

Richmond City Council



Tom Butt
Mayor



Jael Myrick
Vice Mayor



Nathaniel Bates
Councilmember



Gayle McLaughlin
Councilmember



Jovanka Beckles
Councilmember



Eduardo Martinez
Councilmember



Vinay Pimple
Councilmember



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CITY OFFICIALS

JUNE 30, 2015

CITY COUNCIL

Mayor	Tom Butt
Vice Mayor	Jael Myrick
Councilmember	Gayle McLaughlin
Councilmember	Nathaniel Bates
Councilmember	Jovanka Beckles
Councilmember	Vinay Pimple
Councilmember	Eduardo Martinez

ADMINISTRATION AND DEPARTMENT HEADS

City Manager	Bill Lindsay
Capital Improvement Director.....	Chad Smalley
City Attorney	Bruce Goodmiller
City Clerk	Pamela Christian
Community Services Director.....	Devone Boggan
Employment & Training Director	Sal Vaca
Finance Director/Treasurer	Belinda Warner
Fire Chief.....	Adrian Sheppard
Housing Director.....	James Goins
Human Resources Director	Lisa Stephenson
Information Technology Director	Sue Hartman
Library and Cultural Services Director	Katy Curl
Planning Director.....	Richard Mitchell
Police Chief.....	Christopher Magnus
Port Director.....	Jim Matzorkis
Public Housing Director.....	Tim Jones
Public Works Director	Yader Bermudez
Utilities Director.....	Chad Davisson



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CITY OF RICHMOND

FISCAL YEAR 2015-16 ADOPTED BUDGET

SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

**City Manager's Office
Information Technology
City Clerk's Office
Police Commission
Police Department
Public Works
Library and Cultural Services
Capital Improvement
Port of Richmond
Office of Neighborhood Safety
Richmond Housing Authority**



**Finance Department
Human Resources
City Attorney's Office
Office of the Mayor
Fire Department
Recreation Department
Planning and Building Services
Utilities Department
City Council's Office
Employment and Training
Housing Department**

BUDGET TEAM

**Belinda Warner
*Finance Director***

**Markisha Guillory
*Budget Administrator***

**Connie Valentine
*Senior Budget Analyst***

**Bert Jones
*Budget Analyst II***

**Mubeen Qader
*Budget Analyst II***

**Vrenesia Ward
*Budget Analyst II***

**Leah J. Clark
*Budget Analyst I***

**Antonio Banuelos
*Revenue Manager***

**Susan Segovia
*Debt Analyst***

**Andreia Stewart
*Payroll Manager***

**Theresa Austin
*Executive Secretary II***



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MISSION

The City of Richmond shall provide services that enhance economic vitality, the environment and the quality of life of our community.

VISION

Richmond will develop all of its neighborhoods and businesses as quality places to live, work, shop and play, with its 32 miles of shorelines as a widely recognized symbol of the City's success.

VALUES

Honesty
Excellent Customer Service
Teamwork
Commitment
Innovation, Creativity and Risk-Taking
Effective Results
Community Involvement



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FINANCE DEPARTMENT

AGENDA REPORT

DATE: June 30, 2015

TO: Mayor Butt and Members of the City Council

FROM: Bill Lindsay, City Manager
Belinda Warner, Finance Director

SUBJECT: PROPOSED FISCAL YEAR 2015-16 OPERATING BUDGET AND CAPITAL IMPROVEMENT PROGRAM

STATEMENT OF THE ISSUE:

At its meeting of June 16, 2015, the City Council received a presentation on the draft FY 2015-16 operating budget and the steps that have been taken to achieve structural balance. At its meeting of June 23, 2015, the City Council had a preliminary discussion on the draft budget and raised issues for subsequent review and discussion. Staff is requesting that the Council conclude its budget review process and adopt the FY 2015-16 Operating Budget and Capital Improvement Program.

As it currently stands, the operating budget is balanced for FY 2015-16 with operating revenues and expenditures at approximately \$144.4 million. The draft proposed budget shows an ending cash reserve (as of June 30, 2016) at \$11.9 million, which is nearly \$1.9 million above the minimum amount required per the City Council's reserve policy.

RECOMMENDED ACTION:

REVIEW and ADOPT resolutions approving (1) the FY 2015-16 Operating Budget and (2) the FY 2015-16 Capital Improvement Plan.

FINANCIAL IMPACT OF RECOMMENDATION:

A summary of the budget that was adopted on July 1, 2014, mid-year adjustments approved in February 2015, projected actual operating results for FY 2014-15, and the draft proposed budget for FY 2015-16 is on the following page:

	July 1, 2014	February 24, 2015	FY 2014-15 Projected Actual	FY 2015-16 Draft Proposed
Beginning Balance	\$ 7,759,147	\$ 4,799,449	\$ 6,851,697	\$ 11,931,364
Total Revenues	134,000,983	137,757,093	137,746,404	144,236,591
Proposed Expenditures	139,958,763	145,627,212	144,889,190	144,886,495
Adjustments				
Targeted cost savings		(500,000)	(1,686,453)	(500,000)
Port Transfers	1,150,000	1,150,000	1,150,000	150,000
Operating Surplus (Deficit)	\$ (4,807,780)	\$ (6,220,119)	\$ (4,306,333)	\$ 96
Civic Center Refinance	9,300,000	* 5,964,800	5,964,800	
Civic Center Refinancing Adjustment (July 2015)		*3,421,200	3,421,200	
Comparable Ending Balance *	\$ 12,251,367	\$ 7,965,280	\$ 11,931,364	\$ 11,931,460
7% Minimum Balance Requirement	\$ 9,108,456	\$ 9,173,930	\$ 9,642,248	\$ 10,096,561

- * Civic Center Refinancing cost savings originally estimated at \$9,300,000 for FY 2014-15, will be in the actual amount of \$9,386,000 to be received in two installments. This is presented in the table to provide a comparable estimate of the ending balance for FY 2014-15.

In sum, staff anticipates beginning FY 2015-16 with a General Fund balance approximately \$4 million higher than was projected at mid-year, and one that meets the City Council's adopted reserve policy. Please also note that, during FY 2014-15, the operating reserve was maintained using one-time funds generated from the Civic Center bond refinancing. While staff is also expecting one-time revenues during FY 2015-16, which should significantly improve the City's balance sheet, these are not being used to balance the budget, and staff does not recommend that these funds be programmed until they actually materialize.

DISCUSSION:

FY 2015-16 Proposed Budget

The FY 2015-16 Budget Summary – All Funds (**Attachment 1**) provides a financial overview of the City. As it currently stands, the General Fund budget is balanced for FY 2015-16 with operating revenues and expenditures at approximately \$144.4 million. The draft proposed budget shows an ending cash reserve (as of June 30, 2016) at \$11.9 million, which is nearly \$1.9 million above the minimum amount required per the City Council's reserve policy. There are two specific items of note in the proposed operating budget:

- Staff has included an expenditure reduction labeled "Targeted Cost Savings" in the amount of \$500,000. Staff established this "contra-expenditure" category during the mid-year review of FY 2014-15, with the idea that opportunities for program savings would be identified and realized as they become known during the day-to-day budget management process. Actual savings realized using this procedure for FY 2014-15 were \$1,686,453. As a result, staff is confident that this procedure can be utilized for FY 2015-16 to achieve savings of at least \$500,000. This will be measured and reported during the mid-year budget review.
- Consistent with City Council policy, no one-time revenues are being used to balance the operating budget. While staff does, in fact, anticipate some significant one-time cash increases during FY 2015-16, staff recommends that any financial programming of these funds not occur until they actually materialize.

Revenue

For FY 2015-16, General Fund revenues and transfers total approximately \$144.4 million. Page B-2 of the Operating Budget, entitled General Fund Revenue Summary for FY 2015-16, lists the various revenue streams that go into the General Fund. It includes historical revenue data from FY 2012-13 through projected revenue for FY2015-16. The notes analyze the difference between FY 2014-15 and the projected amount for FY 2015-16. The top three revenue streams that make up over 80% of the General Fund (GF) Operating Revenues are property taxes, sales taxes and utility user taxes.

There are two significant changes in General Fund revenue for FY 2015-16:

- Sales and use taxes are projected to increase by \$8.5 million, with \$8,000,000 of that increase resulting from the voter-approved increase (Measure U approved in November 2014);
- The revenue agreement with Chevron, which first impacted FY 2009-10, has a scheduled decrease in revenue in the amount of \$6,000,000.

Expenditures

For FY 2015-16, General Fund expenditures total approximately \$144.4 million. The Department Sections (Section C) of the operating budget provides a summary of expenditures for each department, and provides historical expenditure data from FY 2011-12 through proposed expenditures for FY2015-16.

Ten of the sixteen departments have reduced expenditures for FY 2015-16 compared to their budget for FY 2014-15, and total General Fund expenditures are increased by 3.80%.

Personnel Changes

Page B-85 of the Operating Budget provides a Multi-Year Comparative Position Listing from FY 2011-12 through the proposed FY 2015-16 budget. As shown in this report, between FY 2011-12 and FY 2015-16, there was a reduction of 63 positions (7.9% reduction in workforce). For non-safety positions, the number of positions reduced was 49 (11.7% reduction in workforce).

Capital Improvement Plan

The proposed Fiscal Year 2015-16 Capital Improvement Project budget lists expenditures totaling \$19,454,522 from Capital Project Funds (pages C-1 through C-7), with an additional \$37,080,855 in project expenditures from enterprise, internal service, and other operating funds (pages C-8 through C-11).

The Council has previously discussed as a priority providing more funds for pavement management work. Of note, street paving projects for FY 2015-16 include:

- 2015 Pavement Management \$ 4,322,574
- Street paving (Engineering) \$ 550,000
- Street paving (Public Works) \$ 2,000,000

Thus, \$6,872,574 is currently included in the budget specifically for street paving work. In addition, staff has recommended that the excess solid waste Joint Powers Authority (RecycleMore) funds, conservatively estimated to be \$2 million, be allocated to pavement management projects. This will provide nearly \$9 million for pavement management projects for FY 2015-16, as compared to only \$2.5 million that were allocated for this purpose in FY 2014-15.

Moreover, there are an additional \$2.3 million in projects related to right of way improvements as part of the FY 2015-16 Capital Improvement Project budget.

Historical and Future Outlook

In recent years, during the severe recession, one-time, non-operating revenues have been a significant factor in maintaining the City's annual operating budget. Last year, and on several occasions during the recession, the City of Richmond used these one-time revenues to maintain its policy-mandated fund balance while it incurred operating deficits.

In last year's budget report, staff wrote:

(The City of Richmond) has, and will continue to have, a structurally unbalanced budget unless strategic changes are made to the City of Richmond organization. A structural budget deficit results from a fundamental imbalance in revenues and expenditures, as opposed to a deficit based on short-term factors.

Staff also wrote in this report that:

Staff is being mindful not to be short-sighted by proposing drastic reductions in programs and personnel from which the City would have difficulty in recovering in the long term, or by deferring important investments that will become more expensive if delayed.

During the past year, many strategic budget changes have been made that have allowed for this balanced budget to be presented, and staff believes that this has been done without long-term damage to services.

However, there are still many investments that are being deferred, notably in areas of infrastructure. Staff believes that one-time investments in infrastructure (such as a significant investment in street and road reconstruction) should be strongly considered when (or if) significant one-time revenues are received during FY 2015-16.

The following are general areas that staff will continue to examine in its budget management activities:

- Continue to analyze the structural integrity of all funds, which includes funds subsidized by the General Fund;
- Implement organizational restructuring;
- Work with bargaining units to discuss the City's future budget constraints and possible solutions, especially as they relate to Other Post-Employment Benefits (OPEB);
- Research future revenue opportunities for new and existing projects and programs;
- Continue seeking grant funds;
- Continue to take steps to eliminate General Fund subsidies for revenue-based programs;
- Work with departments to identify additional cost reductions and efficiencies.

Staff recommends that the City Council continue its review and discussion of the budget and then adopt of FY 2015-16 Operating Budget and Capital Improvement Program.

DOCUMENTS ATTACHED:

Attachment 1 – FY 2015-16 Operating Budget

Attachment 2 – FY 2015-16 Capital Improvement Plan

Attachment 3 – Budget “Checklist” Review

Attachment 4 – Resolution Adopting the FY 2015-16 Operating Budget

Attachment 5 – Resolution Adopting the FY 2015-16 Capital Improvement Plan

RESOLUTION NO. _____

**RESOLUTION OF THE COUNCIL OF THE CITY OF RICHMOND, CALIFORNIA,
ADOPTING THE FISCAL YEAR 2015-2016 OPERATING BUDGET**

WHEREAS, pursuant to Section 1(b) of Article IV of the Richmond City Charter the City Manager is required to prepare an annual budget for the review and approval by the City Council; and

WHEREAS, all appropriations for the prior fiscal years shall lapse at the end of Fiscal Year 2014-15 and any remaining amounts shall be credited against their respective fund balances except for any encumbered amounts for specific obligations outstanding at the end of said Fiscal Year; and

WHEREAS, all grants received per the attached grants listing shall be appropriated and spent according to grant guidelines; and

WHEREAS, the City Council has reviewed the proposed budget for Fiscal Year 2015-2016 at public meetings on June 16 and June 23, 2015; and

WHEREAS, the City Council will review additional requests at a public meeting on June 30, 2015 to determine if said requests will be included in the adopted budget.

NOW, THEREFORE, BE IT RESOLVED, that the City Council hereby adopts the 2015-2016 Operating Budget for the following funds:

	FY2015-16
General Fund	\$ 144,386,495
Other Operating Funds	24,778,814
Special Revenue Funds	17,806,097
Capital Improvement Funds	19,454,522
Debt Service Funds	21,620,686
Enterprise Funds	43,161,116
Internal Service Funds	25,771,162
Housing Department	12,030,811
Successor Agency to Richmond Community Redevelopment Agency	54,777,047
Richmond Housing Authority	26,830,684
Total	\$ 390,617,434

BE IT FURTHER RESOLVED, that the budget for the Capital Improvement Funds will be adopted as a separate document.

I certify that the foregoing resolution was passed and adopted by the Council of
The City of Richmond, California, at a regular meeting thereof held June 30, 2015, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

CLERK OF THE CITY OF RICHMOND
(SEAL)

Approved:

Mayor

Approved as to Form:

City Attorney