficient as possible in order to be effective and minimize operating costs and overtime.

Short Term Objectives:

- Maintain Core Services, including police patrols and traffic enforcement.
- Evaluate and enhance community policing strategies.
- Maintain the special response team and school resource officers.
- Coordinate disaster preparedness with local police, fire, emergency medical services and the County and State office of emergency services.
- Utilize Reserve Police Officers when feasible to keep costs under control.
- Complete a succession plan to deal with anticipated future retirements.
- Complete an equipment replacement plan with a rationale, schedule and budget.
- Seek federal, state and other funding to enhance police department funding for staff and equipment.
- Recruit volunteers to assist office personnel with front counter duties, records processing and data entry.

Long Term Goal I: Provide Exemplary City Administration

Strategy 1: Improve administrative processes and overall quality of executive and administrative management. Executive and administrative functions include the Office of the City Manager, Finance, Human Resources and Administrative Services, which includes the City Clerk and Information Technology functions. These departments work hand in glove to ensure good communication, collaboration and coordination of all City functions. The office of the City Manager, in particular, works closely with the City Attorney to ensure conformance with laws and ordinances, as well as to protect the interests of the City.

Short Term Objectives:

- Lead strategic planning and implementation efforts.
- Perform all necessary financial, personnel and administrative functions.
- Prepare all required state and federal financial reports.
- Manage financial and operational audits.
- Prepare quarterly financial reports for City Council review.
- Analyze finances and prepare mid-term budget review documents.
- Prepare and present 2012-2013 budget to City Council.
- Evaluate financial controls and streamline where advisable.

- Review and oversee real estate negotiations and transactions.
- Collect, coalesce and finalize monthly project and program reports for the City Council.
- Evaluate and re-engineer as necessary administrative processes.
- Evaluate IT systems, especially financial management to determine possible improvements.
- Manage City Council and committee meetings and agendas.
- Ensure good inter-departmental communication and collaboration.
- Conduct labor negotiations.
- Manage disposition of Hercules Municipal Utilities (HMU)
- Manage solid waste disposal contract and negotiations.
- Provide staff support on wastewater governance issues.
- Coordinate with the City Attorney on all legal issues and actions.
- Coordinate with City Council on issues as appropriate.

CONCLUSION

There is an invisible black hole in Hercules. It is a \$1 million structural deficit in the general fund that will suck this City into oblivion if the City doesn't eliminate the hole. It must be done soon. This Plan is just a first step toward recognizing the problem and exploring solutions. Tough decisions were made for the 2011-2012 budget and more tough decisions will have to be made in the coming months. There are things being done in the interim: Headcount is being reduced by attrition when at all possible; senior managers are wearing multiple hats; non-essential travel and training has been eliminated; capital expenditures are being delayed whenever possible; and staff is being educated that you can't spend money just because it's in the budget because the budget isn't balanced. The City's expectations and objectives may have to be adjusted to align with resources available as we move forward. We have work to do.