CITY COUNCIL MEETING
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CHARLIE PETERS

Mich. grants $8M to bring Waymo plant to Metro Detroit

By Breana Noble, The Detroit News / January 22, 2019

Google self-driving car spinoff Waymo LLC will retrofit a factory in Metro Detroit so that it can outfit its self-driving system into Chrysler Pacifica minivans and Jaguar i-Pace electric cars.

The Michigan Economic Development Corp. on Tuesday approved an $8 million grant as an incentive to base the operation in the state, which Waymo says could create up to 400 jobs. Total investment in the plant would be $13.6 million.

The Mountain View, California-based company says it is looking for up to 200,000 square feet of ready-to-go, light manufacturing facility space in Macomb, Oakland or Wayne county. Jeremy Webb, senior business development project manager at the Michigan Economic Development Corp., said the company is in talks with a few locations, though it has not yet signed a lease.

According to the deal with the economic development corporation, the facility must be in operation by the end of 2021 with at least 100 new employees. Waymo could create up to 400 jobs in the region by 2025.

In a blog post, Waymo said it will hire engineers, operations experts and fleet coordinators to assemble and deploy the self-driving vehicles.

The company also will work with Canadian auto supplier Magna International Inc. to help integrate Waymo's self-driving system into its fleet with a team hired exclusively for its work.

MEDC CEO Jeff Mason said the move emphasizes the significance of Michigan in the development of self-driving vehicles.

"It shows Michigan is the place where we are able to integrate this technology into the vehicles," he said on a call with media Tuesday morning. "It shows Michigan is the place in North America where companies are coming to bring this technology to life."

The news comes after Waymo introduced last month a small-scale ride-hailing service in the Phoenix area to a couple hundred riders.

The Silicon Valley company has partnered with Fiat Chrysler Automobiles NV to build tens of thousands of Chrysler Pacifica Hybrid minivans as its self-driving platform. Waymo outfits the minivans with "vision" hardware and works out its software by testing the mules in dozens of cities around the U.S., including in Michigan. Before the end of 2018, Waymo expected to begin adding up to 62,000 minivans to its fleet.

The three-row minivans are produced in Windsor and then shipped to a self-driving technology development center in Novi where they currently are outfitted with self-driving hardware and software by Waymo and Chrysler engineers. That facility where Waymo employs approximately 20 employees opened in 2016.

Waymo also has an agreement with Jaguar Land Rover to outfit Jaguar i-Pace electric cars with its self-drive system. Up to 20,000 i-Paces will join Waymo's fleet by 2020.

General Motors Co. is expected to follow up this year with its own autonomous vehicle fleet from its subsidiary, San Francisco-based Cruise Automation. Ford Motor Co. says it will launch a self-driving service in 2021.

Mason said Waymo was looking at states all around the country, but ultimately decided on Michigan because of its business climate and access to skilled workers and engineering talent.

"The company really could have gone anywhere," he said. "This is another great example of a company from the West coast really seeing the advantages Michigan has to integrate both engineering and manufacturing, find high-tech talent and where the company can grow and prosper."

Waymo is the latest Silicon Valley company to come to Michigan. California-based automotive battery manufacturer Samsung SDI America Inc., semiconductor equipment manufacturer KLA-Tencor Corp. and information technology firm Nexient have announced major investments in Southeast Michigan over the past year. San Jose's Cisco Systems also acquired Ann Arbor-based Duo Security, a cloud-based, trusted access provider.

https://www.detroitnews.com/story/business/autos/mobility/2019/01/22/waymo-plant-southeast-michigan-self-drive-cars/2639244002/

Small electric cars may be unaffordable for some: VW chairman to...

By Caroline Copley / Reuters Editorial / January 20, 2019

BERLIN (Reuters) - The move to electric vehicles will make cars significantly more expensive, meaning they may become unaffordable for people on low incomes in the future, the chairman of Volkswagen (VOWG_p.DE) said in an interview published on Sunday.

The German carmaker is still reeling from a 2015 scandal over cheating on emissions tests and needs to ramp up production of electric vehicles to meet toughened European emmissions-cutting targets.

"We have the clear goal of making electromobility accessible to a broad section of the population, that is to make it affordable," Hans-Dieter Poetsch told the Welt am Sonntag newspaper.

But he said it could be difficult to maintain the prices of many entry-level vehicles.

"The current price level cannot stay the same if these cars are equipped with electric motors," said Poetsch. "Therefore, it will inevitably lead to significant price increases in the small car segment."

Poetsch referred to the tougher-than-expected targets to cut greenhouse emissions from cars by 37.5 percent by 2030, which the European Union agreed in December.

Volkswagen said in December it may have to step up plans for mass production of electric vehicles to meet the EU targets.

VW plans to spend almost 44 billion euros on developing electric cars, autonomous driving and new mobility services by 2023.

https://www.reuters.com/article/us-volkswagen-electric-vehicles/small-electric-cars-may-be-unaffordable-for-some-vw-chairman-to-newspaper-idUSKCN1PE0EJ

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PG&E chief exits with millions as California utility giant files bankruptcy in wake of devastating fires

By Renata Birkenbuel / NewsWeek / January 19, 2019

Geisha Williams, former chief executive of California utility giant PG&E Corporation, will still receive millions in severance pay, even though she and shareholders will take some hits as the company faces bankruptcy after their power lines stand accused of sparking major, devastating fires in California last fall.

Meanwhile, industry insiders consider PG&E's bankruptcy as an example of the first major corporation failing due to a warming planet and climate change.

PG&E cited an estimated $30 billion in liabilities and 750 lawsuits from wildfires potentially caused by its power lines, reported Russell Gold in Market Screen on Saturday.

Bloomberg News characterizes Williams' cash payout as "perhaps less-than-golden parachute that could range from $2.36 million to $4.46 million" this week.

On January 13, the company announced Williams' departure after two "turbulent" years, then later notifying employees it could file for bankruptcy within weeks.

During her two years at the helm, the company accrued more than $30 billion in potential wildfire liabilities, according to analyst estimates, as Bloomberg reported.

Furthermore, in 2017 the company reportedly paid Williams $8.6 million, mostly in stock awards, according to the bankruptcy filing. She has $3.1 million in pension benefits that a bankruptcy could change.

However, if the firm enters Chapter 11, her un-vested stock options and restricted shares "will likely be wiped out," added Bloomberg.

Reportedly, Williams knew the risks she faced because of wildfire liabilities. At an energy conference last year in Houston she joked that if she failed to change a state law on wildfires, "I won't be here in two years."

Bloomberg reported that on January 14, investors unloaded PG&E's bonds that can be resold at face value before the firm seeks court protection from creditors.

The company securities were most actively traded in the $3.8 trillion municipal-debt market on January 14, when PG&E shares fell as much as 50 percent to $8.77 per share in New York. Most recent trading numbers:

Market Screen wrote Saturday that the collapse of PG&E is proof that "the warming planet is ever-more capable of delivering sudden shocks to the balance sheet."

Gold refers to the bankruptcy as a business milestone: "the first major corporate casualty of climate change. Few people expect it will be the last."

Gold explained that PG&E was greatly affected as the devastating fires in Northern and Southern California decimated forests due to rapid climatic changes that dramatically increased fire risk.

The company has fallen quickly and dramatically, Gold added. In October, its market value was $25 billion. This week, it was removed from the S&P 500 as its value tumbled below $4 billion and its shares fell to their lowest level since at least 1972.

Experts say the PG&E bankruptcy could serve as a wake-up call for other corporations, "forcing them to expand how they think about climate-related risks".

https://www.newsweek.com/pge-chief-exits-millions-california-utility-giant-files-bankruptcy-wake-1298403

Parsons, VW & Shell Oil, Partners?

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The Internal Combustion-only Dodge Challenger's Days Are Numbered, Manley Says

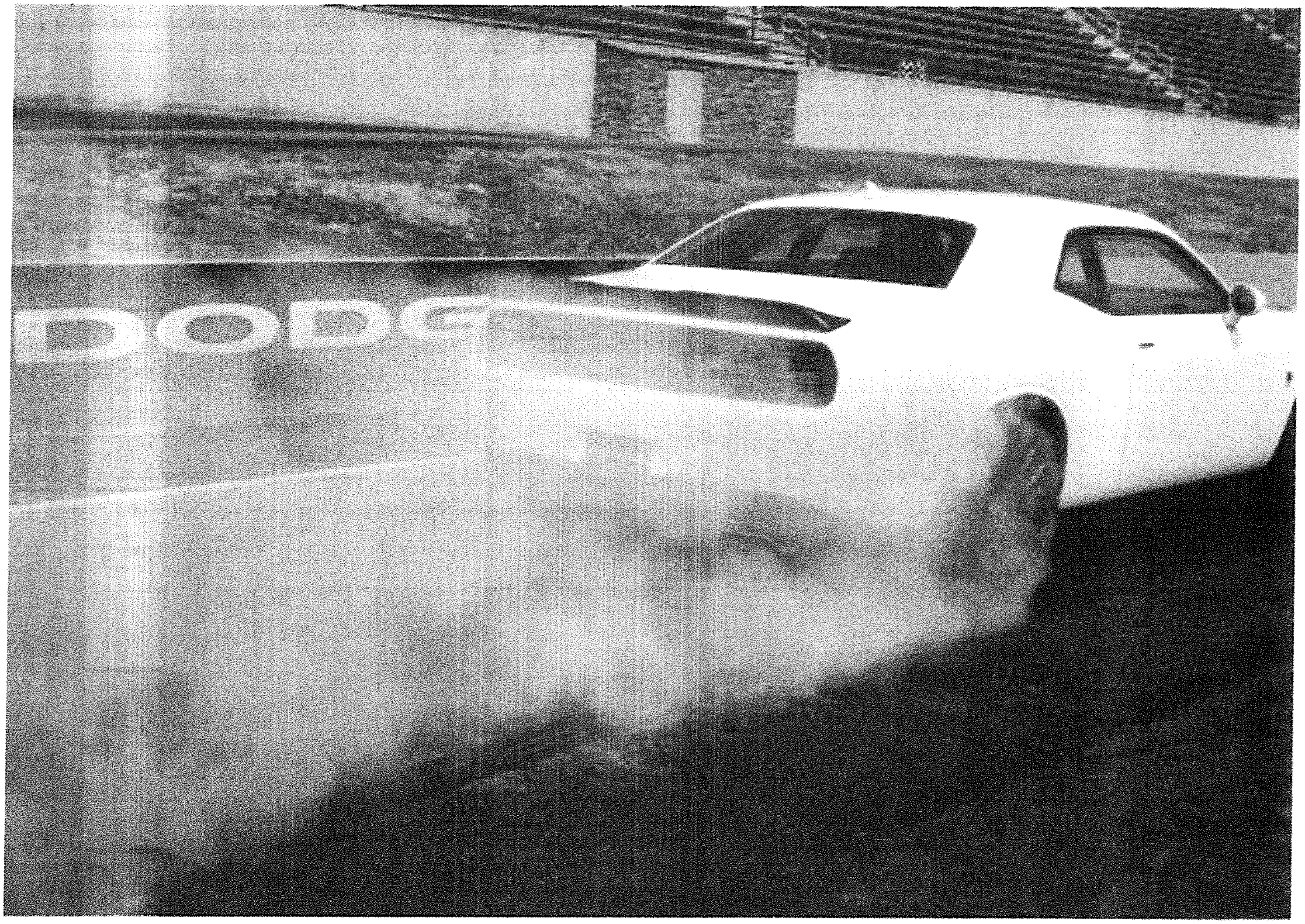
By Steph Willems / The Truth About Cars / January 19, 2019

Are the 66,716 Americans who helped take the venerable Dodge Challenger to a new sales record in 2018 just Luddites, rebelling against a rising tide of electrification and autonomy? Maybe, but the era of a Challenger line powered solely by gasoline is drawing to a close.

Fiat Chrysler CEO Mike Manley addressed the muscle car's future at this week's Detroit auto show, admitting that, at some point, the Challenger needs to grow greener. That means venturing into the unsexy world of electrification — an unthinkable act for some American muscle purists.

Speaking to The Detroit News, Manley said the Challenger, despite enjoying a lasting popularity that's rare in the industry — at least for a car model, must change with the times if it has any hope of long-term survival.

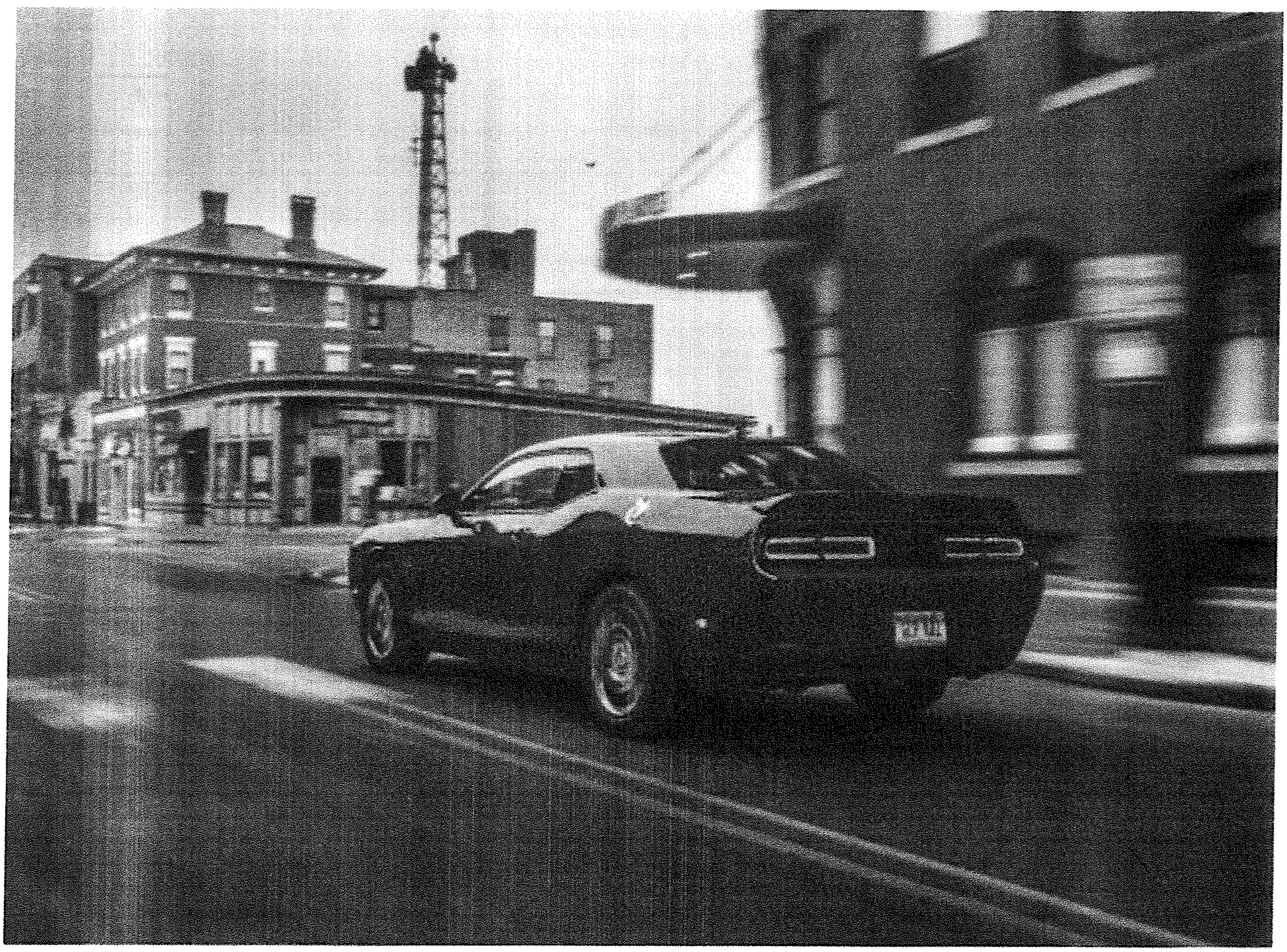
“The reality is those platforms and that technology we used does need to move on. They can’t exist as you get into the middle-2020s,” Manley said of the Challenger’s aging LX architecture and trio of V8s. “New technology is going to drive a load of weight out, so we can think of the powertrains in a different way. And we can use electrification to really supplement those vehicles.”



It’s not like no one saw this coming. There’s a plug-in hybrid Jeep Wrangler in the works, and FCA’s 2019 revamp of its lucrative Ram 1500 line saw the debut of “eTorque” mild-hybrid variants of its 3.6-liter Pentastar V6 and 5.7-liter Hemi V8. Dodge’s Challenger and Charger makes good use of these displacements and, with some weight shaved from a modified LX platform and a lightweighted body, the Wrangler’s turbocharged Hurricane four-cylinder could become a new addition to the engine lineup.

FCA's Brampton, Ontario assembly plant should begin producing next-generation Chargers and Challengers in 2021, minus the Italian platform originally slated for the models. Late FCA boss Sergio Marchionne admitted last June that platforms sourced from Alfa Romeo or Maserati wouldn't be able to handle the excessive torque of hi-po Mopar applications.

While a Hurricane four mated to an eTorque system is one low-end powertrain possibility mentioned in our piece, Manley suggests the company's unsullied 6.4-liter and supercharged 6.2-liter V8s will have to give way to electrified alternatives in the coming decade.



"I think that electrification will certainly be part of the formula that says what is American muscle in the future," he said. "What it isn't going to be is a V8, supercharged, 700-horsepower engine." Take that, Hellcat fans.

Take solace, too. Manley claims a move towards electrification is not a sign of Dodge handing in its man card.

"Electrification deployed to increase the performance of the vehicle as its primary goal – with the added benefits of fuel economy – is very different, instead of the other way around," he added.

While the move towards performance cars equipped with a fuel-saving electric "boost" is gaining in popularity among high-end European manufacturers, some analysts wonder where the same strategy will go over well with American consumers. Especially consumers of a product as quintessentially red-blooded as the Challenger.

Kelley Blue Book analyst Karl Brauer isn't having it.

"There's a long-standing rule about what constitutes American muscle, but electrification is not part of it," Brauer told The Detroit News. "I need something that gets my blood pumping."

He continued, "The Challenger is now challenging the Mustang for sales primacy with a V8. Who would have thought that? In terms of sales, the supercharged V8s have worked well."

A possible replacement for Dodge's big boys could be a long-rumored twin-turbo V6 (or inline-six), offered with or without hybrid assist.

https://www.thetruthaboutcars.com/2019/01/the-internal-combustion-only-dodge-challengers-days-are-numbered-manley-says/

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Erin Brockovich to protest PG&E bankruptcy in Sacramento

By Dale Kasler / Sacramento Bee / January 18, 2019

Erin Brockovich, the activist whose crusade against PG&E spawned a hit movie, will appear with wildfire survivors at the Capitol in Sacramento to protest the utility's plans to file for bankruptcy.

The rally is set for noon Tuesday on the south steps of the Capitol, according to an announcement Friday by a consortium of law firms suing PG&E on behalf of wildfire survivors.

PG&E announced it plans to file for Chapter 11 bankruptcy protection at the end of January because it doesn't have the money to pay an estimated $30 billion in potential liabilities from the 2017 wine country fires and last November's Camp Fire. The blaze destroyed the town of Paradise and killed 86 people, making it the deadliest fire in California history.

Bankruptcy would turn wildfire claimants into unsecured creditors, along with bondholders holding billions in PG&E debt. It's unlikely that the fire survivors would get paid in full, legal experts say.

Noreen Evans, a Santa Rosa lawyer working with Brockovich, noted that the Legislature approved a partial bailout plan last year that could force ratepayers to absorb at least some of the costs of the 2017 fires. But the law, SB 901, says nothing about the 2018 fires, leaving Camp Fire victims potentially holding the bag as the utility's finances deteriorate.

Evans, a partner in the firm of O'Brien Watters & Davis, said lawmakers must "treat all of the victims fairly. If they're doing it for one fire, they have to do it for all fires."

Brockovich made her reputation fighting Pacific Gas and Electric Co. over the presence of the toxic chemical hexavalent chromium in the community of Hinkley's water supply in San Bernardino County. Julia Roberts won an Oscar portraying her in the 2000 movie "Erin Brockovich." Since then Brockovich has maintained her high profile as an environmental activist.

https://www.sacbee.com/latest-news/article224753875.html

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Court upholds California's tough emissions reduction standards

J.D. Morris, Kimberly Veklerov / S. F. Chronicle / Jan. 18, 2019

California's low-carbon fuel standard, designed to reduce emissions of planet-heating carbons from transportation fuels sold in the state, is a valid measure to protect residents' health and well-being and does not violate the rights of out-of-state producers and suppliers, a federal appeals court ruled Friday.

The state may be confronted by "crumbling or swamped coastlines, rising water, or more intense forest fires caused by higher temperatures and related droughts," the Ninth U.S. Circuit Court of Appeals in San Francisco said in a ruling upholding the fuel regulations. The court said California can seek to reduce the harms caused by fuels sold within its borders, regardless of where it was produced.

Oil and ethanol producers in other states challenged California's standard, arguing that the state was unconstitutionally regulating conduct outside its bordersiscoi and interfering with interstate commerce.

The court had upheld an earlier version of the low-carbon standard in 2013, and a different Ninth Circuit panel rejected a September challenge by oil companies to emissions standards in Oregon that are similar to the California rules. The companies asked the U.S. Supreme Court last week to review and overturn the Oregon ruling, and the California case could be headed there as well.

Allowing states to combat global warming "seems especially vital ... given what's going on at the federal level, totally irresponsible, reckless rollbacks" by the Trump administration, said attorney Sean Donohue, who filed arguments for the Environmental Defense Fund supporting the California rules.

David Pettit, a lawyer for the Natural Resources Defense Council, said the ruling "should give people a sense of confidence that the system and the credits the system creates are here to stay."

Paul Zidlicky, lawyer for the American Fuel and Petrochemical Manufacturers association, declined to comment.

The regulations, based on a 2006 state law, require suppliers of gasoline, ethanol and other transportation fuels sold in California to reduce carbon emissions 10 percent by 2020, with increasing reductions in future years. The rules require the state to consider emissions during a fuel's production and disposal as well as its use in vehicles. Sellers of high-carbon fuels can meet the standards by buying credits from those whose products are below the limits.

Rejecting industry claims that the state was exceeding its authority by applying its rules to fuels produced elsewhere, the court said California has a valid concern about the effects of production and use of the fuels "on California's own air quality, snowpack and coastline."

The fuel sales and sellers directly governed by the low-carbon standard "and the harms California intended to prevent are all within the state's borders," Judge Ronald Gould said in the 3-0 ruling. He said the standard also serves the legitimate purpose of "ensuring that out-of-state fuels do not benefit in California markets by 'cutting corners' and (by) not being subject to California's regulations on the resulting greenhouse gases."

https://www.sfchronicle.com/science/article/Court-upholds-California-s-tough-emissions-13545539.php

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VW, China spearhead $300 billion global drive to electrify cars

Paul Lienert, Norihiko Shirouzu and Edward Taylor / Europe AutoNews / January 18, 2019

China for decades played catch-up to German, Japanese and American automakers, which dominated internal combustion vehicle technology. Now, China is positioned to lead EV development, industry executives say.

"The future of Volkswagen will be decided in the Chinese market," said Herbert Diess, CEO of VW, which has decades-old joint ventures with two of China's largest automakers, SAIC and FAW.

Diess added, "We have very clear policies established here in China. Policymakers and regulators are requiring" a shift to EVs.

The $300 billion that automakers have earmarked to put EVs into mass production in China, Europe and North America is greater than the economies of Egypt or Chile.

Almost one-third of the industry's EV spending total, about $91 billion, is being committed by the VW Group, which is aggressively trying to distance itself from the diesel scandal, which has cost it billions in penalties and legal settlements.

VW's sweeping electrification plan envisions capacity on three continents to build up to 15 million electric vehicles by 2025, including 50 pure electric and 30 hybrid electric models. Eventually, VW plans to offer electrified versions of all 300 models in its 12-brand global portfolio, which includes Audi and Porsche.

VW's staggering EV budget dwarfs that of its closest competitor, Daimler, which has committed $42 billion. In comparison, General Motors, the No 1 U.S. automaker, has said it plans to spend a combined $8 billion on electric and self-driving vehicles.

Roughly 45 percent of the global industry's planned EV investment and procurement spending, more than $135 billion, will occur in China, which is heavily promoting the production and sale of EVs through a system of government-mandated quotas, credits and incentives.

As a result, EV spending by major Chinese automakers from SAIC to Great Wall could be matched or even exceeded by multinational joint-venture partners such VW, Daimler and GM, as they dramatically expand their electric vehicle portfolios in China and ramp up battery purchases from Chinese suppliers.

Reuters analyzed investment and procurement budgets made public over the past two years by 29 of the world's top automakers, based primarily in the United States, China, Japan, Korea, India, Germany and France. The figures do not reflect planned investments and purchases that have not yet been made public.

Actual spending by vehicle manufacturers on r&d, engineering, production tooling and procurement likely will be much higher. The analysis also does not include related spending by automotive suppliers, technology companies and large corporations in other industries, from energy and aerospace to electronics and telecommunications.

"There has been a rush" to invest in EVs and batteries, said Alexandre Marian, AlixPartners managing director and co-author of a 2018 study that forecast total EV spending of $255 billion through 2023 by global automakers and suppliers.

Marian said the industry has increased spending budgets on EVs and batteries, while seeking more alliances and partnerships to help spread the higher investment costs.

Alliances, such as those between VW and its Chinese partners, will be among the greatest spurs to innovation, especially in the global rollout of EVs.

https://europe.autonews.com/automakers/vw-china-spearhead-300-billion-global-drive-electrify-cars

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Washington Insider: New Trend in Antibiotic Resistance

DMPF / Washington-insider / January 14, 2019

The Washington Post is reporting that "very promising news about antibiotic use in farm animals has come from the Food and Drug Administration."

The problem of resistance — the tendency of bacteria to fight back against antibiotic drugs — has grown decades, fueled by overuse and misuse of antibiotics in human health, as well as "widespread and often indiscriminate use in farm animals." But new data shows the use of antibiotics in animal agriculture has taken a marked downward turn.

The Post report reflects a report from FDA Commissioner Scott Gottlieb who noted in mid-December that resistance to antibiotics is an important and costly public-health problem affecting some 2 million Americans every year—and leading to 23,000 deaths.

Gottlieb correctly pointed out that it is impossible to outrace resistance, but efforts must be made to "slow its pace and reduce its impact on both human and animal health." Otherwise, antibiotics, the "miracle drugs" of the 20th century, will become useless, and a foundation of modern medicine could crumble, he said.

A large share of antibiotics, including those medically important to human health, are also given to food-producing animals.

While this use is "proper for sick animals," a frequent industry practice for decades has also been to "use antibiotics so animals will grow faster and larger on the same amount of feed, and for prevention of disease in a whole herd or flock." The agriculture industry defended these practices by saying they were not the culprit in the rising tide of resistance. However, the Post says "studies show key factors in resistance are overuse and abuse of antibiotics on the farm, as well as in human health." Farms and people do not exist in a world apart but in a "linked ecosystem," as pointed out by a predecessor of Gottlieb, Commissioner Donald Kennedy, in 1977.

The Obama administration proposed that manufacturers stop selling antibiotics for growth promotion and that veterinary oversight be strengthened for other uses. The FDA data now shows the fruits of this wise step that the Post links to a 33% decline between 2016 and 2017 in domestic sales and distribution of all medically important antimicrobials for use in food-producing animals — and a drop of 43% since 2015 .

The report says there are "still some unknowns in the data," which reflects sales and distribution, not actual use—so, more research and data are needed, the Post thinks. But it says "the trend does seem to herald a new direction and fresh thinking about the problem."

Importantly, change is being driven by the market and consumers, the Post says. Fast-food outlets such as McDonald's are demanding meat with less use of antibiotics.

Also, there are signs of greater consensus. In an impressive joint effort, major food companies, retailers, livestock producers, and trade and professional associations announced last December a comprehensive "framework" aimed at strengthening stewardship of antibiotic use in food animals, the result of a two-year discussion moderated by the Pew Charitable Trusts and the Farm Foundation. While much more needs to be done to protect antibiotics for future generations, having so many players at the table is a great first step.

Well, it is not usual for the Post to report ag efforts with such enthusiasm — but the current trends do seem quite impressive, and to reflect many of the market trends and accomplishments the Post lauded. This is a development producers should watch closely for the positive impacts it promises, Washington Insider believes.

https://www.dtnpf.com/agriculture/web/ag/perspectives/columns/washington-insider/article/2019/01/14/new-trend-antibiotic-resistance

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Drivers Running on Empty Say Mexico Must Fix Fuel Shortage

By Amy Stillman / Finance Yahoo / January 11, 2019

(Bloomberg) -- Hugo Ramirez Sanchez walked an hour to find an open fuel station in the Cuauhtemoc neighborhood of Mexico City, after his car ran out of gasoline. Jorge Mendoza had a stressful 50-minute drive from his home on an almost empty tank.

Across central Mexico, drivers are running on empty or lining up for hours at service stations, as the government's efforts to rein in fuel theft compound a nationwide gasoline shortage. More than one-fourth of Mexico City's 400 gasoline stations are facing problems, Mexico City mayor Claudia Sheinbaum said in a Twitter video, while assuring viewers that supply would normalize Wednesday. The states of Mexico, Hidalgo, Jalisco, Michoacan, Guanajuato and Queretaro are among the worst affected.

The distribution issues have exacerbated bottlenecks at Mexico's ports, where fuel tankers have been waiting to unload their cargoes following weather-related ports closures.

"The government is saying it's not a shortage, but this is a shortage," said Mendoza, gesturing at the two lines of cars snaking down the street from the Pemex-branded fuel station. "Now I am going to be late for my clients and maybe they won't call me back."

President Andres Manuel Lopez Obrador has sought to curb rampant gasoline theft, which costs state-owned Petroleos Mexicanos about $3.5 billion a year. But his strategy has caused major distribution delays at a time of high seasonal demand.

Distribution Issues

To stop the theft, the government has shut and increased surveillance of pipelines, relying on slower-moving -- and more expensive -- tanker trucks to transport fuel across the country. It's also deployed the army to Pemex fuel terminals and refineries, which are already operating at about a third of their capacity due to prolonged maintenance cycles and under-investment. The country also lacks fuel storage infrastructure.

Mexico City's key Tuxpan-Azcapotzalco fuel pipeline has been down after numerous illegal taps, causing further delivery delays, President Lopez Obrador said during his morning press conference on Thursday. He also said that Mexico is producing about 200,000 barrels of gasoline a day.

At least 15 tankers carrying 2.3 million barrels of gasoline, diesel and jet fuel were waiting late Wednesday at the port of Pajaritos to unload, with some there since December 25, shipping reports seen by Bloomberg show. Another 14 tankers with 3.5 million barrels waited to discharge at Tuxpan and seven more carrying 840,000 barrels are at Tampico. Demurrage, or fees for detaining vessels beyond the scheduled time, typically run about $22,000 to $24,000 a day.

Bit by Bit

The fight against illegal pipeline taps by fuel thieves known as "huachicoleros" will take some time, and gasoline supply will begin to normalize bit by bit, Lopez Obrador said in an interview with El Financiero Bloomberg TV late Tuesday. "We have enough gasoline, there's no problem, it's a matter of distribution," he said.

Many Mexicans, however, are running out of patience. "Why didn't the president consult citizens about this plan like he's done with everything else?" said Mendoza, shaking his head. "This is not panic purchasing. If I don't fill up my car right now, I'm screwed."

https://finance.yahoo.com/news/drivers-running-empty-mexico-must-211754167.html

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Fiat Chrysler to pay $800 million for air pollution scandal

By Dale Kasler / The Sacramento Bee / January 10, 2019

Call it Dieselgate II.

In a settlement announced Thursday by state and federal officials, Fiat Chrysler Automobiles agreed to pay $800 million over charges that the global carmaker used "defeat device software" in thousands of diesel vehicles to cheat on air pollution tests.

The case is similar to the multibillion-dollar settlement made by Volkswagen over the use of the rogue software — and was discovered through enhanced testing procedures state and federal officials developed after the Volkswagen scandal was unearthed by California and federal officials in 2015.

"Although the company admitted they had used the defeat device, they maintained this was something that was inadvertent," said Mary Nichols, chairwoman of the California Air Resources Board, in a conference call with reporters. "We disagree with that and the settlement shows they are acknowledging they are responsible."

The case involves diesel Jeep Grand Cherokees and Dodge Ram 1500s made from 2014 to 2016. The state said Fiat Chrysler sold 100,000 of those vehicles nationwide and 13,325 in California.

"The company not only violated the law and our trust, but did so at the expense of our environment," said California Attorney General Xavier Becerra. "These vehicles were marketed to consumers as environmentally friendly." California officials first accused Fiat Chrysler of cheating on diesel tests in 2017.

Fiat Chrysler announced that it plans to spend a total of about $800 million to settle the charges, including about $400 million in fines to the federal government and all 50 states. California, which worked with the federal Environmental Protection Agency on chasing down the illegal software, will get $78.4 million.

The company also settled a class-action private lawsuit to give car owners an average of $2,800 each, for a total of around $280 million. In addition, Fiat Chrysler must establish a recall program and fix the emissions systems on the affected vehicles, and must provide those customers with extended warranties. The warranties are expected to cost about $100 million, for a total payout of approximately $800 million from Fiat Chrysler.

Robert Bosch, a German manufacturer of components for Fiat Chrysler diesel engines, has agreed to pay $27 million to consumers as well, according to Lieff Cabraser Heimann & Bernstein, the law firm leading the class-action case.

Fiat Chrysler said the settlements "do not change the company's position that it did not engage in any deliberate scheme to install defeat devices to cheat emissions tests." Nevertheless, the company said it needed to regain consumers' confidence.

"We acknowledge that this has created uncertainty for our customers, and we believe this resolution will maintain their trust in us," Mark Chernoby, the company's head of North American safety and regulatory compliance, said in a prepared statement.

The Trump administration, which has been accused by environmentalists of being soft on polluters, hailed the Fiat Chrysler case as evidence to the contrary. "Today's settlement sends a clear and strong signal to manufacturers and consumers alike — the Trump administration will vigorously enforce the nation's laws designed to protect the environment and public health," said Andrew Wheeler, acting administrator of the EPA.

The Volkswagen settlements included an agreement by the company to spend hundreds of millions of dollars in California on electric-vehicle charging stations and other clean-car projects in Sacramento and other cities, as a means of offsetting the excess nitrogen oxide emissions that fouled the air. NOx is a key ingredient in the formation of smog.

Fiat Chrysler won't be required to undertake a similar program, state officials said. The big difference: Volkswagen's software was so thoroughly embedded into the vehicles that most of the cars couldn't be totally fixed. The Fiat Chrysler vehicles are completely fixable.

The "defeat device" was used to cheat on the air-pollution certification tests required by regulators before vehicles can be sold. Essentially, the software switches off the emissions-control systems when vehicles are on the open road but remain fully engaged when they're in the test lab. Emissions controls can hinder fuel mileage and a vehicle's durability and handling.

Nichols said defeat software is permissible in limited circumstances — such as when a vehicle is climbing a steep hill — but has to be disclosed to regulators.

"The basic cheat here was the company failed to disclose exactly what they were doing with this software," Nichols said. "That's illegal and all of these companies know that it's illegal."

https://www.sacbee.com/news/business/article224225370.html

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PG&E stock, bonds plunge anew as S&P cuts its credit rating to junk

By Molly Smith, Natalya Doris / L A Times / January 8, 2019

PG&E Corp. shares continued plunging and bonds dropped to all-time lows Tuesday after S&P Global Ratings slashed the utility company's credit grades to the middle of the junk spectrum from investment grade, citing its limited options for managing wildfire liabilities.

The company's shares finished the day down $1.39, or 7%, to $17.56, as investors worried about the potential for the company to file for bankruptcy. On Monday, shares fell 22%. California investigators are looking into whether Pacific Gas & Electric Co. equipment ignited the deadliest blaze in state history in 2018 as well as fires in 2017, investigations that could leave the company with legal liabilities topping $30 billion.

S&P cut the company's rating five levels to B, the fifth-highest junk rating, from BBB-, the lowest investment-grade level, according to a statement late Monday. More cuts may come, it said. Fitch Ratings and Moody's Investors Service still rate the company at investment grade.

A spokesman for PG&E said in an email Tuesday the company's board was "actively assessing" operations, finances, management, structure and governance while maintaining a commitment to improving safety.

PG&E's record-low bond prices underscore how much more the company will have to pay to borrow in the future — even if California comes up with a legislative bailout. It also highlights how vulnerable even highly regulated, traditionally dependable stocks such as utilities can be to wildfires, hurricanes and other natural disasters.

"This will ultimately increase costs to California ratepayers and taxpayers, which already face a high cost of living," Gabriel Petek, an S&P analyst who rates the state of California, not PG&E, said in an email Monday. "The important takeaway to me is that these fires and how the 'fire season' is virtually a year-round phenomenon now represent a material consequence of climate change."

PG&E's notes due next year with a coupon of 3.5% are yielding more than 9.9%, a level far above what most high-yield securities are paying. Debt rated B, for example, the mid-tier of junk bonds, yields on average 7.5% as of Monday's close, according to Bloomberg Barclays index data.

Moody's and Fitch have the company under review for further cuts. The firms started cutting in November as PG&E faced potential liabilities from 2017's wildfires that could top $17 billion, according to a JPMorgan Chase & Co. estimate. The company had about $430 million of cash on its books at the end of September.

If Moody's follows with a cut to high-yield as well, PG&E may face a cash collateral requirement of at least $800 million to guarantee power contracts, according to a regulatory filing. No other ratings triggers have been disclosed.

PG&E has suspended its dividend and fully drawn its lines of credit. It is considering filing for bankruptcy as soon as February, people familiar with the situation said Friday. State lawmakers and regulators are looking at options including allowing the company to issue bonds to pay its liabilities or breaking up the utility.

If PG&E is ultimately held responsible for the Camp fire, it could be on the hook for billions of dollars of potential liabilities. Because the company has filed for bankruptcy before, it and lawmakers would probably try to avoid a repeat, said Ryan Brist, head of global investment-grade credit and portfolio manager at Western Asset Management.

"That was a disastrous time for all participants involved," Pasadena-based Brist said. "It would be my guess that the same parties would want to pursue a much less volatile solution this go-round when faced with the tough problems of statewide wildfires."

But PG&E, with about $18.6 billion of long-term debt as of the end of September, could possibly see good reason to file for bankruptcy, CreditSights analyst Andy DeVries said in a report Monday. Such a filing would give the company bargaining power with insurance companies as it tries to settle customer claims at a discount, he said.

Fitch analyst Philip Smyth said a determination by California regulators that PG&E's equipment was involved in the Tubbs fire in 2017 or last year's Camp fire would be the strongest impetus to cut the rating.

"Right now, there is no investigation that says with any clarity ... that their equipment was the catalyst," Smyth said in an interview Monday. "Since we downgraded in November, I don't think things have gotten meaningfully worse."

https://www.latimes.com/business/la-fi-pge-credit-rating-cut-20190108-story.html

GOOGLE: 510-537-1796 ARB

CCA=Shell?

CAPP contact: Charlie Peters (510) 537-1796 cappcharlie22@earthlink.net

Audi, Mobileye, Waymo, other top automakers unite to spread the self-driving gospel

By Kirsten Korosec / Techcrunch / January 7, 2019

The self-driving vehicle evangelists are uniting.

A number of major automakers, technology companies and organizations with a stake in autonomous vehicles, including Audi, Aurora, Cruise, GM, Mobileye, Nvidia, Toyota, Waymo and Zoox has formed a coalition to spread the word about advanced vehicle technologies and self-driving vehicles. Their message: this tech can transform transportation and make it safer and more sustainable.

The Partners for Automated Vehicle Education, or PAVE, coalition was announced Monday at CES 2019 in Las Vegas. The aim of PAVE is educate the public and policymakers about the potential of automated vehicles.

“It is essential to engage the public and their elected representatives to shape an informed future of our roadways,” Deborah A.P. Hersman, president and CEO of the National Safety Council said Monday.

Hersman, along with Audi of America, will serve as inaugural co-chairs of PAVE. A few automakers and tech companies including Ford, Fiat Chrysler and Aptiv weren’t included in the launch of the coalition. It’s probable that many more will join if the coalition gains momentum.

There’s also no shortage of other industry-led coalitions, organizations and lobby groups focused on autonomous vehicle technology such as the Automated Vehicle Coalition and the Self-Driving Coalition for Safer Streets, which includes Ford, Waymo, Lyft, Uber and Volvo.

PAVE says it will hold events across the country to introduce driver assistance and self-driving technology to consumers and policymakers, hold educational workshops aimed at federal, state and local officials, and develop educational materials to distribute to retail sales and customer service personnel.

The group wants to educate the everyday consumer as well. So, it plans to sponsor hands-on workshops in partnership with SAE International to give people the chance to see, touch and feel developing AV technology.

It will also hold policy workshops in partnership with academic institutions such as Stanford University's Center for Automotive Research to help policymakers understand AVs and their potential.

"Traditional automakers and newcomers are investing billions of dollars in the technology that will make automated vehicles possible," said Mark Del Rosso, President, Audi of America. "PAVE recognizes the need to invest in public information — in making sure consumers and policymakers understand what's real, what's possible, and what is rumor or speculation."

https://techcrunch.com/2019/01/07/audi-mobileye-waymo-other-top-automakers-unite-to-spread-the-self-driving-gospel/

GOOGLE: 510-537-1796 ARB

Corn Fuel Waiver for $2 GASOLINE

CAPP contact: Charlie Peters (510) 537-1796 cappcharlie@earthlink.net

AGENDA QUESTIONS
& ANSWERS

Items 1, 6, and 7

From:	Miriam Lens
Sent:	Tuesday, January 22, 2019 1:17 PM
To:	Aisha Wahab; Al Mendall; Barbara Halliday; Elisa Marquez; Francisco Zermeno; Mark Salinas; Sara Lamnin
Subject:	Council Meeting: 1/22/19 - Agenda Questions and Answers
Attachments:	2019-01-22 MCC QA.pdf

Good afternoon Mayor and Council Members,

Please find attached Agenda Questions and Answers regarding Item 1 (CONS 19-025: Fire Station 6 and Fire Training Center Project), Item 6 (LB 19-007: Shelter Crisis Declaration) and Item 7 (PH 19-005: CalPERS) on tonight's agenda.

Regards,

Miriam Lens
City Clerk
City of Hayward | 777 B Street | Hayward, CA 94541
☎ Phone: 510.583.4401 | Fax: 510-583-3636 | * Email: miriam.lens@hayward-ca.gov

HAYWARD

AGENDA QUESTIONS & ANSWERS MEETING DATE: January 22, 2019	
Item # 1: Fire Station 6 and Fire Training Center Project - Sole Source Justification and Procurement of Temporary Fire Station Housing Structures CONS 19-025	
Regarding the modular buildings for the temporary Fire Station 6, what would be the cost to buy them outright?	The cost is estimated at over $270K for both units.
Item # 6: Approval of a Resolution to Extend Resolution 18-027, Declaring a Shelter Crisis in the City of Hayward Until June 30, 2021, and to Authorize the City Manager to Take Emergency Actions to Implement a Hayward Housing Navigation Center on City-Owned Property, and Approval of a Resolution to Authorize the City Manager to Appropriate and Expend up to $3 Million in State and Local Funding for the Hayward Navigation Center (Report from City Manager McAdoo) LB 19-007	
In the resolution, can we please utilize the terminology "people/individuals/persons who are homeless" rather than "the homeless". The issues and terminology are well stated in some sections, but is not consistent.	Yes, we will change.
Also, the 5th Whereas on the first page, may I suggest... "WHEREAS, in June 2018... addressing their homelessness challenges..."	Yes, we will change.
Would the "shelter crisis" allow us to utilize the Air National Guard Hanger as a means to starting shelter sooner (even if as a temp site) if needed and approved?	Any use of the properties located at the Airport, including the California Air National Guard (CANG) property, is subject to review and approval of the Federal Aviation Administration (FAA). There does not appear to be any practical advantages time-wise or otherwise to entertain the idea of going through the rigorous, time-consuming, and uncertain approval process for CANG site compared with the parcel that has been selected and recommended by staff.
Do you have the draft budget from BACS for the STAIR Center? If so, can that be shared with Council, please?	Please find attached Exhibit B of the BACS contract, representing the line item budget for the Berkeley STAIR Center.
Item #7: Adoption of a Resolution of Intention to Introduce an Ordinance Approving an Amendment to the Contract between the City of Hayward and the California Public Employees Retirement System (CalPERS) for Miscellaneous Members in SEIU Local 1021 (Report from Human Resources Director Collins) PH 19-005	
Just to confirm, the resolution for this item is just for year one and therefore for 4.5%? (As opposed to the full 5% that will take effect later towards the end of the contract period?)	Yes, the Resolution is only for the reporting to the employee account and not the additional .5% at this time.

EXHIBIT B

PAYMENT

Budget

BACS shall comply with the Budget as provided herein. BACS may modify budget line items as needed, with approval from the City of Berkeley's Health, Housing and Community Services Department (HHCS), provided that total grant amount is not exceeded. HHCS shall have sole authority to approve budget modification requests. Budget line item modifications shall not alter any terms of this Agreement, including but not limited to the scope of services, time of performance, or grant amount.

PROJECT BUDGET	TOTAL BUDGET	FTE	Total	Budget Justification (Narrative)
PERSONNEL/STAFFING EXPENSES (List title and % FTE on project)				
Director, Housing Operations	$100,000	0.15	$ 15,000	
Program Manager	$ 70,000	1.00	$ 70,000	
Housing Restorers	$ 49,920	3.00	$ 149,760	
Property Manager	$ 55,000	0.50	$ 27,500	
Peer Site Managers	$ 41,600	8.80	$ 366,080	3 shifts of 2 staff per shift
Outreach Coordinator	$ 58,240	2.00	$ 116,480	
Benefits	30.00%	-	$ 223,446	Health, Dental, Vision, PTO, Holiday, Retirement, Payroll Taxes
Subtotal		$15	$ 968,266	
NON-PERSONNEL EXPENSES				
IT, Facilities, Operations	$102,384		$ 102,384	IT support, Maintenance and Repair, Facilities, Janitorial, Etc.
Meals	$ 90,338		$ 90,338	45 meals at $5.50/meal at 365 days
Furniture	$ 9,658		$ 9,658	Replacement Furniture, etc.
Travel	$ 30,000		$ 30,000	5 staff at $500/month in mileage at 12 months
Operational Supplies	$ 10,000		$ 10,000	Linens, Cleaning, Program Supplies
Flex Funds	$540,000		$ 540,000	90 clients receiving approximately $6,000 per move
Subcontracts	$ 36,000		$ 36,000	Subcontracted partner fee to provide Property Mgmt
Utilities and capital rents	$294,338		$ 294,338	*Per City Itemization
Insurance	$ 30,001		$ 30,001	Professional Liability, General Liability, etc
Start-Up	$ 40,000		$ 40,000	$20,000 IT, $20,000 Furniture and Start-Up Program Supplies
Miscellaneous	$ 55,165		$ 55,165	Flexible program funds for contingencies
Subtotal			$1,237,884	
INDIRECT/OVERHEAD EXPENSE				
			$ 233,852	Current Indirect is 10.6% based on Simplified Method of Independent Audit
Total				
			$2,440,000	

Terms and Conditions of Payment

- The total amount of reimbursement for eligible activities as set forth in Exhibit B of this Agreement shall not exceed $2,440,000 during the Contract Period as set forth in Exhibit B of this agreement.
- BACS will keep records to substantiate all expenditures and make these documents available to City staff at any time. These include record keeping on all invoices for rental equipment on-site.
- BACS shall submit a statement of expense to HHCS on a quarterly basis. The final statement of expense for the contract period must be accompanied by a General Ledger which clearly delineates all sources and uses of funds. BACS shall keep copies of all books, records and reports for at least five years after the contract expiration.
- BACS shall receive quarterly advances for projected expenditures:
  - May 10th for the first quarter of the contract and start-up period;

- September 10th for the second quarter of the contract;
- December 10th for the third quarter of the contract;
- March 10th for the fourth quarter of the contract.

Flexible Funding:

- HHCS shall advance BACS quarterly the anticipated expenses for actual flexible funds financial assistance and housing problem solving financial assistance, within the budgeted maximums.
- Budgeted Sustained Outreach Team problem solving funds (up to 20% of the total flexible funding) that aren't fully utilized may be added to budgeted STAIR flexible funds for housing assistance in any month, and vice-versa.

Sub-Contractor Requirements:

If a portion of the services under this Agreement are to be performed by a third-party, BACS must submit a formalized agreement to HHCS for approval prior to the execution of the contract and the provision of services by the sub-contractor. Failure to initiate, request, and receive written prior approval from HHCS of sub-contractor may result in the disallowance of payments to the third-party.

BACS shall ensure that all sub-contracts, scopes of services, line item budgets and budget narratives are submitted in the format as set forth by City, County, State and Federal mandates depending on funding sources. The decision to approve or disapprove any sub-contracts will be based on the information contained in the contract documents. Therefore the contracts must, as applicable, describe the activities or functions involved, a time schedule, a justification for the performance by a third-party, rate of compensation, a breakdown of and justification for the estimated costs, including the manner in which indirect costs, if any, will be reimbursed, the grant policies and requirements that are applicable to sub-contractor, other policies and procedures to be followed, the maximum amount of money for which BACS may become liable under the agreement, and the cost principles to be used in determining allowable costs in the case of cost-type contracts.

BACS shall reimburse subcontractors or personal consultants only for those services provided or for those activities performed.

Financial Controls and Records

BACS shall bear financial responsibility for the provision of services rendered to the target population.

Financial Records: BACS has sole authority over accounting and systems for the development, preparation and safekeeping of records and books of account relating to contracted services, including the preparation and submission of any cost reports, supporting data, and other materials in connection with reimbursement under other third-party payment contracts and programs.

Other Provisions:

The continuation of this Agreement and payments hereunder shall be subject to the availability of funds to the City of Berkeley. The City of Berkeley agrees to notify BACS in writing of any modifications related to changes in available funding.

ITEM #5 WS 19-001

UPDATE TO GENERAL FUND LONG-TERM OUTLOOK

REVISED TABLE 3

DATE: January 22, 2018

TO: Mayor and City Council

FROM: Director of Finance

THROUGH: City Manager

SUBJECT: Correction to Summary of Unfunded Liabilities (Table 3) for Agenda item WS 19-001

Attached is a corrected version of the staff report accompanying agenda item WS 19-001. The changes made were to Table 3 on page 5 of 6 in the staff report and more specifically to the Value of Assets and Funded Ratio as it relates to the City's "OPEB – Retiree Medical" for all three of the plans listed. In the report distributed last week to Council the information described above was incorrect and did not accurately reflect amount held for each group and the 6.0% shown for all groups as it relates to "Funded Ratio" was not correct. The page with the update to Table 3 has been flagged and the changes to the table have been highlighted for easy reference.

CITY OF
HAYWARD
HEART OF THE BAY

DATE: January 22, 2019

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT: Update to General Fund Long-Term Outlook

RECOMMENDATION

That the City Council receives an update and provides comments on the City's General Fund Long Range Financial Model.

SUMMARY

This report provides an update of the City's General Fund Long Range Financial Model (Financial Forecast Model). Staff presented the Financial Forecast Model to the Council Budget and Finance Committee on December 5, 2018[1]. Staff requests that the Council reviews and provides feedback on the Financial Forecast Model update. This update includes the latest revenue and expenditure projections and shows the impact to the City's long-term financial outlook.

BACKGROUND

For several years, the City utilized a General Fund Ten-Year Plan Model previously developed in-house as a tool to understand the long-range financial implications of policy decisions. In early 2017, the City engaged Management Partners to develop a more comprehensive and agile financial model, which was presented to Council during a special work session in October 2017 [2]. That October presentation included a demonstration of the capabilities of the Financial Forecast Model, as well as Council participation in discussing a variety of hypothetical scenarios to illustrate the long-term fiscal implications. This Financial Forecast Model was again used to simulate the long-term financial forecast using the latest revenue and expenditure figures.

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[1] **City of Hayward Council Budget and Finance Committee on December 5, 2018**
https://hayward.legistar.com/LegislationDetail.aspx?ID=3768163&GUID=35E31915-3481-4A06-BF0F-DB27DB5A1862

[2] **City of Hayward City Council Meeting on October 17, 2017**
https://hayward.legistar.com/MeetingDetail.aspx?ID=568550&GUID=6855A6D8-73F8-422D-8F2B-D5E1FE091927&Options=info&Search=

DISCUSSION

The proposed FY 2019 Operating Budget projected the use of $5.5 million from the General Fund reserve to present a balanced budget. Implementation of one-time expenditure reduction and cost saving measures reduced the projected use of General Fund reserve by $2.5 million. At the time of budget adoption, the Financial Forecast Model projected the City's General Fund reserve levels would fall below the City's 20% policy level to 11.4% in FY 2020, and depletion of the City's General Fund reserve by FY 2022. Table 1 provides a summary of the previous FY 2019 Operating Budget General Fund projected fund balance through FY 2023, for background.

TABLE 1: FY 2019 GENERAL FUND FIVE-YEAR FORECAST ENDING FUND BALANCE PROJECTIONS (JULY 2018 PROJECTIONS)

GENERAL FUND FORECAST - FY 2019 ADOPTED *in thousands*	**FY 2019 Year 1**	**FY 2020 Year 2**	**FY 2021 Year 3**	**FY 2022 Year 4**	**FY 2023 Year 5**
Revenues	$159,748	$162,798	$166,525	$172,813	$179,454
Expenditures	162,790	170,074	179,193	188,805	194,780
Net Change in Reserve - Surplus / (Shortfall)	**(3,042)**	**(7,276)**	**(12,668)**	**(15,991)**	**(15,326)**
Beginning Balance	**$29,713**	**$26,670**	**$19,394**	**$6,726**	**($9,265)**
Net Change in Reserve - Surplus / (Shortfall)	(3,042)	(7,276)	(12,668)	(15,991)	(15,326)
Ending Balance	**$26,670**	**$19,394**	**$6,726**	**($9,265)**	**($24,591)**
Target to maintain 20% GF Reserves in Operating Expenses	$32,558	$34,015	$35,839	$37,761	$38,956
General Fund Reserve Level as % of Total Expenses	16.4%	11.4%	3.8%	-4.9%	-12.6%
Amount Above or (Below) Target 20%	($5,888)	($14,621)	($29,113)	($47,026)	($63,547)
Percentage Above or (Below) Target 20%	(18.1%)	(43.0%)	(81.2%)	(124.5%)	(163.1%)

Projected Impacts of Recent Changes to Financial Forecast

In October 2017, City Council held a Fiscal Sustainability work session, where staff unveiled the updated Financial Forecast Model, and Council discussed various options in four categories to address the City's structural budget deficit, which included (1) revenue generating options, (2) cost shifting options, (3) expenditure control options, and (4) changes in provision of services that Council could implement to assist in closing the City's long-term structural budget gap. During that discussion, Council directed staff to primarily focus on one of the revenue generating options (placing a measure on the ballot to increase the City's Real Property Transfer Tax (RPTT)) and on continuing to partner with employees on cost sharing opportunities. On July 17, 2018, Council approved a resolution calling for a municipal election for an increase to the RPTT [3]. In November 2018, Hayward voters passed Measure T from its original rate of $4.50 per $1,000 of property value to $8.50 per $1,000 of property value. The RPTT is expected to generate an additional $7.2 million annually, for total annual General Fund revenue of approximately $15 million.

In addition to the successful passage of Measure T this fall, the Council adopted labor agreements with all employee labor groups resulting in equitable benefits and cost savings for both the City and employees.

Table 2 below provides an update to the General Fund Five-Year Forecast that includes the impacts of adopted employee labor agreements and the increase in projected RPTT revenue, as well as, the latest projected revenue and expenditure calculations.

TABLE 2: DECEMBER 2018 UPDATED GENERAL FUND FIVE-YEAR PROJECTIONS

GENERAL FUND FORECAST - UPDATED *in thousands*	**FY 2019 Year 1**	**FY 2020 Year 2**	**FY 2021 Year 3**	**FY 2022 Year 4**	**FY 2023 Year 5**
Revenues	$164,357	$169,796	$173,160	$179,325	$185,446
Expenditures	163,805	168,098	178,634	188,298	194,336
Net Change in Reserve - Surplus / (Shortfall)	**552**	**1,698**	**(5,474)**	**(8,974)**	**(8,890)**
Beginning Balance	**$32,385**	**$32,937**	**$34,635**	**$29,161**	**$20,187**
Net Change in Reserve - Surplus / (Shortfall)	552	1,698	(5,474)	(8,974)	(8,890)
Ending Balance	**$32,937**	**$34,635**	**$29,161**	**$20,187**	**$11,297**
Target to maintain 20% GF Reserves in Operating Expenses	$32,761	$33,620	$35,727	$37,660	$38,867
General Fund Reserve Level as % of Total Expenses	20.1%	20.6%	16.3%	10.7%	5.8%
Amount Above or (Below) Target 20%	$176	$1,015	($6,566)	($17,472)	($27,570)
Percentage Above or (Below) Target 20%	0.5%	3.0%	(18.4%)	(46.4%)	(70.9%)

Long-Term Financial Outlook

The updated Financial Forecast Model (Attachment II) provides a view of the City's long-term outlook. A continued challenge is rising CalPERS rates and unfunded accrued liabilities that have a significant impact on the projected expenditures in future years.

Attachment III highlights key revenue and expenditure assumptions included in this updated Financial Forecast Model. For example, revenue projections in this updated five-year forecast include the additional $7.2 million RPTT revenue anticipated with the passage of Measure T.

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[3] **City of Hayward City Council Meeting on July 17, 2018**
https://hayward.legistar.com/LegislationDetail.aspx?ID=3553050&GUID=5504B467-533C-4C23-9243-448F969C92EB&Options=&Search=

The sales tax projections include a contraction in two fiscal years, one for the known departure of a top tax payer and the other for a recession scenario. The change for this revenue source ranges -2.2% to 4.4% in the fiscal years presented. For years after FY 2023, sales tax is calculated at 2.5% growth annually for subsequent years. The Cannabis Tax revenue is projected at $750K in FY 2019, $1M in FY 2020, $1.25M in FY 2021 and 2% growth in subsequent years. Property tax projections include an assumed recession in 2020. Annual growth ranges from 0.03% in the projected recession year to 5.25%. Please note that the projected property tax revenue does not include increases to property tax expected from future developments. As City Council is aware, in an effort to address the challenges surrounding affordable housing and homelessness, on October 2, 2018, the City Council authorized the appropriation and allocation of $28.6 million of the City's Affordable Housing Funds. [4] In addition, the development of the former Route 238 CalTrans properties will also result in additional property tax revenues. These policy decisions are expected to have a positive impact on the property tax revenue projections moving forward. Staff does plan to adjust the expected property tax revenue from future developments when the timing of these property transactions and value of the properties become clearer. It is expected that these future developments will increase the property tax revenue projections significantly.

Please also note that these revenue projections do not include one-time revenue, such as expected proceeds from future 238 property sales or the prior period Utility Users Tax payments, both of which are being held in separate accounts.

Staff is currently updating the City's cost allocation plan and completing a Fleet Utilization study to analyze the need for equipment and vehicles currently owned and maintained by the City. These two efforts are expected to reduce expenses slightly.

Proposed strategies and updates to the Financial Forecast Model will be provided to Council on an ongoing basis for their continued policy leadership in helping to ensure fiscal sustainability for the City while ensuring the highest level of service availability to the Hayward community.

[4] **City of Hayward City Council Meeting on October 2, 2018**
https://hayward.legistar.com/LegislationDetail.aspx?ID=3690553&GUID=0F826B7B-CA03-44E1-AB73-06C8790A7D69&Options=&Search=

Unfunded liabilities

TABLE 3: SUMMARY OF BENEFIT LIABILITIES (IN MILLIONS)

(in millions)	Actuarial Valuation Date	Accrued Liability	Value of Assets	Funded Ratio	Unfunded Liability (1)	Unfunded Ratio
CalPERS Police Safety Plan	6/30/2017	$ 374.86	$ 229.86	61.3%	$ 145.00	38.7%
CalPERS Fire Safety Plan	6/30/2017	$ 288.16	$ 179.08	62.1%	$ 109.07	37.9%
CalPERS Miscellaneous Plan	6/30/2017	$ 440.24	$ 290.12	65.9%	$ 149.95	34.1%
Total Cal PERS		**$ 1,103.26**	**$ 699.06**	**63.1%**	**$ 404.02**	**36.9%**
OPEB - Retiree Medical Police Officers	6/30/2017	$ 33.64	$ 2.01	6.0%	$ 31.62	94.0%
OPEB - Retiree Medical Fightfigters	6/30/2017	$ 15.24	$ 1.40	9.2%	$ 14.32	90.8%
OPEB - Retiree Medical Miscellaneous	6/30/2017	$ 20.21	$ 2.05	10.1%	$ 19.00	89.9%
Total OPEB-Retiree Medical		**$ 69.09**	**$ 5.46**	**8.4%**	**$ 64.94**	**91.6%**
Workers' Compensation	6/30/2017	$ 16.64	$ 8.63	51.9%	$ 8.01	48.1%
Accrued Leave Payouts (1)	6/30/2017	7.89	0	0.0%	$ 7.89	100%
TOTAL		**$ 1,196.87**	**$ 713.15**	**59.6%**	**$ 484.85**	**40.4%**

As shown in Table 3 above, the City still has significant unfunded benefit liabilities that need to be addressed. The CalPERS retirement total unfunded accrued liability (UAL) is $404 million, or 63.1% funded status. The City also faces challenges in funding its Other Post-Employment Benefits (OPEB) liabilities. According to the most recent actuarial report (for plan year 2017), the City's unfunded OPEB liability is $64.9 million, or 8.4% funded status.

To address these challenges, staff is exploring ways to reduce the UAL to ultimately improve the City's balance sheet, decrease long-term payments, and increase benefit security for current and former employees. The options being explored are: 1) additional discretionary payments through a loan from an enterprise fund or from one-time revenues; 2) establishing a Section 115 Irrevocable Pension Trust; or 3) participation in CalPERS "Fresh Start"- re-amortizing the current UAL over a shorter period of time. On September 19, 2018, staff presented these options to the Council Budget and Finance Committee and will present to Council recommendations at a future date. For purposes of this discussion, staff did not include any potential savings as a result of the three funding options listed above until these are presented to Council and one is selected.

ECONOMIC IMPACT

There is no economic impact associated with this report as it is informational only.

FISCAL IMPACT

There is no fiscal impact associated with this report; however, staff will continue to refine and update the General Fund Long Range Financial Model as economic factors change.

PUBLIC CONTACT

The agenda for this item was posted in compliance with the California Brown Act.

NEXT STEPS

Staff will continue to update the Financial Forecast Model and provide regular updates to the Council as other strategies and options to help reduce the City's structural deficit are identified.

Prepared by: Nicole Gonzales, Budget Officer

Recommended by: Dustin Claussen, Director of Finance

Approved by:

Kelly McAdoo, City Manager

GENERAL FUND LONG RANGE FINANCIAL MODEL - UPDATE

Attachment II

SUMMARY FORECAST ($ in Thousands)	Revised Budget 2013-14	Actual 2013-14	Revised Budget 2014-15	Actual 2014-15	Revised Budget 2015-16	Actual 2015-16	Revised Budget 2016-17	Actual 2016-17	Adopted Budget 2017-18	Est. Actual 2017-18	Adopted Budget 2018-19	Adjusted Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25	Projected 2025-26	Projected 2026-27
Property Tax	$40,710	$38,971	$40,830	$42,128	$43,573	$44,159	$47,734	$47,196	$48,912	$51,236	$53,267	$53,267	$55,904	$56,068	$58,988	$62,058	$65,237	$67,825	$69,944	$72,683
Sales Tax	30,500	31,019	31,719	31,058	33,275	33,059	33,401	34,839	32,609	33,389	34,067	34,067	32,113	34,329	35,837	37,416	38,501	39,622	40,780	39,916
UUT	15,000	15,762	15,750	15,681	22,494	22,041	19,620	20,754	17,663	17,488	19,000	18,000	18,135	18,566	19,007	19,458	19,847	20,244	20,649	20,804
Real Property Transfer Tax	5,000	4,879	5,269	5,710	7,000	7,849	7,154	8,350	7,154	9,168	7,369	12,978	15,784	15,705	15,626	15,548	15,237	14,932	14,634	13,609
Transient Occupancy Tax	1,700	1,918	1,957	2,033	1,996	2,591	2,036	2,560	2,077	2,808	2,077	2,077	2,015	2,369	2,736	2,832	2,888	2,946	3,005	2,915
Cannabis Revenue	-	-	-	-	-	-	-	-	-	-	750	750	1,000	1,250	1,275	1,301	1,327	1,353	1,380	1,408
Other Taxes/Franchises	14,627	14,062	13,592	14,915	14,211	14,531	14,618	6,264	14,203	5,783	15,735	15,735	15,782	16,135	16,496	16,867	17,171	17,482	17,799	17,861
Permits & Fees	8,696	10,299	9,381	9,939	10,105	12,218	11,787	14,917	12,689	9,141	9,081	9,081	8,961	9,259	9,567	9,884	10,108	10,337	10,571	10,440
Other Revenue	13,601	13,641	13,322	13,914	15,702	17,578	15,091	23,682	13,779	29,388	18,401	18,402	20,102	19,479	19,793	20,082	20,378	20,672	21,039	21,454
Transfer In-Measure C		-		-		-		-		-	-	-	-	-	-	-	-	-	-	-
Total Revenues	**129,834**	**130,551**	**131,820**	**135,378**	**148,356**	**154,026**	**151,441**	**158,561**	**149,087**	**158,401**	**159,748**	**164,357**	**169,796**	**173,160**	**179,325**	**185,446**	**190,694**	**195,414**	**199,801**	**201,089**
Salaries/Wages	63,760	63,649	66,343	63,732	67,035	67,543	69,169	70,003	74,243	71,681	77,953	77,893	78,448	81,571	83,535	85,547	87,798	89,765	91,777	93,834
Overtime	5,615	7,831	7,279	6,973	7,299	8,592	5,716	9,254	5,566	10,370	3,320	3,320	3,400	3,477	3,555	3,636	3,718	3,801	3,887	3,975
Retirement	16,014	14,736	18,265	18,008	21,222	20,675	23,687	23,021	23,600	23,366	28,147	28,147	30,951	34,863	37,940	40,499	42,250	43,737	44,710	45,707
Health/Other Benefits	13,018	11,468	13,296	12,241	14,017	12,196	14,418	12,437	14,581	12,341	14,280	14,280	15,025	15,854	16,711	17,617	18,578	19,589	20,658	21,790
Retiree Medical	2,345	4,327	2,242	4,308	2,810	2,810	2,846	2,847	3,794	2,794	5,020	5,020	5,879	7,838	9,798	10,197	10,615	10,976	11,336	11,759
Workers Comp	4,975	5,585	5,013	5,324	5,224	5,732	6,340	6,284	5,903	6,207	6,599	6,599	6,646	6,910	7,077	7,247	7,438	7,605	7,775	7,949
Interdept Charges	(5,315)	(5,120)	(5,179)	(3,731)	(5,019)	(4,450)	(4,513)	(4,015)	(4,602)	(5,155)	(4,361)	(4,361)	(4,466)	(4,567)	(4,670)	(4,775)	(4,883)	(4,993)	(5,105)	(5,221)
Vacancy Savings		-		-		-		-	(1,931)	-	(3,439)	(3,439)	(1,960)	(2,046)	(2,101)	(2,158)	(2,223)	(2,282)	(2,343)	(2,407)
Subtotal Personnel	100,412	102,476	107,258	106,855	112,587	113,098	117,663	119,831	121,154	121,604	127,519	127,459	133,922	143,900	151,846	157,809	163,291	168,199	172,695	177,386
Supplies & Services	9,007	8,502	12,273	10,767	11,574	9,559	12,618	10,113	9,269	11,050	10,084	11,158	10,285	10,491	10,701	10,915	11,133	11,356	11,583	11,815
Internal Service Fees	9,409	9,677	11,515	11,553	13,336	13,336	14,413	14,413	11,863	11,863	15,504	15,504	15,814	16,131	16,453	16,782	17,118	17,460	17,809	18,166
Debt Service	2,809	2,809	3,302	3,302	3,445	3,476	3,568	3,640	3,283	3,348	2,930	2,930	3,417	3,417	3,417	3,417	3,417	3,417	3,418	3,419
Capital Outlay/Projects	5,353	5,489	2,294	1,925	4,191	2,598	2,029	1,768	5,643	2,983	3,254	3,254	1,285	1,260	2,385	1,853	1,990	1,674	1,755	1,601
Economic Development	-	-	-	350	-	1,106	350	827	350	1,350	550	550	350	350	350	350	350	350	350	350
Insurance	2,621	2,621	2,385	2,385	2,385	2,338	4,389	4,389	350	2,907	2,950	2,950	3,024	3,085	3,147	3,209	3,274	3,339	3,406	3,474
Additions/(Reductions)		-		-		6,023		3,977		-	-	-	-	-	-	-	-	-	-	-
Subtotal O&M	29,199	29,098	31,769	30,281	34,931	38,436	37,367	39,126	30,408	33,501	35,272	36,346	34,176	34,733	36,453	36,527	37,282	37,596	38,321	38,824
Total Expense	**129,612**	**131,574**	**139,027**	**137,136**	**147,519**	**151,534**	**155,030**	**158,957**	**151,562**	**155,105**	**162,790**	**163,805**	**168,098**	**178,634**	**188,298**	**194,336**	**200,573**	**205,795**	**211,016**	**216,210**
Chng in Res-Surplus/(Shortfall)	222	(1,023)	(7,207)	(1,758)	837	2,492	(3,589)	(396)	(2,475)	3,296	(3,042)	552	1,698	(5,474)	(8,974)	(8,890)	(9,879)	(10,381)	(11,215)	(15,121)
UUT Set-asides/Adjustments		-		-		(6,023)		(3,977)		-	-	-	-	-	-	-	-	-	-	-
Beginning Balance		28,115		33,420		31,684		30,829	29,679	29,679	29,713	32,385	32,937	34,635	29,161	20,187	11,297	1,418	(8,963)	(20,178)
CAFR Adjustments								3,223		(590)										
Ending Balance		**27,092**		**31,662**		**28,153**		**29,679**	**27,204**	**32,385**	**26,671**	**32,937**	**34,635**	**29,161**	**20,187**	**11,297**	**1,418**	**(8,963)**	**(20,178)**	**(35,299)**
Balance as % of Total Expense		20.6%		23.1%		18.6%		18.7%		20.9%	16.4%	20.1%	20.6%	16.3%	10.7%	5.8%	0.7%	-4.4%	-9.6%	-16.3%
Balance at 20% of Expenses		26,315		27,427		30,307		31,791		31,021	32,558	32,761	33,620	35,727	37,660	38,867	40,115	41,159	42,203	43,242
Amt Above or (Below) 20%		777		4,235		(2,154)		(2,112)		1,364	(5,888)	176	1,016	(6,566)	(17,473)	(27,570)	(38,696)	(50,122)	(62,382)	(78,541)

GENERAL FUND LONG RANGE MODEL REVENUE & EXPENDITURE ASSUMPTIONS

REVENUE ASSUMPTIONS

- **Property Tax –** Projections based on information provided by HdL Coren & Cone. Projections includes an assumed recession in 2020. Annual growth ranges from 0.03% in the projected recession year to 5.25%. For context the City saw an increase of 6.35% in assessed valuation in FY 2017. Unsecured Property Tax – 1% annual growth, these taxes are not tied to property and therefore market value is not a factor. Projections also include RPTTF (RDA Redistribution of funds).
- **Sales Tax –** Projections based on information provided by MuniServices. The sales tax shows contraction in 2 fiscal years, one for the known departure of a top tax payer and the other for a recession scenario ranging from -2.1% in FY 2020, 4.35% in FY 2021, 4.37% in FY 2022, 4.38% in FY 2023. With an assumption of 2.5% growth annually for years information not provided.
- **Utility Users Tax (UUT)** - 2.0% growth annually.
- **Cannabis Tax Revenue –** Projected at $750K in FY 2019, $1M in FY 2020, $1.25M in FY 2021 and 2% growth in subsequent years.
- **Other Taxes -** 2.0% growth annually.
- **RPTT –** New voter-passed rate increased to $8.50 per $1000 property value.
- **Franchise Fees** - 2.0% growth annually.
- **Construction Related Permits/Fees** - 2.0% growth annually.
- **Public Safety Fees/Services and Residential Rental Inspections** - 2.0% growth annually.
- **Licenses & Permits** - 3.0% growth annually.
- **Fairview Fire Protection District**- 2.0% growth annually.
- **Intergovernmental Revenue** - 2.0% growth annually.
- **Fines & Forfeitures** -2.0% growth annually.
- **Parking Citations-In House -** 2.0% growth annually.
- **Interest and Rental** - 2.0% growth annually.
- **Does not include use of one-time funds** (e.g. proceeds from 238 sales, UUT prior period receipts)

EXPENDITURE ASSUMPTIONS

<u>NOTE: The Model as presented assumes no increase in budgeted FTE.</u>

- **Salary Increases** – Based on negotiated contracts through FY 2021 for Miscellaneous groups and FY 2024 for Police & Fire. All salary increases in subsequent years are projected at 2% annually.
- **Merit/Turnover Rate** – Ranges from .25% to 1.42% in FY2019 and FY2020, with .25% annual growth in out years.
- **PERS Employer Contribution -** Projections based on actuarial. Misc. Plan ranges from 27.14% to 35.54%. Fire Plan ranges from 45.21% to 60.96%. Police Plan ranges from 50.27% to 65.25%.
- **PERS Cost Share; Employee Contributions towards Employer Rate** – Clerical/Maintenance bargaining units – 4.5% through FY2020, and an increase to 5% in FY2021. Public Safety bargaining units – 6.0%. HAME/Local 21/Unrep-Non-Exempt/Unrep-Exempt/Mayor & City Council – 3.0%. Unrep Dept. Heads/Appointed – 5.0%.
- **Medical** – 6.0% annual growth.
- **Dental** - 2.0% annual growth.
- **Vision** - 3.0% growth every three years.
- **Works Compensation** – 2.5% annual growth.
- **Medicare** – 2.0% annual growth.
- **Retiree Medical*** – Misc & Fire Plans – 0% growth due to fixed cap. Police Plan – 6.0% annual growth, additional contributions to ARC of $2M in FY2019, $2.6M in FY2020, $4.4M in FY2021, $6.2M in FY2022, and $6.4M in FY2023, fully funding the ARC in $6.4M.
- **Maintenance & Utilities** – 2.0% annual growth.
- **Services & Supplies** – 2.0% annual growth.
- **Internal Service Fees** – 2.0% annual growth.

***** The City's Police & Fire groups agreed through negotiations to voluntarily contribute 1% towards funding the retiree medical ARC beginning in FY 2019.

ITEM #6 – LB 19-007

APPROVAL OF A RESOLUTION TO EXTEND RESOLUTION 18-027, DECLARING A SHELTER CRISIS IN THE CITY OF HAYWARD UNTIL JUNE 30, 2021, AND TO AUTHORIZE THE CITY MANAGER TO TAKE EMERGENCY ACTIONS TO IMPLEMENT A HAYWARD HOUSING NAVIGATION CENTER ON CITY-OWNED PROPERTY, AND APPROVAL OF A RESOLUTION TO AUTHORIZE THE CITY MANAGER TO APPROPRIATE AND EXPEND UP TO $3 MILLION IN STATE AND LOCAL FUNDING FOR THE HAYWARD NAVIGATION CENTER

EMAIL FROM MINANE JAMESON

From:	Miriam Lens
Sent:	Tuesday, January 22, 2019 8:01 AM
To:	Aisha Wahab; Al Mendall; Barbara Halliday; Elisa Marquez; Francisco Zermeno; Mark Salinas; Sara Lamnin
Cc:	Roxanne Epstein; Monica Davis; Jessica Lobedan; Colleen Kamai; Denise Chan; Rosalinda Romero; Michael Wolny; Amber Billoups; Kristoffer Bondoc; Adam Kostrzak; Alex Ameri; Chuck Finnie; Dustin Claussen; Garrett Contreras; Jane Light; Jayanti Addleman; Jennifer Ott; Kelly McAdoo; Laura Simpson; Maria Hurtado; Mark Koller; Michael Lawson; Miriam Lens; Nina Morris Collins; Todd Rullman
Subject:	FW: Hayward Housing Navigation Center

Good morning Mayor and Council Members,

Minane Jameson has asked me to forward her email (below) to you which relates to Item 6 LB 19-007 on tonight's Council agenda.

Regards,

Miriam Lens
City Clerk
City of Hayward | 777 B Street | Hayward, CA 94541
Phone: 510.583.4401 | Fax: 510-583-3636 | * Email: miriam.lens@hayward-ca.gov

-----Original Message-----
From: Minane Jameson <>
Sent: Monday, January 21, 2019 7:58 PM
To: Miriam Lens <Miriam.Lens@hayward-ca.gov>
Subject: Hayward Housing Navigation Center

Hi Miriam,
Thank you for sharing my letter with city council members.
Best,
Minane

Honorable Mayor Halliday and Council Members,

Please support the following:

"RESOLUTION TO EXTEND RESOLUTION 18-207, DECLARING A SHELTER CRISIS IN THE CITY OF HAYWARD UNTIL JUNE 30, 2021, AND AUTHORIZING THE CITY MANAGER TO TAKE EMERGENCY ACTIONS TO IMPLEMENT A HAYWARD HOUSING NAVIGATION CENTER ON CITY-OWNED PROPERTY".

I encourage you to support other opportunities that will help those who suffer from lack of shelter, food and medical care.

Sincerely,

Minane Jameson

Hayward resident