

City Manager's Weekly Report

This is the weekly report for the week ending January 28th, 2011.

1. **Meeting Notes**

The next City Council meeting is scheduled for Tuesday, February 1st, beginning with a closed session at 6:00 PM, followed by the regular agenda at 6:30 PM.

2. **Subaru of America Coming to the Port of Richmond**

Subaru of America has chosen the Port of Richmond and Auto Warehousing Company (AWC) for the distribution of their Northern California and Southwest Region vehicles. Subaru currently operates at the Port of Vancouver, Washington. Subaru is interested in entering into a five-year contract with AWC for their vehicle distribution, with volumes in the range of 30,000 to 35,000 units annually. They will be able to use the recently developed infrastructure for the Honda Port of Entry project such as the rail facilities and upgraded wharf facilities.

City staff is currently conducting a thorough study of the environmental documentation required for the project under CEQA. The improvements at the Port that are necessary to accommodate the Subaru contract are to reestablish the accessory and vehicle repair work stations inside the existing buildings that were in place when the City provided similar service to Hyundai and Kia in 2004 to 2009. The projected start-up date for Subaru operations is June 2011.

3. **Senator Loni Hancock's State Budget Briefing**

I attended a budget briefing today hosted by State Senator Loni Hancock, at which both she and State Treasurer Bill Lockyer provided an extended presentation, with a question and answer session, on the State budget process. Councilmember Corky Boozé also attended the meeting. I have attached the presentation that was made by Mr. Lockyer that provides some background information regarding the issues that surround the budget.

Among the highlights at the meeting included that both Senator Hancock and Mr. Lockyer support the elimination of redevelopment as part of the budget solution (although Mr. Lockyer reminded the attendees that he does not have a vote on the budget), citing statistics that job creation resulting from redevelopment has been small in numbers. They both indicated that they would support a jobs bill in the form of "green building bonds" for energy efficiency improvements, where debt service is paid for out of energy savings (similar to the programs that the City of Richmond is already using to fund its energy retrofits). They both also believe that this is the first "honest" budget discussion in years, which doesn't focus on "gimmicks and tricks" to balance the budget, and that, if the current temporary tax increases are not extended by voters at an upcoming special election, the effects on services will be devastating.

More information can be found in the attached presentation.

4. **State Controller Audit of Redevelopment Agency**

The Richmond Community Redevelopment Agency was one of eighteen Redevelopment Agencies chosen by the State Controller's office for an audit review, which was completed during this past week. The objective of the audit review was to determine the RDA's compliance with accounting, reporting, and administration under Health and Safety Code sections 33080 and 33080.3. The focus of the review was for fiscal years 2008-09 and 2009-10, and concentrated on reporting requirements, low to moderate income housing fund requirements, accounting requirements, and audit requirements with emphasis on compliance. The result of the State Controller's Audit Review as stated in their report is that, "The City of Richmond Redevelopment Agency appears to be in compliance with the (Health and Safety) H&S Codes and (Revenue and Taxation) R&T Codes." There were five items noted and discussed with the Richmond Community Redevelopment Agency at the exit conference. The Richmond Community Redevelopment Agency will prepare management responses to these items and send these responses to the State Controller's Office.

5. **ONS Peacemaker Fellows Attend National Mentoring Summit**

This week, a group of Office of Neighborhood Safety (ONS) young adult Peacemaker Fellows attended the National Mentoring Summit. MENTOR, along with the Corporation for National and Community Service, the Harvard School of Public Health, and the Office of Juvenile Justice and Delinquency Prevention hosted this first summit at the U.S. Library of Congress.

First Lady Michelle Obama spoke to a room of nearly 500 mentoring advocates, including mentor/mentee pairs and corporate executives. "Having a mentor is more important than ever before. And that's because, in many ways, being a kid today is tougher than ever before. And then when you add in the age-old struggles of just plain old growing up – the anxiety, the confusion, the academic and the social pressure – you've got an entire generation of young people truly in desperate need of a friend, someone they can trust, an example they can follow. And that's where all of you come in," she said.

Following the First Lady's address, a panel discussion ensued with U.S. Attorney General Eric Holder, Jr., U.S. Secretary of Health and Human Services Kathleen Sebelius, U.S. Secretary of Education Arne Duncan, CEO of the Corporation for National and Community Service Patrick Corvington, Chief of Staff of the White House Office of Public Engagement and Intergovernmental Affairs Mike Strautmanis, and Special Assistant to President Obama and Executive Director of the White House Office of Faith-Based and Neighborhood Partnerships Joshua DuBois.

6. **Point Richmond Odor Update**

Wastewater Manager Chad Davisson, together with Veolia Water representatives, attended the Point Richmond Neighborhood Council meeting this past Wednesday, January 26th. At this meeting, Mr. Davisson and Veolia provided updates on a number of sewer-related issues, including the status of the anaerobic digesters and odor control measures in the sewer system and at the Canal Boulevard treatment plant. Due to the considerable interest of the residents, Mr. Davisson and Veolia agreed to attend upcoming Neighborhood Council meetings as well as other community meetings at the request of the residents. City staff members, including the City Manager and Wastewater Manager, are also planning to provide an update to the Council and community at an upcoming Council study session.

7. **Contra Costa Clean Water Program Survey**

As many as 75 Richmond voters may receive 10-minute telephone surveys by a company named True North Associates. This firm is a consultant for the Contra Costa Clean Water Program and is conducting these surveys in order to assess the feasibility of pursuing new revenue sources for stormwater programs in Contra Costa County. The San Francisco Bay Regional Water Quality Control Board Municipal Regional Permit (MRP) has increased the mandated requirements for communities, including Richmond. Existing stormwater program fees, which have not changed for many years, are no longer sufficient to fund the new MRP requirements, maintain the stormwater conveyance system, and provide capital improvements necessary to repair or replace stormwater infrastructure that has reached the end of its service life. The telephone surveys are expected to continue through February.

8. **City Receives Award for its Procurement Expertise**

This past week, the Finance Department's Purchasing Division was presented with the Achievement of Excellence in Procurement award from the National Purchasing Institute. Presentation of the award was made Wednesday, January 26th at the Annual Conference of the California Association of Public Purchasing Officers in San Jose. This prestigious award is earned by those organizations that demonstrate excellence by obtaining a high score based on standardized criteria. The criteria are designed to measure innovation, professionalism, productivity, e-procurement, and leadership attributes of the procurement organization.

I can personally attest to the customer-friendly professionalism that is the standard for this work group that includes Ofelia Alvarez, Rose Gibson-Martinez and Courtney Creswell.

9. Web Award

The City of Richmond's website www.ci.richmond.ca.us was recognized by the Web Marketing Association (WMA) as one of five city government websites worldwide in 2010 for website development and redesign that allows for more government transparency and ease of navigation throughout the website. The City of Richmond's website was awarded in the Government Standards of Excellence category.



10. Roosevelt and McLaughlin Sewer Pipe Rehabilitation Project

The first phase of the project to replace and upsize the sewer pipeline along San Pablo Avenue from Macdonald to Nevin is nearing completion. Due to problems encountered during the pipe bursting process (trenchless method), the City will allow Veolia to install the pipelines identified in Phases II and III with the traditional open trench method. In addition, a new main line will be re-routed to the No.1 northbound lane of San Pablo Avenue. Most of the excavation will take place from 8:30 AM to 3:00 PM, with the exception of the intersections at Barrett and Roosevelt. That work will take place at night to minimize traffic delays.

11. Recreation Highlights

- Shields-Reid Community Center Fitness Room: The Shields-Reid Community Center Fitness Room is becoming popular with community members throughout the city. The room is now open Monday through Friday from 10:00 AM to 5:30 PM and on Saturday from 10:00 AM to 1:00 PM.
- Richmond Youth Futsal: The 2011 Youth Futsal League winter season began January 9th. During the 2010 winter season, the Recreation Department sponsored five Richmond Youth Futsal teams to attend the National

Championships in Long Beach. The teams returned with the National Championship Award in the boys 14 and under division. Currently, 20 teams, ages 10 and under through 15 and under, boys and girls, compete on Sundays from 12:00 PM to 7:00 PM at the Richmond Recreation Complex and the Booker T. Anderson gymnasiums.

- Jr. NBA/WNBA Citywide Basketball: The 2011 Youth Basketball season began January 22nd. Games are being played at the Richmond Recreation Complex and the Richmond PAL gymnasiums. The city-wide league is in collaboration with the YMCA, West Contra Costa Unified School District, and RPAL. Currently, over 40 teams, ages 10 and under through 16 and under, are participating. The Recreation Department sponsors a boys team, ages 10 and under, representing the Booker T. Anderson Community Center, and a girls team, ages 14 and under, representing the Richmond Recreation Complex.

12. **Public Works Updates**

- The Facilities Maintenance Division continues relocating all electrical connections from the existing Civic Center Plaza Marquee to accommodate the installation of the new LED Marquee. Additionally, they will again deploy three bucket trucks this weekend to fix city's lighting outages, replacing lamps and photocells. If a fixture needs more repairs than that to make it operational, it will be marked and repaired at a later date.
- The Building Services Division started painting portions of the Nevin Community Center in anticipation of the "New Grand Opening" on March 1st.
- The paving crew completed the resurfacing of 5th Street from Ripley Avenue to Elgin Avenue this week. Next week, they will resurface South 15th Street from Virginia Avenue to Ohio Avenue.
- The Parks Division will start work along Carlson Boulevard on the repair of the existing irrigation system along the new Union Pacific Railroad fence to allow for planting and establishment of vines along the fence. Additionally, they will: 1) start renovating the turf on the North Richmond ball field; 2) continue the irrigation/landscape rehab project at the Humphrey Play Lot; and 3) conduct vegetation maintenance on the Richmond Parkway and mulching on Macdonald Avenue.
- The tree trimming crew will trim trees along Potrero, Merced, and Tehama Avenues.

You can sign up to receive the City Manager's weekly report and other information from the City of Richmond by visiting:

www.ci.richmond.ca.us/list.aspx

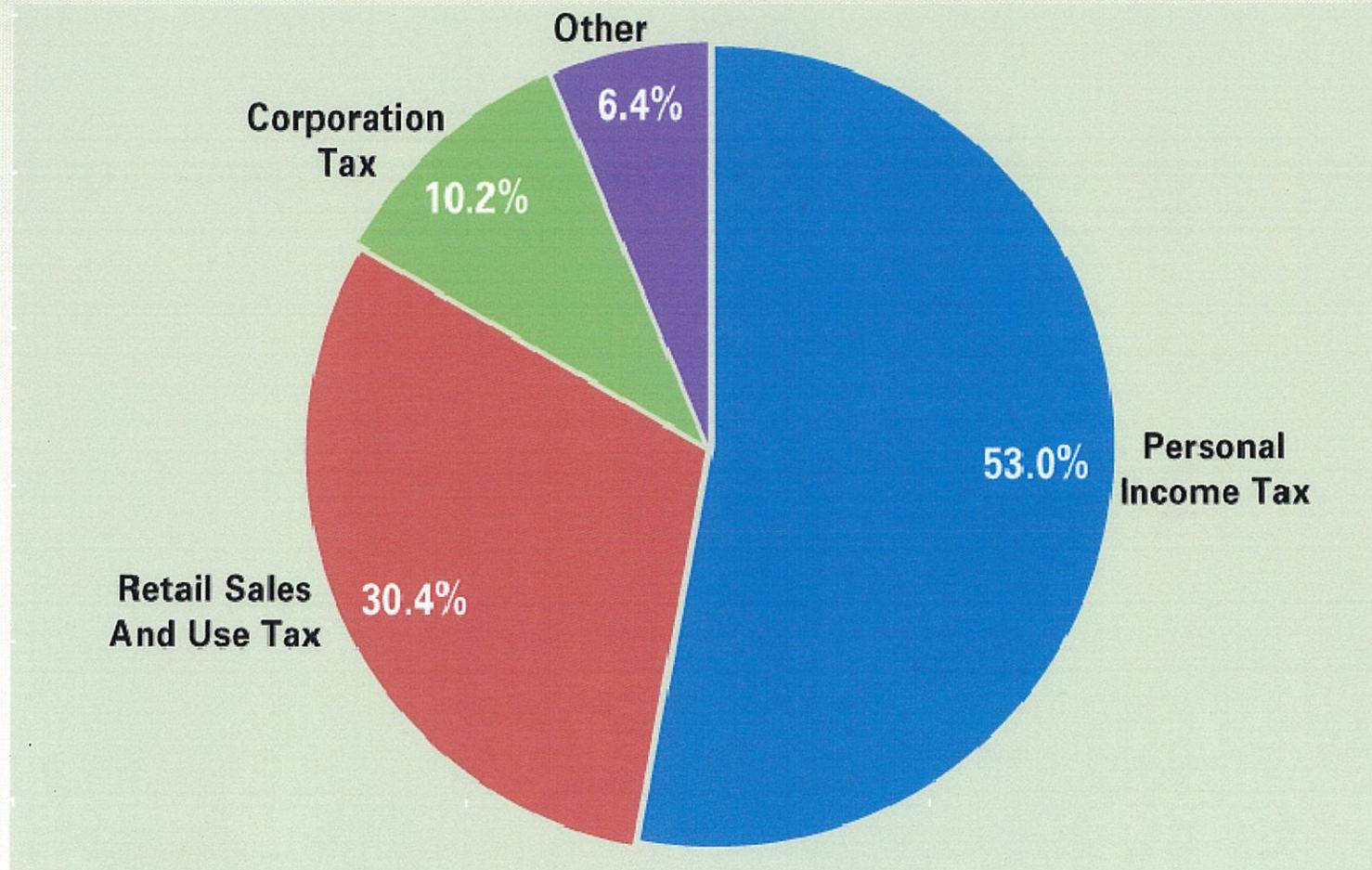


Budget Briefing with Senator Loni Hancock

Bill Lockyer, California State Treasurer

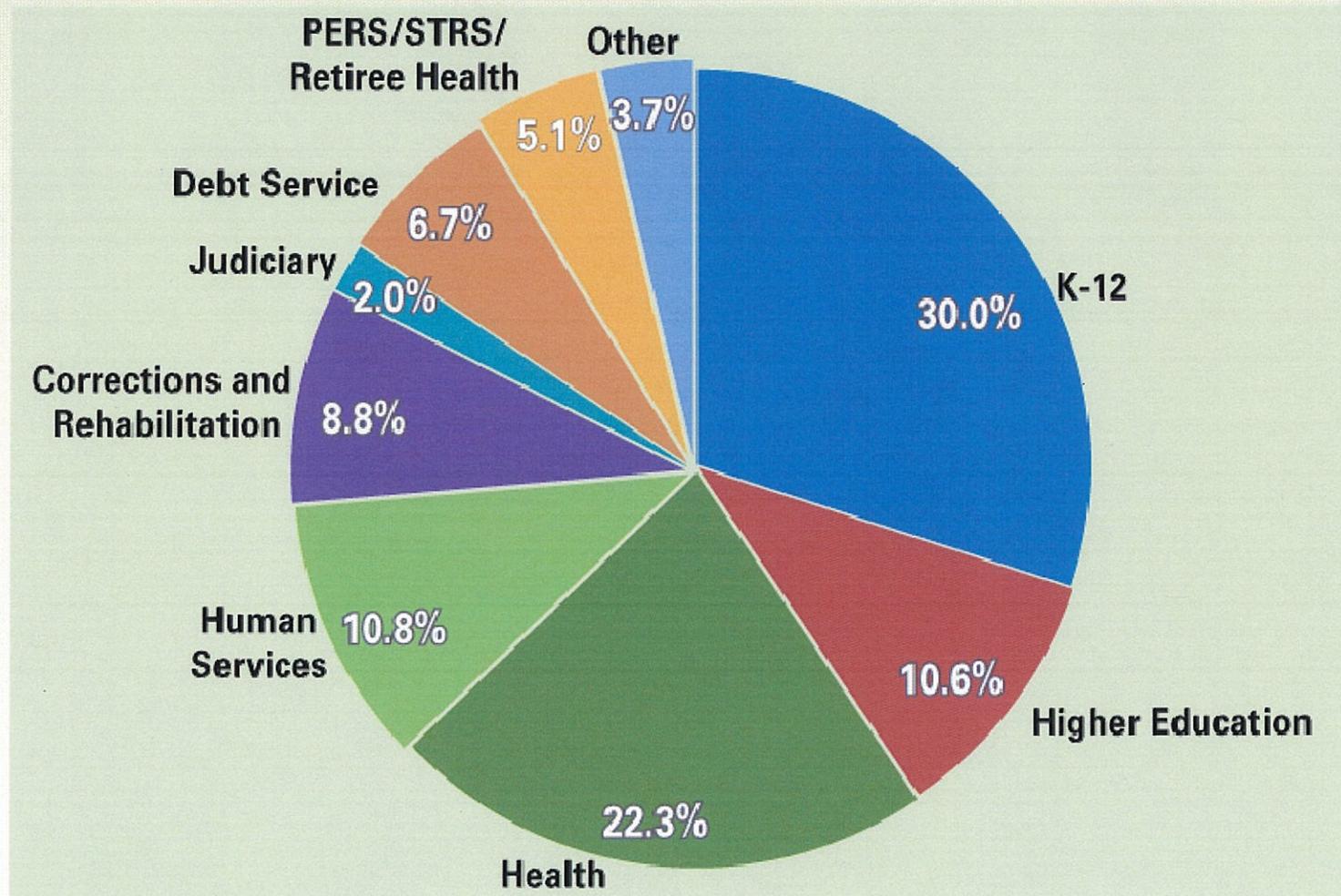
January 28, 2011

Where Do State General Fund Revenues Come From?



Source: Legislative Analyst's Office — 2011-12
2011-12 Governor's Budget

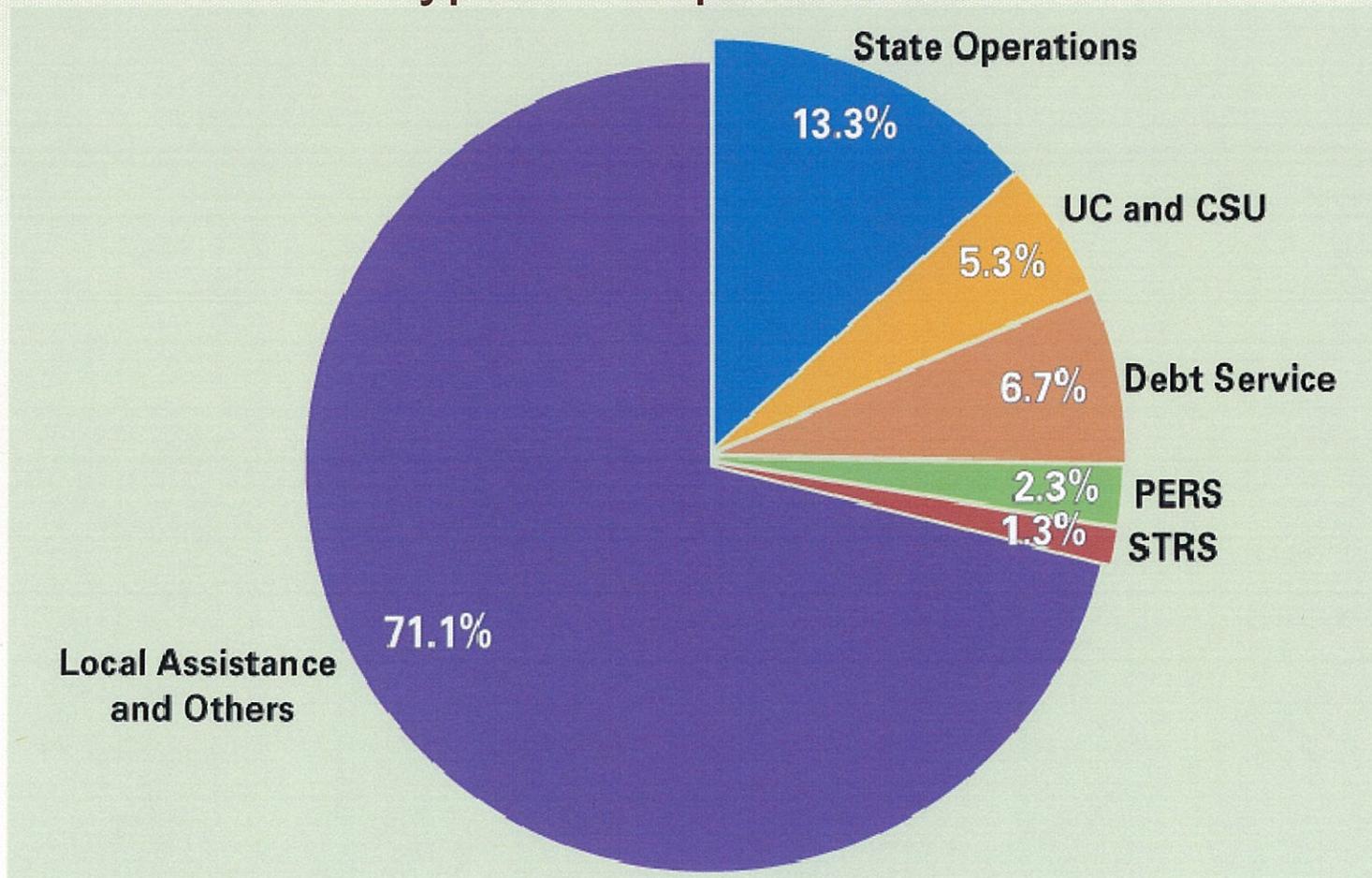
Where Do State General Fund Dollars Go?



Source: Legislative Analyst's Office — 2011-12
2011-12 Governor's Budget

Understanding the Make-Up of General Fund Expenditures

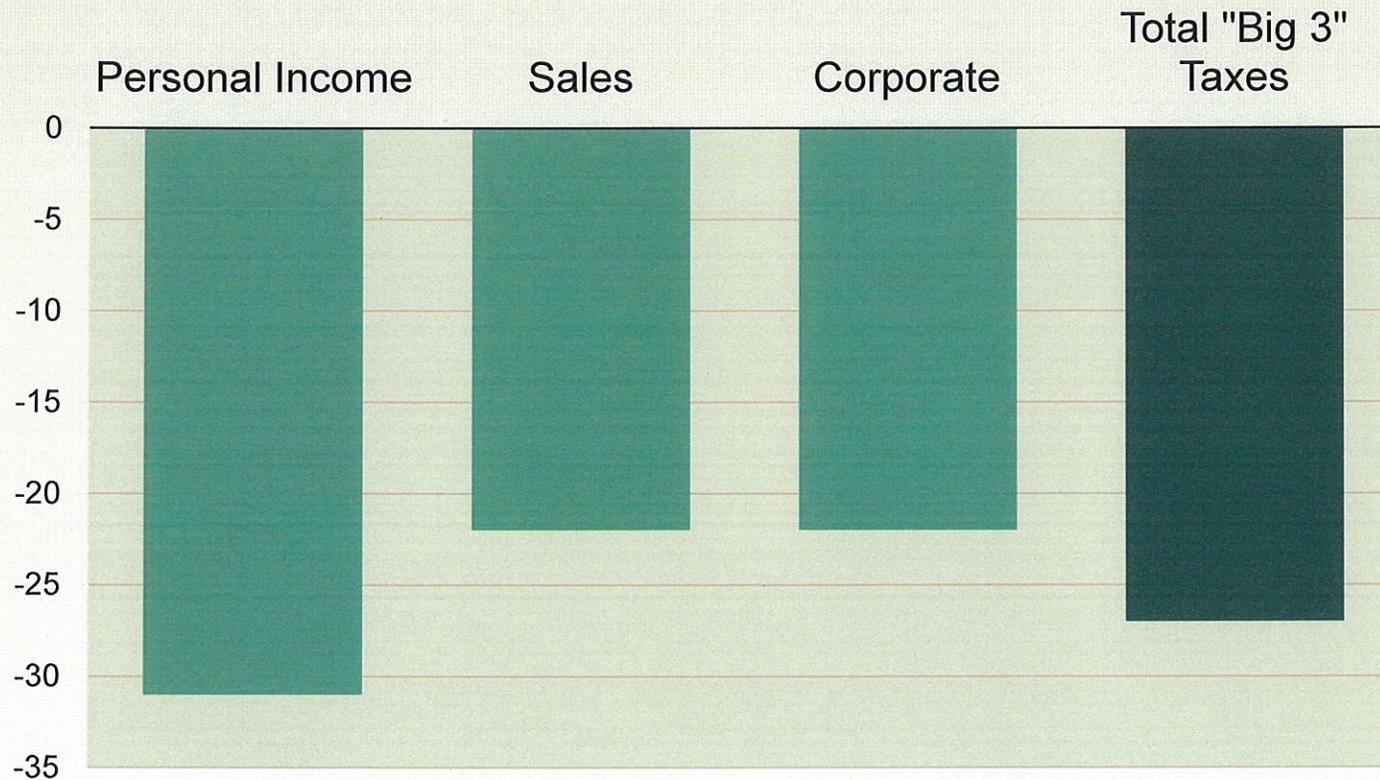
Types of Expenditures



Source: Department of Finance — 2011-12
2011-12 Governor's Budget

Recession Devastated State Revenues

Percent Reduction in Baseline Revenues
November 2010 Estimates Compared to January 2008 Estimates



Source: Legislative Analyst's Office
2011-12 Governor's Budget

Ten Years of Budget Gimmicks and Tricks

- **Economic Recovery Bonds**
- **Tobacco Securitization**
- **Shifting of State Payroll by One Day**
- **Medi-Cal Accounting Shift from Accrual to Cash Basis**
- **Sale of SCIF and EdFund**
- **Changing Accrual Practice for Tax Revenues**
- **Overly Optimistic of Federal Fund Assumptions**

California Relied Mostly On Short-Term Solutions

| | Solutions (In Billions) | Short-Term / Did Not Materialize as a Percent of Total |
|---------|------------------------------------|---|
| 2008-09 | \$24.3 | 75% |
| 2009-10 | 60.0 | 84% |
| 2010-11 | 19.3 | 85% |

Source: Department of Finance
2011-12 Governor's Budget

Some Things We've Done to Balance the Budget in the Last Decade

(Dollars in Billions)

Temporary Solutions

| | | |
|---|--------------------|---------------|
| 1 Federal Stimulus Funds | 2008-09 to 2010-11 | \$17.4 |
| 2 Expiring Tax Measures (2010-11 Value) | 2009-10 | 8.3 |
| | SUBTOTAL | \$25.7 |

Solutions That Can't Be Repeated

| | | |
|---|---------------------|---------------|
| 1 Accelerate Collection of Personal Income Tax and Corporate Taxes | 2008-09 and 2009-10 | \$6.5 |
| 2 One-Time Shift of Property Taxes from Redevelopment Agencies | 2009-10 and 2010-11 | 2.1 |
| 3 Medi-Cal Program Budget Costs on a "Cash Basis" | 2005-06 | 0.9 |
| 4 Shift State Employee Payroll from June 30th to July 1 st | 2009-10 | 0.8 |
| | SUBTOTAL | \$10.3 |

Solutions That Made the Future Deficit Worse

| | | |
|--|-----------------|---------------|
| 1 Economic Recovery Bonds | Various | \$14.6 |
| 2 Sale of Future Tobacco Lawsuit Funds | Various | 7.6 |
| 3 Loans from Special Funds | Various | 3.5 |
| 4 Borrowing from Local Government | 2009-10 | 2.0 |
| 5 Sale of State Buildings | 2010-11 | 1.2 |
| 6 Deferral of State Mandates | Various | 1.2 |
| | SUBTOTAL | \$30.1 |

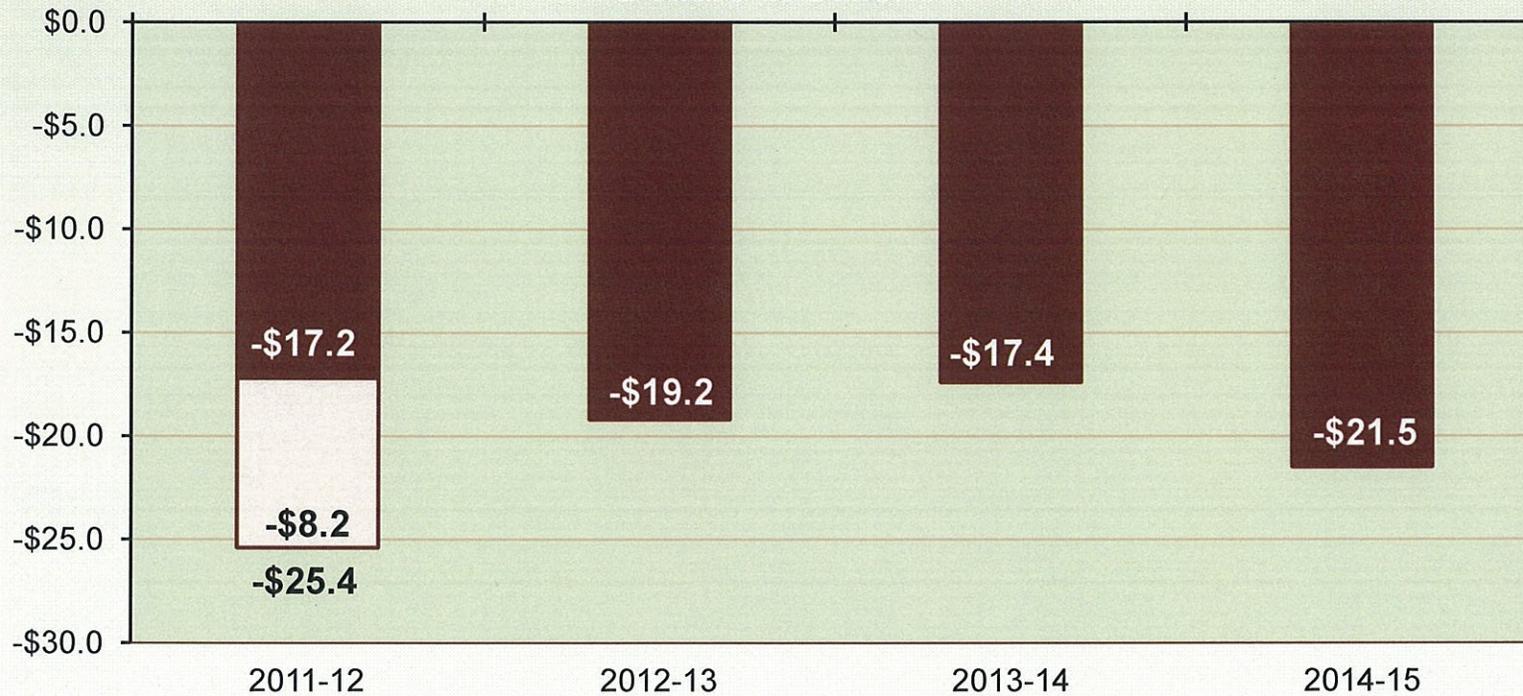
GRAND TOTAL \$66.1

Source: Department of Finance, except for Expiring Tax Measures (Legislative Analyst's Office)

The State Faces An Enormous Budget Problem

Operating Deficits without Corrective Actions

Dollars in Billions

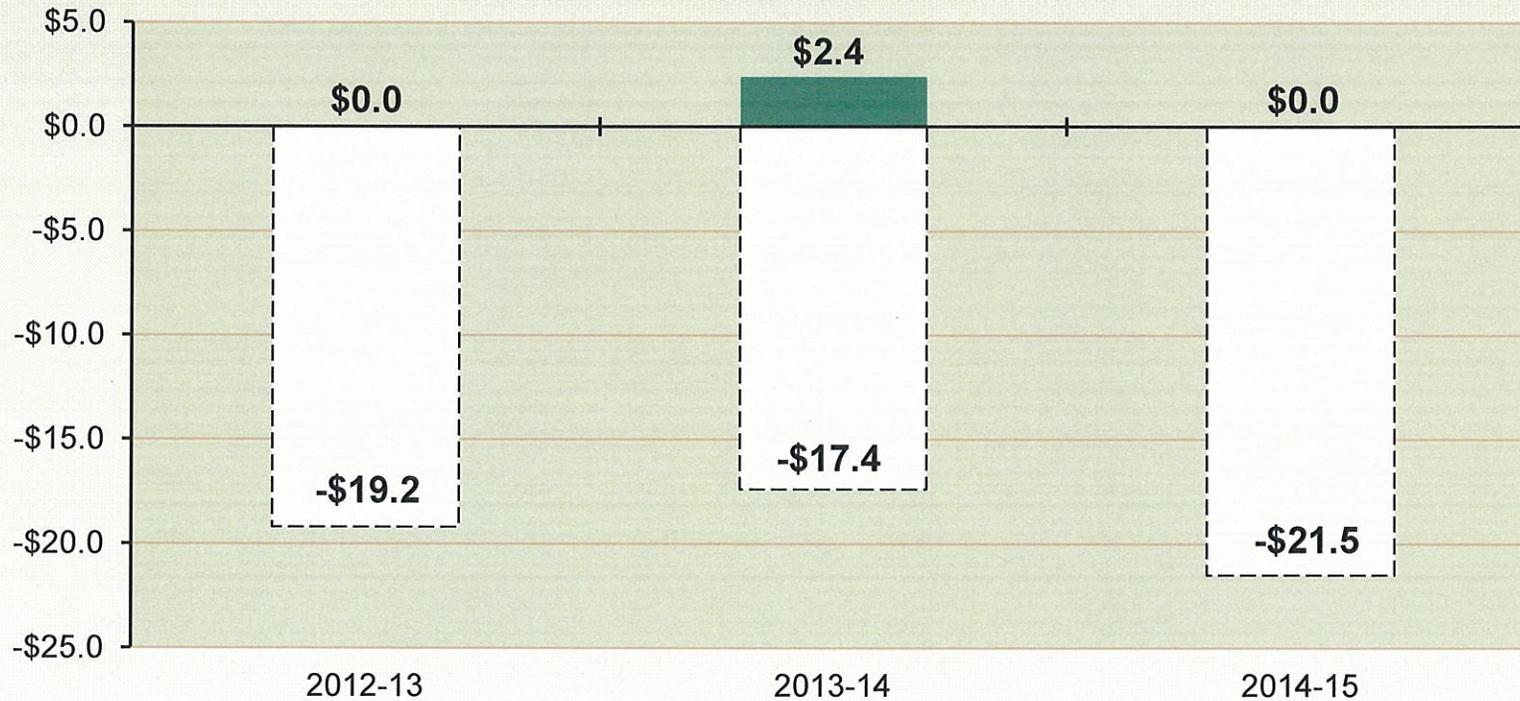


- Operating Deficit without Solutions
- Carry In Deficit for 2010-11

With Proposed Solutions, Budget Balances In Each Future Year

Operating Surplus/Deficits with/without Corrective Actions

Dollars in Billions



With proposals included in the Governor's Budget, the projected operating surplus is \$15 million for 2012-13, \$2.4 billion for 2013-14, and \$7 million for 2014-15.

- Operating Deficit without Solutions
- Operating Surplus with Solutions

Budget Proposes a Comprehensive Solution

- **Takes a balanced approach—**
 - \$12.5 billion in cuts.
 - Protects K-12 education and public safety by maintaining existing tax rates, with voter approval.
- **Returns decisions and authority to local governments in a major restructuring.**
- **Makes government more efficient and effective.**
- **Multiyear plan balances every year.**

Budget Takes A Balanced Approach

Proposed Budget Solutions (Dollars in Millions)

| | 2010-11 | 2011-12 | Total | |
|------------------------|---------|----------|----------|------|
| Expenditure Reductions | \$422 | \$12,075 | \$12,497 | 47% |
| Revenues | 3,163 | 8,864 | 12,027 | 46% |
| Other | 506 | 1,379 | 1,885 | 7% |
| Total | \$4,091 | \$22,318 | \$26,409 | 100% |

Major Cuts Are Necessary to Reduce Spending

| Reductions | Savings (in millions) |
|---|-----------------------|
| Medi-Cal | 1,689 |
| CalWORKs | 1,528 |
| University of California and California State University | 1,002 |
| Developmental Services | 750 |
| In-Home Supportive Services | 486 |
| Lower take-home pay of state employees without contracts (10 percent) | 308 |

Realignment Proposal Restores Authority to Local Governments

Program

Fire

Court security

Community-based corrections

Mental health services

Foster care, child welfare, substance abuse, and adult protective services

Dedicated Revenues

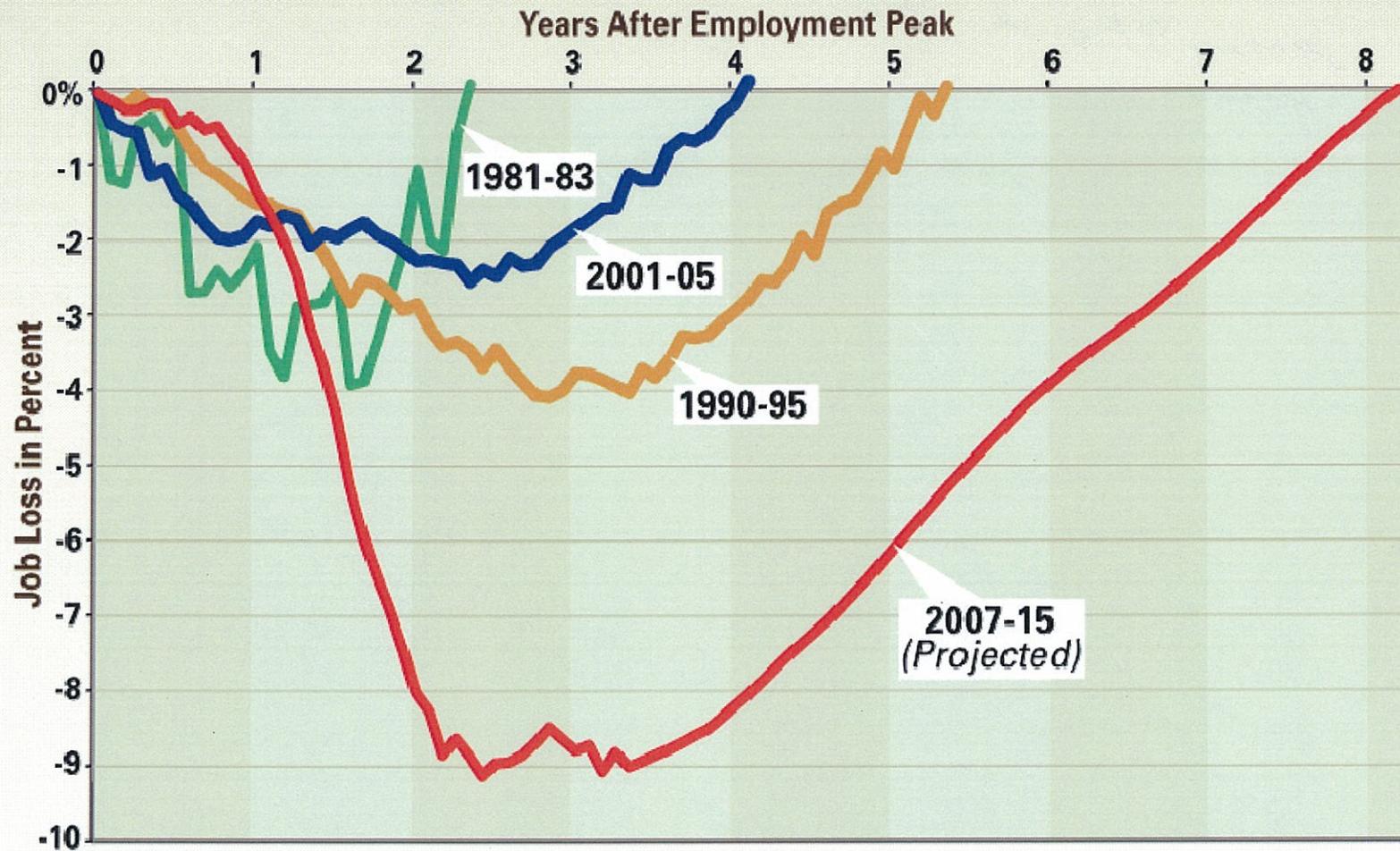
1% sales tax

0.5% vehicle license fee

Ending Subsidies

- **Redevelopment (*\$1.7 billion*)**
 - Future year benefits would go to schools, fire, police, and other local services.
 - Existing projects would not be affected.
- **Enterprise Zones (*\$924 million*)**
 - Zones have not proven to be effective.
- **Local voters would be given the option to raise revenues for economic development.**

Very Modest Recovery Forecast



Source: Legislative Analyst's Office
2011-12 Governor's Budget