

# *Richmond City Council*



**Tom Butt**  
Mayor



**Eduardo Martinez**  
Vice Mayor



**Nathaniel Bates**  
Councilmember



**Gayle McLaughlin**  
Councilmember



**Jovanka Beckles**  
Councilmember



**Jael Myrick**  
Councilmember



**Vinay Pimplé**  
Councilmember



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**CITY OFFICIALS**

**JUNE 28, 2016**

**CITY COUNCIL**

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

**ADMINISTRATION AND DEPARTMENT HEADS**

City Manager .....	Bill Lindsay
Capital Improvement Director.....	Yader Bermudez
City Attorney .....	Bruce Goodmiller
City Clerk .....	Pamela Christian
Community Services Director.....	Rochelle Monk
Employment & Training Director .....	Sal Vaca
Finance Director/Treasurer .....	Belinda Warner
Fire Chief.....	Adrian Sheppard
Housing Authority Director.....	Tim Jones
Human Resources Director .....	Lisa Stephenson
Information Technology Director .....	Sue Hartman
Infrastructure Maintenance & Operations Director.....	Tim Higarez
Library and Cultural Services Director .....	Katy Curl
Planning Director.....	Richard Mitchell
Police Chief.....	Allwyn Brown
Port Director.....	Jim Matzorkis
Water Resource Recovery Manager.....	Ryan Smith



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**CITY OF RICHMOND**

**FISCAL YEAR 2016-17 PROPOSED BUDGET**

**SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES**

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



**Finance Department  
Human Resources  
City Attorney's Office  
Office of the Mayor  
Fire Department  
Community Services  
Planning and Building Services  
Water Resource Recovery  
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***

**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.

# VALUES

Honesty  
Excellent Customer Service  
Teamwork  
Commitment  
Innovation, Creativity and  
Risk-Taking

# 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.



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# *California Society of Municipal Finance Officers*

*Certificate of Award*

## *Capital Budgeting Excellence Award Fiscal Year 2015-2016*

*Presented to the*

*City of Richmond*

For meeting the criteria established to achieve the Capital Budgeting Excellence Award.

*February 23, 2016*



A handwritten signature in black ink, appearing to read "Jesse Takahashi".

*Jesse Takahashi*  
*CSMFO President*

A handwritten signature in black ink, appearing to read "Michael Gomez".

*Michael Gomez, Chair*  
*Professional Standards and*  
*Recognition Committee*

*Dedicated Excellence in Municipal Financial Reporting*



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# California Society of Municipal Finance Officers

*Certificate of Award*

## ***Operating Budget Excellence Award Fiscal Year 2015-2016***

*Presented to the*

***City of Richmond***

For meeting the criteria established to achieve the Operating Budget Excellence Award.

***February 23, 2016***



A handwritten signature in black ink, appearing to read "Jesse Takahashi".

***Jesse Takahashi  
CSMFO President***

A handwritten signature in black ink, appearing to read "Michael Gomez".

***Michael Gomez, Chair  
Professional Standards and  
Recognition Committee***

***Dedicated Excellence in Municipal Financial Reporting***



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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Richmond  
California**

For the Fiscal Year Beginning

**July 1, 2015**

Executive Director



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**The Government Finance Officers Association  
of the United States and Canada**

*presents this*

**CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION**

*to*

**Finance Department  
City of Richmond, California**



*The Certificate of Recognition for Budget Preparation is presented by the Government Finance Officers Association to those individuals who have been instrumental in their government unit achieving a Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award, which is the highest award in governmental budgeting, is presented to those government units whose budgets are judged to adhere to program standards.*

Executive Director

Date

**December 28, 2015**



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FINANCE DEPARTMENT

# AGENDA REPORT

**DATE:** June 28, 2016

**TO:** Mayor Butt and Members of the City Council

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

**SUBJECT:** Review of Fiscal Year 2016-17 Operating Budget and Fiscal Years 2016-21 Five-Year Capital Improvement Budget

## **STATEMENT OF THE ISSUE:**

Staff has continued development of the Fiscal Year 2016-17 Annual Operating Budget and the Fiscal Years 2016-21 Five-Year Capital Improvement Budget based on City Council direction, and is submitting these for adoption.

## **RECOMMENDED ACTION:**

ADOPT resolution approving: (1) the Fiscal Year 2016-17 Operating Budget and (2) the Fiscal Years 2016-21 Capital Improvement Plan.

## **FINANCIAL IMPACT OF RECOMMENDATION:**

Financial impacts are detailed in the budget summaries to be modified based on the further discussion by the City Council

of staff recommendations. The recommended General Fund budget has revenues and expenditures (including transfers out to other funds) balanced at \$147.8 million.

## **DISCUSSION:**

At its meeting on May 3, 2016, the City Council received a draft budget that reflected a projected gap of \$10.1 million that needed to be closed. Since that time, the City Council discussed cost-saving measures that initially reduced the budget gap to \$5.3 million. That reduction was achieved primarily through reductions to:

- Overtime for sworn personnel,
- General liability and workers compensation cost allocations,
- Professional services,
- Utilities, and
- Other operating expenses.

At its meeting of May 17, 2016, the Council reviewed additional modifications that further reduced the budget gap to \$4.8 million. Additional savings were achieved through:

- Elimination of a General Fund subsidy to cost recovery departments;
- An additional transfer of special revenues to the General Fund;
- A reduction in part-time temp staffing and
- Use of additional Environmental and Community Investment Agreement (ECIA) funding to offset staff costs.

At a special meeting of June 14, 2016, the City Council reviewed yet another set of adjustments based on department presentations during the prior month. Following a discussion of these adjustments, the Council voted to approve operating budget modifications that left an approximate \$3 million budget shortfall to close.

Additional recommended budget modifications to eliminate the General Fund deficit are outlined in the General Fund Reductions summary attached to this report. These recommendations, which include approximately \$1.5 million in additional revenues from state public safety grants, and approximately \$1.5 million in expenditure reductions achieved primarily through staffing cuts and bargaining unit agreements made by Local 188 and Local 21 (which concessions are also included in the budget for executive management).

The format of the proposed General Fund Modifications summary is as follows (reading the columns from left to right):

- The worksheet notes that the budget review process began with a beginning net deficit of \$13.6 million prior to the initial presentation to the Council on May 3<sup>rd</sup>;
- The first column identifies the department to which the budget recommendations apply;
- The next three columns list the specific budget reduction recommendations presented on May 3<sup>rd</sup>, May 17<sup>th</sup>, and May 31<sup>st</sup>, respectively. Of note, the recommendations identified through May 31<sup>st</sup> reduced the deficit to approximately \$4.7 million;
- The column that is labelled *June 7, 2016 – Submitted* provides a list of all “6%” reductions that were identified in the department presentations at the City Council budget workshops. Of note, if all of the reductions identified through May 31<sup>st</sup> were accepted by the Council, there would be a resulting surplus of approximately \$100,482. **(Not all of these reductions were recommended by staff and are not incorporated into the final budget.);**
- The column that is labelled *June 7, 2016 – Recommendations* provides a list of the portion of “6%” reductions that were identified in the department presentations at the City Council budget workshops that staff recommended be approved. Of note, if all of the additional reductions listed in this column were accepted by the Council, the deficit would be reduced to approximately \$2.9 million. **These reductions were voted on by the City Council and were accepted for inclusion in the budget;**
- The column that is labelled *June 21, 2016* provides additional budget modifications that are being recommended by staff to eliminate the budget deficit. As described above, they represent a combination of additional revenues and reduced expenditures;
- The column that is labelled *Explanation* describes the budget reduction that was proposed. It highlights in **red font** those that were approved by the Council on June 14<sup>th</sup>, and highlights in **green font** those that are recommended be approved at this time;
- The final right hand column summarizes the *Service Level Impact* of the various budget reductions.

Staff from all departments will be in attendance at the meeting to respond to questions or provide additional information.

City of Richmond  
FY2016-17 Proposed Budget  
General Fund Modifications

Department	May 3, 2016	May 17, 2016	May 31, 2016	June 7, 2016 Submitted	June 7, 2016 Recommendations	Total Recommendations	June 21, 2016	Explanation	Service Level Impact
<b>Beginning Net Surplus/(Deficit)</b>	<b>(13,623,701)</b>	<b>(10,111,291)</b>	<b>(5,322,482)</b>	<b>(4,762,577)</b>	<b>(4,762,577)</b>	<b>(13,623,701)</b>	<b>(2,876,301)</b>		
Office of the Mayor								1) Reduction to meals. \$1,700 2) Reduction to conferences, meetings, training. \$5,500 3) Reduction to community events. \$2,000 4) Reduction to part-time temp staff. \$7,200 5) Reduction to office supplies. \$1,600  Office of the Mayor raises funds outside of the City's budget that exceed the 6% target reduction.	
City Council				13,360	7,000	7,000		<b>1) Reduction to part-time temp.</b> 2) Reduction to stipends. 3) Reduction to miscellaneous expenses. <b>4) Reduction to conference, meetings, and trainings.</b>	1) Reduced flexibility of hours and wages of interns. 2) Meeting attendance reduced from six to two per month per councilmember. 3) No meals on 4th Tuesday. 4) Less funding for fees associated with member agency regular meetings; and, local, regional and national conferences.
Police Commission						-			
City Manager				98,672	50,000	50,000	75,000	<b>1) Reduction to professional services budget.</b>  <b>June 21 Adjustments:</b> <b>-Staff time covered by ECIA for work on energy programs.</b>	1) Substantial reduction in funds available for lobbyist services.
City Clerk				170,976	84,375	84,375		<b>1) Revisit suspending Matching Fund Ordinance for the November 2016 Election. Average cost per election. (Reduced by \$84,375)</b> 2) Reduce fourth Tuesday City Council Study Session from 11 to 6 meetings (once every two months). Overtime reduction.	
City Attorney				60,000	30,000	30,000		<b>1) Eliminate all legal research materials (books and Westlaw) and eliminate already significantly reduced outside counsel (reduced 80% over prior three fiscal years).</b>	1) No legal research materials or specialized help.
Finance	111,270			108,973	3,000	114,270		1) Eliminate one position. <b>2) Eliminate in-house training for finance personnel. (Reduced by \$3,000)</b> <b>3) Eliminate vacant Accountant II position.</b>	1) Existing staff takes on more assignments. 2) No in-house training for finance personnel citywide. 3) Existing staff takes on more assignments.
Human Resources				70,000	33,000	33,000		<b>1) Reduction to recruitment budget. (Reduced by \$20,000)</b> <b>2) Reduction to training budget. (Reduced by \$10,000)</b> 3) Elimination of Employee Service Awards programs. <b>4) Reduction to miscellaneous line items. (Reduced by \$3,000)</b>	1) Reduction in timeliness of recruitments; increase in length of time to provide basic personnel services. 2) Eliminates CM-mandated customer service training; City exposure to liability due to improperly or inadequately-trained staff; weakened skill-set of staff can severely impact the output and quality of work; quality of service provided to our citizens could degrade. 3) Deeply affect morale of work force. 4) Inability to purchase/upgrade supplies and/or equipment that will improve or enhance productivity.

City of Richmond  
FY2016-17 Proposed Budget  
General Fund Modifications

Department	May 3, 2016	May 17, 2016	May 31, 2016	June 7, 2016 Submitted	June 7, 2016 Recommendations	Total Recommendations	June 21, 2016	Explanation	Service Level Impact
Police		1,100,000	25,681	144,880	144,880	1,270,561	690,175	<b>1) Savings from down-time to hiring.</b> <b>2) Reduction to part-time temp.</b> <b>3) Reduction to overtime expenses.</b> <b>4) Reduction to operating expenses.</b>  <b>June 21 Adjustments:</b> <b>-Eliminate five vacant police officer positions. (\$785,055)</b> <b>-Reduction to CCTV staffing. (\$50,000)</b> <b>-Part-time temp adjusted. (\$144,880)</b>	1) Service delivery will fall short of public expectations; add fatigue to sworn employees who face service demands that is not diminishing; less capacity for critical incident readiness. 2) Loss of support help that enables sworn personnel to provide services efficiently in the face of unchanging and increasing demand. 3) Cut back to public services by reducing minimum staffing; longer wait times for non-emergency calls. 4) Reduction in recurring training for fire arms and purchase of ammo; cut back on undercover operations aimed at group-involved violence.
Fire	204,032	200,000		1,628,256		404,032	153,600	1) Release of eight firefighter positions. 2) Release of Emergency Services Manager. 3) Release of one Administrative Services Analyst. <b>4) Prior reductions: eliminated Fire Marshall; reduction to sworn overtime.</b>  <b>June 21 Adjustments:</b> <b>-Tentative agreement with Local 188 for staff contributions to active medical benefits and Other Post Employment Benefits (OPEB). (\$153,600 for six months of FY2016-17)</b>	1) \$2 million in overtime costs. 2) Coordination with County, State, and Federal emergency managers for disaster preparedness. Loss of CERT coordinator. 3) Loss of fiscal and procurement administration.
Office of Neighborhood Safety				60,000	40,000	40,000	(70,000)	<b>1) Reduction to Advance Peace contract.</b>  <b>June 21 Adjustments:</b> <b>-Restore Advance Peace contract. (\$40,000)</b> <b>-Additional Change Agent (temporary). (\$30,000)</b>	1) Fewer hours (from 60 to 30) dedicated to ONS per month.
Infrastructure Maintenance & Operations	835,418	200,000		905,935	290,000	1,325,418	546,364	<b>1) Reduction to vehicle/equipment replacement.</b> <b>2) Eliminate neighborhood clean-ups.</b> 3) Staff reductions. <b>4) Prior reductions: department re-organization; reduction to utilities expense.</b>  <b>June 21 Adjustments:</b> <b>-Elimination of five positions.</b>	1) Increased vehicle repairs/increased operating expenses; vehicle safety concerns; aged/obsolete fleet. 2) Increased illegal dumping; neighborhood outcry; inability of seniors to get rid of accumulated junk and debris. 3) Prolonged response time to all service calls (overgrowth, illegal dumping); reduced oversight of crew (leadworker position); increased graffiti; increased health and safety hazards; City facilities not cleaned on schedule; increased blight; Greenway deterioration; increased fire hazards; neighborhood destabilization; reallocation of Pt. Molate assignments to other project managers reducing efficiency.
Library			214,388	322,113	130,000	344,388		<b>1) Reduction to books/materials budgets. (Reduced by \$20,000)</b> <b>2) Relieves General Fund of one LEAP position that may be paid from the Chevron ECIA.</b> 3) Reduction to salaries/benefits. <b>4) Reduction to part-time temp. (Reduced by \$60,000)</b> <b>5) Reduce art organization support. (Reduced by \$10,000)</b>	1) Fewer library materials available to the community. 2) No service impact to LEAP. 3) Increase grant revenue to cover current staff costs and possible changes to services. 4) Reduce number of part-time staff by six or more. 5) Reduction to community art programs and services.
Community Services	1,297,943			234,000	100,000	1,397,943		<b>1) Reduction to part-time staffing. (Reduced by \$60,000)</b> <b>2) Reduction to facility rental security services. (Reduced by \$10,000)</b> <b>3) Reduction to printing, marketing, and administrative operating expenses. (Reduced by 30,000)</b> 4) Reduction to special events. <b>5) Prior reduction: reduction to part--time temp staffing.</b>	1) Fewer participants served, reduced operating hours, and rental availability, reduced programs, including after-school, sports, senior classes, aquatics, etc. 2) Reduced schedule availability for facility rentals. 3) Elimination of printed activity guides, reduced marketing materials, office equipment and supplies, Auditorium amenities, training opportunities, uniforms, etc. 4) Elimination of 3rd of July Fireworks Celebration.

City of Richmond  
FY2016-17 Proposed Budget  
General Fund Modifications

Department	May 3, 2016	May 17, 2016	May 31, 2016	June 7, 2016 Submitted	June 7, 2016 Recommendations	Total Recommendations	June 21, 2016	Explanation	Service Level Impact
Information Technology				124,805	88,155	88,155		1) Reduction to ERP & GIS Systems modifications. 2) Reduction to GIS mapping and plotter service. 3) <b>Deferred maintenance on website security and Internet.</b> 4) <b>Reduction to software licensing.</b> 5) <b>Deferred funding for security CCTV equipment replacement. (Reduced by \$6,000)</b> 6) Deferred licenses for desktop reimaging. 7) <b>Reduction to IT supplies.</b> 8) <b>10% of two FTEs to be funded by ECIA. (Reduced by \$15,000)</b>	1) No funds for ERP Business Systems and GIS modifications. 2) No funds for GIS mapping and plotter production. 3) Deferred maintenance for one year limiting support. 4) No network or email access for new hires. 5) No replacement for failed Campus cameras UPS's, or repairs. 6) No support for imaging new computers. 7) No supplies. 8) Reduction of 60 connections for the Free Internet service to the underserved communities.
Capital Improvement Department				185,409	150,186	150,186		1) <b>Eliminate vacant Construction and Maintenance Supervisor.</b> 2) Reduce Engineering and CIP program by 1%.	Less resources for coordination with other departments, communities, utilities, etc.; less staff supervision; additional time to address streets-related complaints, such as sidewalks, potholes, signs, etc.; less staff supervision.
Non-Departmental	1,063,747	3,288,809	319,836	735,680	735,680	5,408,072	65,691	1) <b>Reduction to cost recovery subsidy.</b> 2) <b>Additional rental income budgeted.</b> 3) <b>Targeted vacancy and operating savings budgeted.</b> 4) <b>Reduction to miscellaneous operating expenses.</b> 5) <b>Reductions to Citywide general liability allocations.</b> 6) <b>Eliminated Housing Department subsidy.</b> 7) <b>Transfer in from Marina Fund for one employee that transferred to Infrastructure &amp; Maintenance Operations.</b> 8) <b>Reduction to solid waste reserve for illegal dumping.</b> 9) <b>Net reduction of \$14,320 to the original revenue projection due to the following:</b> - Sales & Use Tax reduced by \$562,890 - Utility Users Tax increased by \$100,000 - Other Taxes increased by \$320,965 - Licenses, permits & fees increased by \$127,605  June 21 Adjustments: -Tentative agreement with Local 21 for staff contributions to active medical benefits and Other Post Employment Benefits (OPEB). (\$123,900 for six months of FY2016-17) -Funding restored for festivals. (\$50,000) -Miscellaneous adjustments. \$8,209	
<b>TOTAL REDUCTIONS</b>	<b>3,512,410</b>	<b>4,788,809</b>	<b>559,905</b>	<b>4,863,059</b>	<b>1,886,276</b>	<b>10,747,400</b>	<b>1,460,830</b>		
<b>TOTAL EXPENDITURES</b>							<b>153,383,911</b>		
<b>TOTAL ADJUSTED EXPENDITURES</b>							<b>151,923,081</b>		
<b>TOTAL ADJUSTED REVENUE</b>							<b>151,923,022</b>		
<b>NET OPERATING SURPLUS/(DEFICIT)</b>	<b>(10,111,291)</b>	<b>(5,322,482)</b>	<b>(4,762,577)</b>	<b>100,482</b>	<b>(2,876,301)</b>	<b>(2,876,301)</b>	<b>(59)</b>		

**Notes:**

[1] Red font indicates recommendations were approved by the Council on June 14th.

[2] Green font indicates recommendations to be approved on June 21st.

FY2016-17 Proposed Budget  
General Fund Adjustments Summary

<b>Beginning Cash Balance</b>	<u><b>9,261,693</b></u>
<b>Deficit Balance as of 6-14-16</b>	<u>(3,029,389)</u>
 <b>Proposed Revenue Adjustments</b>	
State of California Grant - I-80 Corridor Public Safety Program	1,208,500
State of California Grant - Family Justice Center	60,000
State of California Grant - Office of Neighborhood Safety	300,000
	<hr/>
<b>Total Revenue Adjustments</b>	<u><b>1,568,500</b></u>
 <b>Proposed Expenditure Adjustments - (Decreases)/Increases</b>	
Reduction in part-time police staff monitoring CCTV cameras	(50,000)
Transfer of ECIA funding for energy program implementation costs	(75,000)
Correction of prior error - Police Department part-time staffing	144,880
Local 188 concessions - OPEB and medical funding effective 1-1-17	(153,600)
Restore prior approved reduction to Advance Peace Contract	40,000
Full funding of Neighborhood Change Agent	30,000
Staff reductions - Department of Infrastructure Maintenance and Operations	(546,364)
Local 21 concessions- OPEB and medical funding effective 1-1-17	(123,900)
Reduction of five police officer positions	(785,055)
Added budget allocation for public events - to be determined	50,000
Miscellaneous budget corrections	8,209
	<hr/>
<b>Total Expenditure Adjustments</b>	<u><b>(1,460,830)</b></u>
<b>Net Proposed Adjustments</b>	<u><b>3,029,330</b></u>
 <b>Deficit Balance as of 6-21-16</b>	 <u><b>(59)</b></u>
 <b>Ending Cash Balance</b>	 <u><u><b>9,261,634</b></u></u>

**CITY COUNCIL RESOLUTION NO. 57-16**

**RESOLUTION OF THE COUNCIL OF THE CITY OF RICHMOND, CALIFORNIA,  
ADOPTING THE FISCAL YEAR 2016-2017 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 2015-16 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 2016-2017 at public meetings on June 14 and June 21, 2016; and

**WHEREAS**, the City Council will review additional requests at a public meeting on June 28, 2016 to determine if said requests will be included in the adopted budget.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council hereby adopts the 2016-2017 Operating Budget for the following funds:

	FY2016-17
General Fund	\$ 151,923,080
Other Operating Funds	23,516,154
Special Revenue Funds	20,376,679
Capital Improvement Funds	17,091,066
Debt Service Funds	23,114,396
Enterprise Funds	34,117,050
Internal Service Funds	29,213,387
Housing Department	9,248,191
Successor Agency to Richmond Community Redevelopment Agency	41,869,925
Richmond Housing Authority	27,973,440
Total	\$ 378,473,368

**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 at a regular meeting thereof held June 28, 2016, by the following vote:

AYES: Councilmembers Bates, Beckles, McLaughlin, Myrick, Pimplé,  
Vice Mayor Martinez, and Mayor Butt.  
NOES: None.  
ABSTENTIONS: None.  
ABSENT: None.

PAMELA CHRISTIAN  
CLERK OF THE CITY OF RICHMOND  
(SEAL)

Approved:

TOM BUTT  
Mayor

Approved as to form:

BRUCE GOODMILLER  
City Attorney

State of California            }  
County of Contra Costa        } : ss.  
City of Richmond                }

I certify that the foregoing is a true copy of **Resolution No. 57-16**, finally passed and adopted by the City Council of the City of Richmond at a regular meeting held on June 28, 2016.

  
\_\_\_\_\_  
Pamela Christian, Clerk of the City of Richmond

**CITY COUNCIL RESOLUTION NO. 58-16**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RICHMOND, CALIFORNIA, APPROVING THE FISCAL YEARS 2016-17 THROUGH 2020-21 CAPITAL IMPROVEMENT PLAN AND ADOPTING THE FISCAL YEAR 2016-17 BUDGET FOR THE CAPITAL IMPROVEMENT FUNDS**

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**WHEREAS**, a balanced Budget for the City of Richmond has been prepared for Fiscal Year 2016-17 and presented to the City Council pursuant to Article IV, Section 1 (b) of the Charter of the City of Richmond; and

**WHEREAS**, a Capital Improvement Plan for Fiscal Years 2016-17 through 2020-21 has been prepared; and

**WHEREAS**, the budget for the Capital Improvement Funds for the 2016-17 Fiscal Year has been prepared; and

**WHEREAS**, all appropriations for the prior fiscal year shall lapse at the end of Fiscal Year 2015-16 and any remaining amounts shall be credited against their respective fund balances, except for:

- a. Any unexpected but encumbered amounts for specific orders outstanding at the end of the Fiscal Year; and
- b. Any appropriations for incomplete capital projects including the Municipal Sewer District at the end of Fiscal Year 2015-16; and

**WHEREAS**, for these exceptions, such carry-overs may be made without any further City Council action; and

**WHEREAS**, the City Council needs to approve the following expenditures for the Fiscal Year 2016-17 Capital Improvement budget:

- a. Project expenditures in the amount of \$17,091,066 for the Fiscal Year FY2016-17 of the Capital Improvement Plan.

**NOW THEREFORE, BE IT RESOLVED** that the City Council of the City of Richmond hereby (1) approves the Capital Improvement Plan for Fiscal Years 2016-17 through 2020-21; (2) adopts the budget for the Capital Improvement Funds for the 2016-17 Fiscal Year; and (3) authorizes the City Manager to place appropriations and estimated revenues in effect on July 1, 2016 and as shown in the FY2016-17 Capital Improvement Budget.

\*\*\*\*\*

I certify that the foregoing resolution was passed and adopted by the Council of the City of Richmond at a regular meeting thereof held June 28, 2016, by the following vote:

AYES: Councilmembers Bates, Beckles, McLaughlin, Myrick, Pimplé,  
Vice Mayor Martinez, and Mayor Butt.

NOES: None.

ABSTENTIONS: None.

ABSENT: None.

PAMELA CHRISTIAN  
CLERK OF THE CITY OF RICHMOND  
(SEAL)

Approved:

TOM BUTT  
Mayor

Approved as to form:

BRUCE GOODMILLER  
City Attorney

State of California            }  
County of Contra Costa        } : ss.  
City of Richmond                }

I certify that the foregoing is a true copy of **Resolution No. 58-16**, finally passed and adopted by the City Council of the City of Richmond at a regular meeting held on June 28, 2016.

  
\_\_\_\_\_  
Pamela Christian, Clerk of the City of Richmond

**CITY COUNCIL RESOLUTION NO. 59-16**

**RESOLUTION OF THE COUNCIL OF THE CITY OF RICHMOND, CALIFORNIA,  
ADOPTING THE FISCAL YEAR 2016-17 APPROPRIATIONS LIMIT PURSUANT TO  
ARTICLE XIII B OF THE CONSTITUTION OF THE STATE OF CALIFORNIA**

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**WHEREAS**, Article XIII B, as amended, of the Constitution of the State of California requires all local government entities to establish an annual appropriations limit; and

**WHEREAS**, the appropriation subject to limitation for each year shall be based on the 1978-79 appropriation adjusted for changes in the cost of living and population; and

**WHEREAS**, Section 7910 of the Government Code requires each local government to establish its appropriations limit by resolution in each fiscal year beginning with fiscal year 1980-81; and

**WHEREAS**, the City calculated its Fiscal Year 2016-2017 Appropriations Limit based on the percent of change in the population of the County, January to January and the change in the State's per capita personal income.

**NOW, THEREFORE, BE IT RESOLVED**, that the City of Richmond, California has established the Appropriations Limit for Fiscal Year 2016-2017, as reflected in Attachment 1 to this resolution.

\*\*\*\*\*

Reso. No. 59-16  
Page 1 of 2

I certify that the foregoing resolution was passed and adopted by the Council of the City of Richmond at a regular meeting thereof held June 28, 2016, by the following vote:

AYES: Councilmembers Bates, Beckles, McLaughlin, Myrick, Pimplé,  
Vice Mayor Martinez, and Mayor Butt.

NOES: None.

ABSTENTIONS: None.

ABSENT: None.

PAMELA CHRISTIAN  
CLERK OF THE CITY OF RICHMOND  
(SEAL)

Approved:

TOM BUTT  
Mayor

Approved as to form:

BRUCE GOODMILLER  
City Attorney

State of California            }  
County of Contra Costa        } : ss.  
City of Richmond               }

I certify that the foregoing is a true copy of **Resolution No. 59-16**, finally passed and adopted by the City Council of the City of Richmond at a regular meeting held on June 28, 2016.

  
\_\_\_\_\_  
Pamela Christian, Clerk of the City of Richmond



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## FY2016-17 BUDGET CALENDAR

<i>RESPONSIBLE DEPARTMENT / STAFF</i>	<i>ACTION / ACTIVITY</i>	<i>DATE</i>
<b>Finance Department/ City Manager/City Council</b>	FY2015-16 Mid-Year Budget Review	<b>February 16, 2016</b>
<b>Finance Department/ All Departments</b>	<b>FY2016-17 BUDGET KICK OFF &amp; TRAINING</b> Budget Guidelines and Procedures distributed; Discussion of budget changes and policies; Workshop and training on the budget process, budget input and budget reports	<b>February 22, 2016 9AM – 10:30AM</b>
<b>All Departments</b>	FY2016-17 Budget Input Window	<b>February 29, 2016- March 11, 2016</b>
<b>All Departments</b>	Signed personnel list; department budget summary; program & org charts; and, five-year financial forecast if applicable due to Finance Department	<b>March 11, 2016</b>
<b>Finance Department/City Manager/All Departments</b>	<b>Budget Hearings</b> City Manager, Finance Director, and Budget Team hold internal budget hearings with departments to review Proposed FY2016- 17 Operating & CIP Budget	<b>March 21, 2016- April 1, 2016</b>
<b>Finance Department/ City Manager/City Council/All Departments</b>	<b>Transmit to Council the draft operating budget for FY2016- 17 and FY2016-21 capital improvement budget.</b> Department presentations; Budget Checklist created	<b>May 3, 2016</b>
<b>Finance Department/ City Manager/City Council/All Departments</b>	Department presentations continued; Budget Checklist continued	<b>May 17, 2016</b>
<b>Finance Department/ City Manager/City Council/All Departments</b>	Department presentations continued; Budget Checklist continued	<b>May 24, 2016</b>



## FY2016-17 BUDGET CALENDAR

<b>Finance Department/ City Manager/City Council</b>	City Council budget review and policy discussion	<b>May 31, 2016</b>
<b>Finance Department/ City Manager/City Council</b>	City Council review and direction on Budget Checklist and changes to proposed budget	<b>June 7, 2016</b>
<b>Finance Department/ City Manager/City Council</b>	City Council review of final draft of proposed budget	<b>June 21, 2016</b>
<b>Finance Department/ City Manager/City Council</b>	<b>Council to adopt 2016-17 Operating Budget, and FY2016-17 to FY2020-21 Capital Improvement Plan</b>	<b>June 28, 2016</b>
<b>Finance Department</b>	Adopted FY2016-17 budget available in MUNIS	<b>July 1, 2016</b>



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# CITY OF RICHMOND, CALIFORNIA

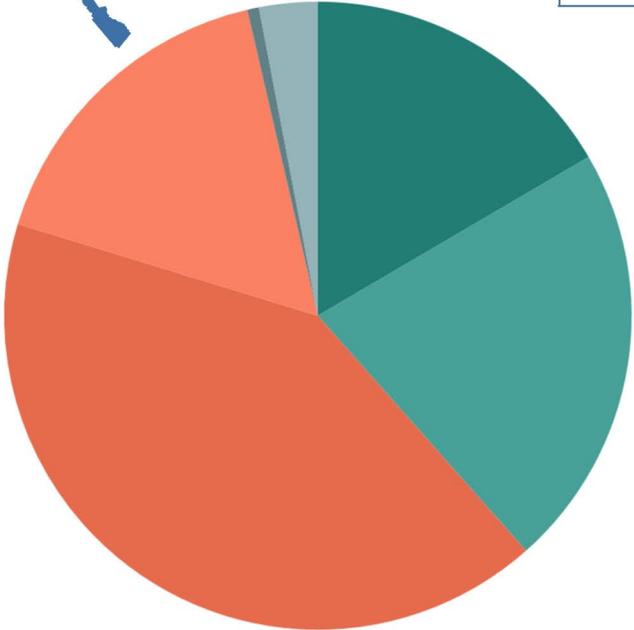
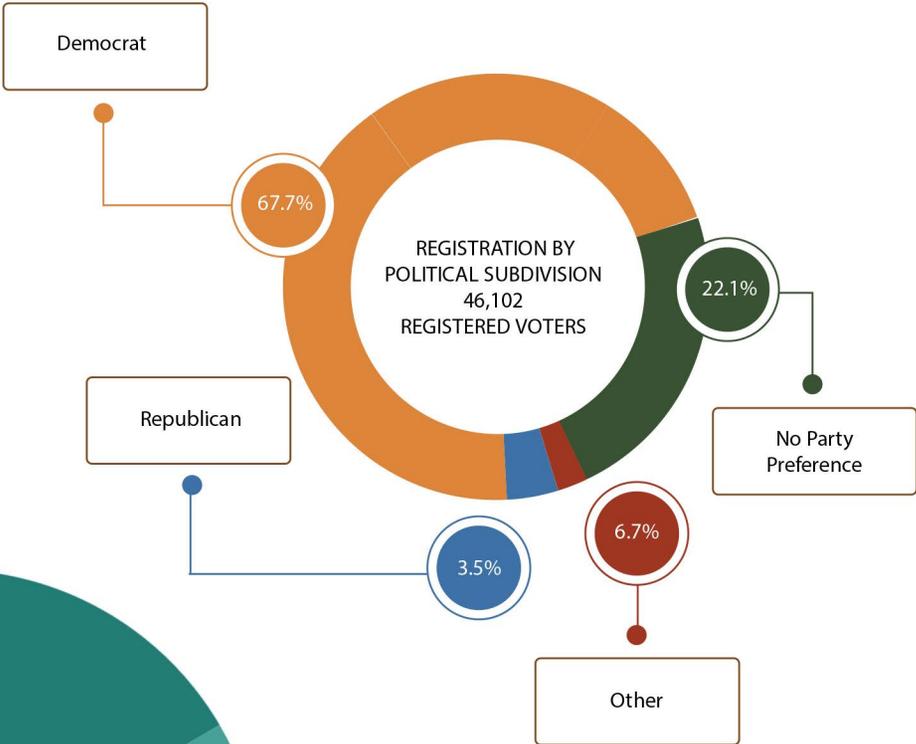
The City of Richmond is located in the nine-county San Francisco Bay Area in West Contra Costa County. Major nearby Bay Area cities and employment centers include: the City of Oakland, 9 miles south; the City of San Francisco, 17 miles west; and the City of San Jose, 50 miles south. Richmond's land mass forms a promontory that stretches into the San Francisco and San Pablo bays. This shoreline defines a significant portion of the City's borders to the north, west and south. Neighboring San Francisco and Marin County provide attractive backdrops from Richmond across the Bay. The cities of El Cerrito, San Pablo and Pinole as well as unincorporated areas of Contra Costa County border Richmond to the north and east; and the Berkeley Hills, San Pablo and El Sobrante ridges frame the eastern edge of the City.

Richmond is known for its unique history and role in the World War II home front effort. Richmond is home to the Rosie the Riveter/World War II Home Front National Historical Park. Between 1940 and 1945 tens-of-thousands of workers from all over the country streamed into the City to support wartime industries. The City was home to four Kaiser shipyards which housed the most productive wartime shipbuilding operations of World War II, launching 747 ships during the war. The City was also home to approximately five war-related industries - more than any other city of its size in the United States.

Today, the City is an important oil refining, industrial, commercial, transportation, shipping and government center. Active redevelopment projects in the downtown and waterfront areas and commercial expansion in the City's Hilltop area, along the Interstate 80 and Interstate 580 corridors, and along the Richmond Parkway have added to the tax base of the City in recent years.



# CITY OF RICHMOND, CALIFORNIA: POPULATION DEMOGRAPHICS



■ WHITE(16.57%) 
 ■ BLACK(21.89%) 
 ■ HISPANIC OR LATINO(41.27%) 
 ■ ASIAN(16.67%)  
■ SOME OTHER RACE(0.60%) 
 ■ TWO OR MORE RACES(3.01%)

# CITY OF RICHMOND, CALIFORNIA: AMENITIES

## RECREATION

- 1 - Auditorium/Theater
- 1 - Putting green
- 1 - Lawn bowling
- 2 - Senior centers
- 2 - Swimming pools
- 2 - Cricket fields
- 3 - Gymnasiums
- 6 - Headstart centers/daycares
- 8 - Recreation centers
- 17 - Soccer/football fields
- 20 - Tennis courts
- 26 - Baseball/softball diamonds
- 28 - Basketball courts
- 336 - City parks acreage
- 510 - Open Space & Public Landscapes acreage



## TRANSPORTATION

- 1 - Transit Station
- 2 - Interstate Freeways 80 & 580
- 5 - Charging Stations
- 280 - Paved Lane Miles



50.8 Miles of Bike-ways



450 Miles of Sidewalks

## EDUCATION

- 1 - Middle School
- 1 - Bookmobile
- 2 - Museums
- 2 - Adult Schools
- 3 - Libraries
- 5 - High Schools
- 18 - Elementary Schools

84.7%

West Contra Costa  
Unified School District  
Graduation Rate



82.3%

California Department  
of Education  
Graduation Rate

## COMMUNICATION

- 1 - Public Broadcasting Channel (KCRT Cable Channel 28)
- 1 - Communications Center



200 Computers  
for Public Access



2- Active  
Social Media Accounts

# CITY OF RICHMOND, CALIFORNIA: HOUSING AND EMPLOYMENT

## TOP CITY OF RICHMOND EMPLOYERS

- CHEVRON REFINERY
- WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
- SOCIAL SECURITY ADMINISTRATION
- U.S. POSTAL SERVICE
- CONTRA COSTA COUNTY
- CITY OF RICHMOND
- THE PERMANENTE MEDICAL GROUP
- KAISER FOUNDATION HOSPITALS
- COSTCO WHOLESALE
- BLUE APRON, INC.

## MEDIAN HOUSEHOLD INCOME



- CALIFORNIA - \$64,500
- RICHMOND - \$56,374

## PROPERTY TAX BREAKDOWN



RICHMOND  
UNEMPLOYMENT  
RATE



STATE  
UNEMPLOYMENT  
RATE

**\$441,950**

AVERAGE LIST PRICE OF NEW AND EXISTING  
DETACHED, SINGLE FAMILY HOMES IN RICHMOND

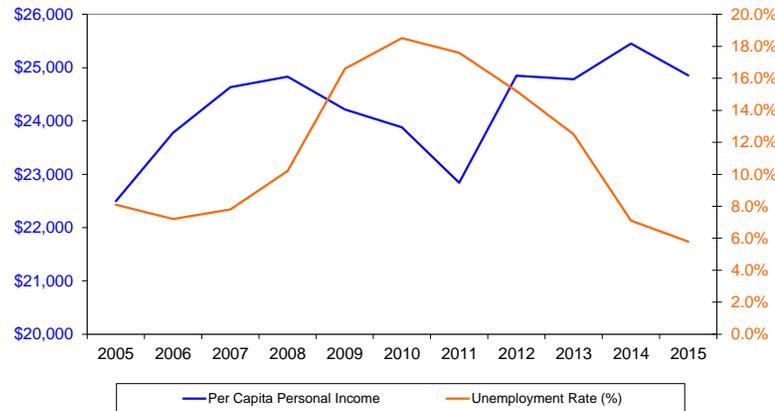
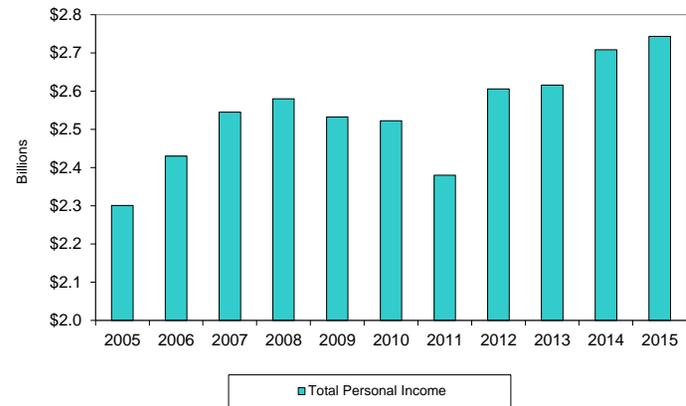
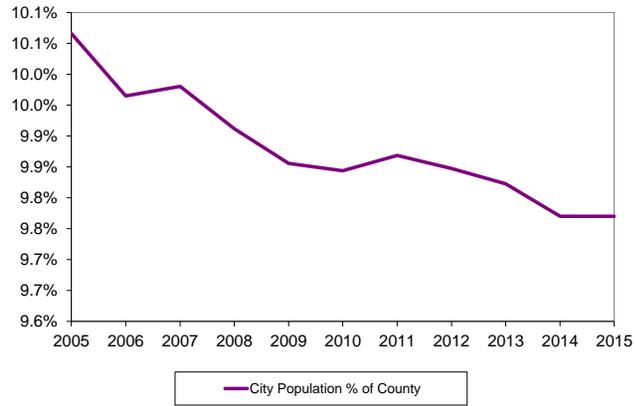


**\$444,900**

MEDIAN SALES PRICE OF NEW AND EXISTING  
DETACHED, SINGLE FAMILY HOMES IN RICHMOND

\* WEST CONTRA COSTA HEALTH CARE, EAST BAY MUNICIPAL UTILITY DISTRICT, COUNTY SUPERINTENDENT OF SCHOOLS, BART, RICHMOND SEWER 1 BAY AREA AIR MANAGEMENT, CONTRA COSTA FLOOD CONTROL, CONTRA COSTA MOSQUITO ABATEMENT, COUNTY WATER AGENCY

CITY OF RICHMOND  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN CALENDAR YEARS



Year	City Population	Per Capita Personal Income	Total Personal Income	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
2005	102,307	\$22,493	\$2,301,191,351	8.1%	1,016,372	10.07%
2006	102,182	\$23,780	\$2,429,887,960	7.2%	1,025,436	9.96%
2007	103,306	\$24,635	\$2,544,943,310	7.8%	1,035,097	9.98%
2008	103,895	\$24,832	\$2,579,920,640	10.2%	1,048,185	9.91%
2009	104,602	\$24,213	\$2,532,728,226	16.6%	1,061,325	9.86%
2010	105,630	\$23,881	\$2,522,550,030	18.5%	1,073,055	9.84%
2011	104,220	\$22,839	\$2,380,280,580	17.6%	1,056,064	9.87%
2012	104,887	\$24,847	\$2,606,127,289	15.2%	1,065,117	9.85%
2013	105,562	\$24,781	\$2,615,931,922	12.5%	1,074,702	9.82%
2014	106,388	\$25,453	\$2,707,893,764	7.1%	1,089,921	9.77%
2015	110,378	\$24,856	\$2,743,555,568	5.8%	1,123,429	9.77%

Source: HdL Coren & Cone

# JURISDICTIONAL COMPARISON

	City of Richmond	City of Vallejo	City of Berkeley	City of Concord
<b>Year Incorporated</b>	1905	1867	1878	1905
<b>Form of Government</b>	City Council/Manager Charter City	City Council/Manager Charter City	City Council/Manager Charter City	City Council/Manager General Law City
<b>Physical Area (Land)</b>	33.7 square miles	30.7 square miles	10.5 square miles	31.1 square miles
<b>Population</b>	110,378	117,322	119,915	126,609
<i>Growth Over Last 10 Years</i>	9.57%	0.00	11.65%	7.43%
<b>Total Full-Time Equivalents (FTE)</b>	725	548	1,470	408
<i>Population Per FTE</i>	152	214	81	310
<b>Total Sworn Police FTE</b>	182	169	176	152
<b>Total Sworn Fire FTE</b>	90	89	127	-
<i>Population per Sworn FTE</i>	405	455	395	833
<b>Median Age</b>	35.0	40.9	31.7	36.4
<b>Number of Registered Voters</b>	46,102	59,377	80,273	59,292
<b>Party Affiliation</b>				
<i>Democrat</i>	31,133	35,016	55,789	29,216
<i>Republican</i>	3,108	7,958	2,830	13,893
<i>Other/Decline to state</i>	11,861	16,403	21,654	16,183
<b>Number of Housing Units</b>	39,515	44,656	50,180	47,207
<b>Number of Households</b>				
<b>Median Household Income</b>	\$54,316	\$55,459	\$61,690	\$63,228
<b>Per Capita Income</b>	\$24,853	\$25,491	\$41,478	\$30,522
<b>Unemployment Rate</b>	5.8%	8.1%	3.9%	5.4%
<b>Budget Comparison</b>				
<i>General Fund Revenue Budget</i>	\$151,923,022	\$96,474,711	\$161,392,576	\$89,111,556
<i>General Fund Expenditure Budget</i>	\$151,923,081	\$97,856,001	\$161,500,178	\$88,111,556
<i>Expenditures Per Capita</i>	\$1,376	\$834	\$1,346	\$704

# OVERVIEW OF FINANCIAL OPERATIONS

## Financial Statements

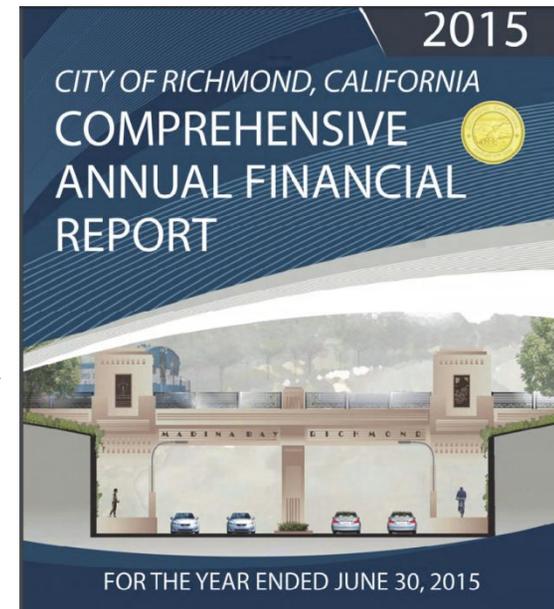
Since Fiscal Year 2001-02, the City has prepared its audited Basic Financial Statements (referred to as General Purpose Financial Statements in previous years) in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34). The Basic Financial Statements provide both government-wide financial statements with a long-term perspective on the City's activities and the more traditional fund-based financial statements that focus on near-term inflows, outflows, and balances of spendable financial resources. The government-wide financial statements report on a full accrual basis and include comprehensive reporting of the City's infrastructure and other fixed assets.

## Financial and Accounting Information

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles (GAAP) and the standards established by the Governmental Accounting Standards Board (GASB). Combined financial statements are produced following the close of each fiscal year.

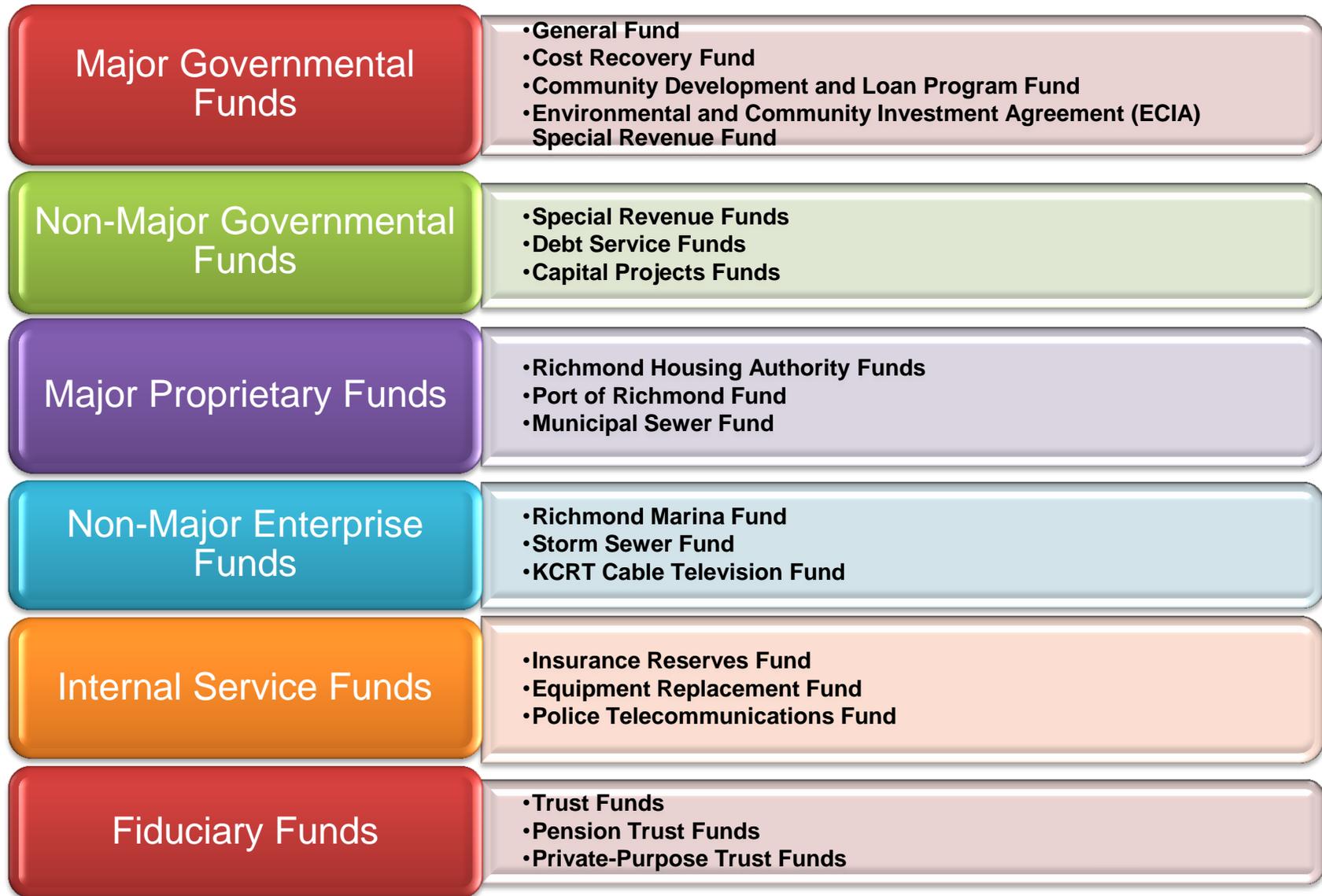
The City Council employs an independent certified public accountant, who, at such time or times as specified by the City Council, at least annually, and at such other times as they determine, examines the financial statements of the City in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, the independent accountant submits a final audit and report to the City Council.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various governmental funds are grouped into three broad fund categories (governmental, proprietary, and fiduciary).



## Fund Structure

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### *Governmental Funds*

Governmental funds account for governmental activities mostly supported by taxes and charges for services. All governmental funds are accounted for on the "*current financial resources*" measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City has both major and non-major governmental funds. Information is presented separately for each major governmental fund and in the aggregate for non-major governmental funds. The City reports the following major governmental funds:

**General Fund** is used for all general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

**Cost Recovery Special Revenue Fund** record the receipt and use of monies for services provided to the public and developers.

**Community Development and Loan Programs Fund** accounts for the receipt of Community Development Block Grant, HOME Investment Partnership Program, and Neighborhood Stabilization Program grant monies and the use of the grants. The Fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency, and activities related to the City's loan from the California Department of Toxic Substances Control for the Miraflores Remediation project. The grants and loan programs are to be used to provide, within the City of Richmond, new affordable housing, improve existing housing conditions, assist homeless and disabled with housing, and to expand economic opportunities in business, and employment for low and moderate income residents.

**Environmental and Community Investment Agreement (ECIA) Special Revenue Fund** accounts for funding received from Chevron in conjunction with the Chevron Modernization Project Environmental and Community Investment Agreement to fund various projects and programs within the City of Richmond.

### *Proprietary Funds*

Proprietary Funds account for business-type activities whose functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of when cash changes hands.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Proprietary funds of the City are two types: (1) enterprise funds and (2) internal service funds.

*Enterprise funds* are used to report any activity for which a fee is charged to external users for goods or services provided. The City reports the following major proprietary funds:

**Municipal Sewer Fund** accounts for all financial transactions relating to the City's Wastewater and Collection Treatment. Services are on a user charge basis to residents and business owners located in Richmond.

**Port of Richmond Fund** accounts for all financial transactions relating to the City-owned marine terminal facilities and commercial property rentals.

**Richmond Housing Authority Fund** accounts for all funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining decent, safe and sanitary housing. The Richmond Housing Authority, a component unit of the City, manages this fund.

The City reports the following non-major enterprise funds:

**Cable TV Fund** was set up for the administration and enforcement of the franchise agreements with two cable television systems, management of municipal cable channel, departmental video services, media and public information, and telecommunications planning. The fund records revenue received from franchise fees and indirect charges to other funds and administration expenses incurred in operating the system.

**Richmond Marina Fund** records revenue collected from berth rentals and the use of marina facilities. The fund also records expenses incurred for the operation of the facility and for the payment of the loan from the California Department of Boating and Waterways.

**Storm Sewer Fund** records the revenue from storm water fees and transfers from operations reserves. It also records the expenses of maintaining a clean storm sewer system so that the City is in compliance with the federally mandated Storm Water Pollution Prevention Program.

*Internal service funds* are used to finance and account for goods and services provided by a designated department to other departments in the City on a cost-reimbursement basis. The City maintains the following internal service funds:

**Equipment Replacement Fund** is used to report activities related to replacement of City vehicles. Charges to departments are

allocated based on acquisition cost and annual increase for inflation, which are amortized over the useful life.

**Insurance Reserves Fund** is used to report activities related to employees' claims due to industrial injuries and activities related to general claims against the City for damages incurred. Charges to departments are allocated based on average number of claims and dollar value, payroll costs incurred, and number of full-time equivalents in each department.

**Police Telecommunications Fund** is used to report activities related to Computer Aided Dispatch (CAD) and Records Management System (RMS). Charges are allocated based on actual usage of services between local area Police and Fire agencies.

#### *Fiduciary Funds*

Fiduciary funds are used to account for resources that are held by the government as a trustee or agent for parties outside the government and cannot be used to support the government's own programs. The City reports the following fiduciary funds:

**Pension Trust Funds** were established to account for revenues and expenditures related to City retirees' pension plans. The City administers the activities of certain pension funds on behalf of retirees including the following closed pension plans of the City: General Pension, Police and Firemen Pension and Garfield Pension. All current and future City employees are enrolled in CalPERS (California Public Employee's Retirement System). CalPERS manages all of the financial activities related to the pension plans offered by the City to current and future City employees.

**Private-Purpose Trust Funds** are used to account for assets held by the City as an agent for an outside agency, including the following funds: Point Molate Fund and Successor Agency to the Richmond Community Redevelopment Agency Fund.

## Financial Policies

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Financial policies provide guidelines for the overall fiscal management of the City. The policies help guide current and long-range fiscal planning. The City Council approves and can amend the policies to address changing circumstances and conditions. Below is a summary of the City's financial policies; full policies can be found in the appendices of this document.

### *Structural Balance Policy*

The City shall maintain structurally balanced budgets whereby one-time funds can be spent only on one-time uses and ongoing funds can be spent on ongoing (or one-time) uses. In addition, budget enhancements can be approved only if a new source of permanent revenues is received that will cover the future cost of such enhancements. This policy is in the process of being further developed.

### *Reserves Policy*

The City shall maintain year end contingency reserve balances in the General Fund, including PERS savings reserves but excluding departmental carryover, of minimum 7% of next year's budgeted General Fund expenditures. City Council approval is required before any withdrawals from the reserve fund. The Council shall have the discretion to use the reserve for one time emergencies only and not to be used for ongoing expenses.

### *Investment Policy*

The City's Investment Policy provides guidelines for City officers charged with the investment of idle cash to ensure prudent investment and cash management practices. The Investment Policy establishes three criteria for selecting investment vehicles: safety, liquidity and yield. The Investment Policy states that an adequate percentage of the portfolio should be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements and that yield or "rate of return" on an investment should be a consideration only after the requirements of safety and liquidity are met.

### *Debt Policy*

The City's Debt Policy limits General Fund net debt service to 10% of General Fund revenues and sets forth detailed debt management and refunding practices.

### *Swap Policy*

The City is authorized under California Government Code Section 5922 to enter into interest rate swaps to reduce the amount and duration of rate, spread, or similar risk when used in combination with the issuance of bonds. The Swap Policy provides procedural

direction to the City, the Richmond Housing Authority, the Richmond Community Redevelopment Agency and the Richmond Joint Powers Finance Authority regarding the utilization, execution, and management of interest rate swaps and related instruments (collectively, “interest rate swaps”). Periodically, but at least annually, the City will review the Swap Policy and will make modifications as appropriate due to changes in the business environment or market conditions.

### Grants Policy

The City will pursue grant funding from federal, state, and other sources, consistent with identified City goals and objectives. The City Council approves all grant applications in excess of \$5,000 and delegates receipt and contract execution to the City Manager. Grants opportunities are evaluated individually, considering the benefits of the programs and the ongoing impacts to the City if grant funding is no longer available.

## **Budgeting**

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### *Budgetary Accounting*

The City adopts a budget annually to be effective July 1, for the ensuing fiscal year. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

The City uses an encumbrance system as an extension of normal budgetary accounting for the General Fund, special revenue funds, and capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Unencumbered and unexpended appropriations lapse at year-end.

### *Budget Development Process*

The budget development process is the formal method through which the City establishes its program priorities, goals and service levels for the upcoming fiscal year. Through the budget development process, policy is set, programs are established, service levels are expressed, performance measures are articulated, and resources are identified.

The City returned to an annual budget beginning in fiscal year 2015-16 after implementing a biennial budget for the fiscal years 2013-14 and 2014-15. Management decided that an annual budget was more suitable given the economic climate. However, the City continues to maintain a long-term outlook through its five-year financial forecast.

The “budgetary” method of accounting is used for preparing the City’s budget. The budget is a plan of revenue and expense activities for the fiscal year and is intended to provide a clear, concise, and coordinated financial program to attain the City’s goals and objectives. Revenue estimates are derived using historical and economic data on the state and local levels. The budget should be balanced with current revenues equal to or greater than current expenditures.

Responsibilities:

1. The Finance Director has the overall administrative responsibility for planning, coordinating, analyzing, preparing and issuing the budget.
2. Each department director is responsible for preparing and submitting the budget for the department and its subsidiary divisions in accordance with the budget instructions.
3. The City Manager, in close consultation with the division and department directors, is responsible for making the final determination of the proposed budget to be submitted for approval to the City Council.
4. The City Council is responsible for approving the annual operating budget.

Preparing the Budget:

1. As a general rule, from October to December, the City Manager, the Finance Director, and Budget Division hold a series of planning meetings to analyze financial performance and determine preliminary budget guidelines for the upcoming fiscal year.
2. Following the planning meetings, the Finance Director prepares strategy recommendations for the upcoming budget and presents them to the City Manager.
3. The City Manager and the Finance Director make a final determination of the budget strategy and guidelines.
4. In January and February, the Budget Division drafts the budget guidelines, instructions, supporting materials, forms and worksheets, and distributes them to all departments and divisions responsible for budget preparation.

The budget guidelines are based on financial information that includes:

- a. New budget policies for the upcoming fiscal year.
  - b. Department worksheets with historical actual and proposed operating revenue and expenses.
  - c. Variance analysis (actual versus budgeted financial activity) and forecast analyses.
5. The Budget Division coordinates a series of workshops to provide technical assistance to staff who is involved in preparing budgets for their departments or divisions.
  6. Under the direction of the department director, departments and divisions prepare their budgets.
    - a. Budgets are expected to conform to the standards set forth in the Budget Guidelines and Instructions manual.

- b. Should the budget deviate from those standards, the department or division prepare a justification.
  - c. If a department's proposed budget includes new programs, the department includes information and justification on the programs including amounts that will be required to fund their implementation.
7. When the division and department budgets are completed, the department director reviews them and forwards them to the Budget Division.
  8. The Budget Division compiles the divisional and departmental budgets into a draft for a single City-wide budget, analyzing all revenue and expenditure projections to ensure that they meet the City's goals and objectives, adhere to the budget guidelines, and that no category has been overlooked.
  9. The Budget Division presents to the City Manager and the Finance Director the completed draft budget and a master list of departments' proposed new programs.
  10. The City Manager, Finance Director, and department directors meet between March and the end of April to review the draft budget, make necessary adjustments, and determine which of the proposed new programs will be presented to the City Council for adoption. These meetings are an opportunity for each department and division to present their proposed budget and their justifications for new programs, and to enhance senior management's knowledge of operational needs.
  11. When the draft budget has been approved by the City Manager and the Finance Director, the adjusted divisional and departmental budgets are returned to the department directors for their information and acknowledgement.
  12. In early May, the Budget Division compiles a brief summary of the draft budget and sends a copy to the City Council pursuant to the applicable City resolution.
  13. The Budget Division distributes the draft budget summary to the City Council. At the May City Council meeting, the department directors hold a work session to inform the City Council about budget strategies and the financial data upon which it is based.
  14. Based upon the City Council's comments, the Budget Division may subsequently revise the draft budget.
  15. Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing.
  16. At its June meeting, the City Council formally adopts the budget. Once adopted, the budget is the City Council's approved operational plan for the ensuing fiscal year.

Monitoring the Budget:

1. Once in place, the adopted budget becomes the main internal control document used to monitor and manage the City's financial position.
2. Expenditures are controlled at the fund level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations.
3. Department directors review the monthly financial reports and prepare written explanations of significant variances between actual revenues and expenditures and the budget projections. These data are intended to help department directors control expenditures and maximize revenue.
4. The Budget Division prepares and submits to the City Manager and the Finance Director the monthly City-wide variance

report for review. During this review, budgetary issues are addressed and corrective action is taken.

5. Throughout the year, department directors assist their divisions and departments in taking any necessary corrective action to control costs.

#### Budget Amendments:

Amendments to the budget may be made throughout the fiscal year. A mid-year budget review is conducted and presented to the City Council in February. Any amendment or transfer of appropriations between object group levels within the same department must be authorized by the Finance Director or his/her designee. Appropriations of new monies, transfers between funds, or any amendment to the total level of appropriations require formal action through City Council resolution irrespective of amount. Supplemental appropriations financed with unanticipated revenues during the year must also be approved by the City Council.

### **Cost Allocation Plan**

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A Cost Allocation Plan is an analytical tool through which a city can apportion administrative or indirect costs to individual departments or cost centers within its organization. Most indirect costs are those expenditures that provide support services or oversight to each department citywide and typically include legislative, managerial, financial, administrative, legal, personnel, technology, and building and equipment use. The City uses a professionally prepared cost allocation plan to allocate indirect costs from central service departments to other City departments. City maintains two cost allocation plans: full cost and 2 CFR 225 (formerly OMB A-87) compliant. The primary goal is to distribute indirect costs in a fair and reasonable manner using established metrics based on industry standards.

### **Capital Improvement Planning**

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Each year the City adopts its Five-Year Capital Improvement Plan (“CIP”) containing a forecast of capital improvement needs and funds identified to meet those needs during the current budget fiscal year and the next four fiscal years. The CIP for FY2016-17 identifies approximately \$70 million of funded capital improvement projects funded by capital project funds, enterprise funds, internal service funds, and Successor Agency funds; and a total of \$93 million over the next five fiscal years. The unfunded capital improvement projects total \$179 million.

### **Five-Year Strategic Business Plan**

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The City of Richmond’s Five-Year Strategic Business Plan is intended to serve as a blueprint for prospective opportunities, projects, and tasks. It looks at the next five years and outline the strategies, projects and programs that will support a phased implementation of the General Plan. The City’s Capital Improvement Plan (CIP) and Operating Budget then prioritize these projects and programs on an annual basis. All projects, programs and operations in the Strategic Plan will help to ensure the City is well maintained, safe

and secure, economically viable and prosperous, and committed to cost-effective and responsive services to residents that promote a healthy and sustainable quality of life.

In 2007, the City Council convened a special meeting to discuss its long-range vision for the future Richmond community. Five strategic goals for the City were created from visions of the Councilmembers:

- **Maintain and enhance the physical environment**
- **Promote a safe and secure community**
- **Promote economic vitality**
- **Promote sustainable communities**
- **Promote effective government**

From there, directors and staff established departmental goals and objectives in line with the City's five strategic goals. Performance tracking was implemented using output, efficiency, and effectiveness measurements.

The Strategic Business Plan is a living document that is reviewed and updated as needed and as service needs and policies change. The City Manager convenes periodic meetings with City staff to discuss the status of each supporting action, measure progress on achieving short- and long-term goals, discuss funding needs, evaluate obstacles and discuss opportunities for collaboration. The Strategic Plan The graphic below illustrates the relationship between the City's long- and short-term plans.



## Five-Year Financial Model

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The City, in collaboration with Public Financial Management (PFM) consulting firm, constructed its five-year financial forecasting model that provides a long-range outlook and allows for the analysis of various operating scenarios. The forecast serves as a tool to identify opportunities, such as revenue enhancements; and challenges, such as increasing labor costs. This enables management to take a proactive approach to addressing potential negative impacts through the annual budget process. A key benefit of the model is that financial projections can be regularly modified based on updated assumptions regarding revenue growth, changes to operations, and other factors which are included in the model.

Some key financial considerations that went into assumptions of the City's financial direction are as follows:

- Current strategy focuses on rebuilding financial strength subsequent to a \$20 million reduction in the top three revenue sources at lowest point of the recession
- Budget surplus in FY2014-15, and balanced budgets in FY2015-16 and FY2016-17
- Unemployment lowest since WWII at 5.4%
- Commercial real estate at all-time high value and all-time low vacancy rates
- Residential real estate +15.1% in the past year, and projected +4.5% in the future
- 1,000 new residential units approved in 2015

Ongoing and future priorities identified are as follows:

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

The General Fund is the focus of the forecast as other funds (i.e. enterprise funds), are evaluated separately. The current projections in the forecast below were developed using FY2016-17 as the baseline year. (Note: FY2015-16 is projected to end with a surplus; the model will be updated following year-end close.) Assumptions that went into the projections include a number of foreseeable events, such as increases in labor costs—the largest expense in the budget. The model addresses significant increases in health benefits, pensions, and OPEB among other factors. The forecast prepares the City to address these major impacts during budget development.

**GENERAL FUND  
FIVE-YEAR FINANCIAL FORECAST**

	<b>FY2014-15</b>	<b>FY2015-16</b>	<b>FY2016-17</b>	<b>FY2017-18</b>	<b>FY2018-19</b>	<b>FY2019-20</b>	<b>FY2020-21</b>	<b>FY2021-22</b>
	<b>Actual</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>REVENUES:</b>								
Revenues, recurring								
Property Tax	\$ 32,711,182	\$ 33,232,038	\$ 44,990,256	\$ 47,239,769	\$ 49,601,757	\$ 52,081,845	\$ 54,685,937	\$ 55,779,656
Sales & Use Tax	\$ 33,131,486	\$ 33,047,476	\$ 33,212,960	\$ 34,732,531	\$ 36,063,025	\$ 37,444,012	\$ 38,877,600	\$ 39,655,152
Utility User Tax	\$ 48,299,957	\$ 41,671,914	\$ 44,657,538	\$ 45,309,806	\$ 46,077,345	\$ 46,860,465	\$ 44,659,483	\$ 45,552,673
Other Taxes	\$ 9,918,446	\$ 10,167,830	\$ 10,802,864	\$ 11,644,623	\$ 12,024,985	\$ 12,473,274	\$ 12,962,859	\$ 13,222,116
Licenses, Permits & Fees	\$ 4,434,240	\$ 4,699,665	\$ 5,663,753	\$ 5,777,028	\$ 5,892,569	\$ 6,010,420	\$ 6,130,628	\$ 6,253,241
Charges for Services	\$ 4,260,887	\$ 3,986,881	\$ 3,311,778	\$ 2,618,674	\$ 2,177,903	\$ 2,221,493	\$ 2,265,955	\$ 2,311,274
Rental Income	\$ 809,111	\$ 753,432	\$ 731,472	\$ 731,472	\$ 731,472	\$ 731,472	\$ 731,472	\$ 731,472
Grants	\$ 2,218,120	\$ 1,456,901	\$ 2,938,968	\$ 2,517,449	\$ 1,725,949	\$ 1,725,949	\$ 1,725,949	\$ 1,725,949
All Other Recurring Revenues	\$ 1,562,891	\$ 748,190	\$ 1,437,412	\$ 2,109,648	\$ 2,410,300	\$ 2,221,186	\$ 2,263,372	\$ 2,308,639
<b>Revenues, recurring subtotal</b>	<b>\$ 137,346,321</b>	<b>\$ 129,764,326</b>	<b>\$ 147,747,001</b>	<b>\$ 152,681,000</b>	<b>\$ 156,705,305</b>	<b>\$ 161,770,116</b>	<b>\$ 164,303,255</b>	<b>\$ 167,540,172</b>
Revenues, one-time								
Loan/Bond Proceeds	\$ 117,313	\$ 22,515	\$ 107,515	\$ 107,515	\$ 107,515	\$ 107,515	\$ 107,515	\$ 107,515
<b>Revenues, one-time subtotal</b>	<b>\$ 117,313</b>	<b>\$ 22,515</b>	<b>\$ 107,515</b>					
<b>REVENUES subtotal</b>	<b>\$ 137,463,633</b>	<b>\$ 129,786,841</b>	<b>\$ 147,854,516</b>	<b>\$ 152,788,515</b>	<b>\$ 156,812,820</b>	<b>\$ 161,877,631</b>	<b>\$ 164,410,770</b>	<b>\$ 167,647,687</b>
Transfers-In								
Pension Tax Override	\$ 1,142,901	\$ 1,106,464	\$ 2,160,868	\$ 2,115,843	\$ 2,384,713	\$ 2,619,454	\$ 2,804,478	\$ 2,860,568
Other Transfers in	\$ 2,964,073	\$ 1,454,206	\$ 1,907,638	\$ 1,876,314	\$ 1,885,254	\$ 2,322,912	\$ 2,486,990	\$ 2,536,730
<b>Transfers-In, subtotal</b>	<b>\$ 4,106,974</b>	<b>\$ 2,560,670</b>	<b>\$ 4,068,506</b>	<b>\$ 3,992,157</b>	<b>\$ 4,269,967</b>	<b>\$ 4,942,366</b>	<b>\$ 5,291,468</b>	<b>\$ 5,397,297</b>
<b>REVENUES &amp; TRANSFERS IN, Total</b>	<b>\$ 141,570,607</b>	<b>\$ 132,347,512</b>	<b>\$ 151,923,022</b>	<b>\$ 156,780,672</b>	<b>\$ 161,082,787</b>	<b>\$ 166,819,997</b>	<b>\$ 169,702,238</b>	<b>\$ 173,044,984</b>

**GENERAL FUND**

## FIVE-YEAR FINANCIAL FORECAST

	FY2014-15 Actual	FY2015-16 Estimated	FY2016-17 Adopted	FY2017-18 Forecast	FY2018-19 Forecast	FY2019-20 Forecast	FY2020-21 Forecast	FY2021-22 Forecast
<b>EXPENDITURES:</b>								
Expenditures, recurring								
Salaries & Wages	\$ 68,040,390	\$ 69,394,076	\$ 71,347,338	\$ 74,106,205	\$ 74,930,783	\$ 75,767,836	\$ 76,617,700	\$ 77,475,818
Employee Benefits	\$ 36,225,582	\$ 39,823,865	\$ 44,997,853	\$ 49,649,523	\$ 54,069,557	\$ 59,420,445	\$ 63,509,998	\$ 67,955,698
Operating Expenditures	\$ 25,950,910	\$ 24,705,652	\$ 28,087,178	\$ 28,675,503	\$ 29,186,130	\$ 29,303,574	\$ 29,827,979	\$ 30,361,769
<b>Expenditures, recurring subtotal</b>	<b>\$ 130,216,881</b>	<b>\$ 133,923,594</b>	<b>\$ 144,432,369</b>	<b>\$ 152,431,231</b>	<b>\$ 158,186,470</b>	<b>\$ 164,491,855</b>	<b>\$ 169,955,677</b>	<b>\$ 175,793,285</b>
Expenditures, one-time								
Debt Service	\$ 1,869,958	\$ 1,355,590	\$ 1,213,080	\$ 1,213,080	\$ 1,213,080	\$ 1,213,080	\$ 1,213,080	\$ 1,213,080
<b>EXPENDITURES, one-time subtotal</b>	<b>\$ 1,869,958</b>	<b>\$ 1,355,590</b>	<b>\$ 1,213,080</b>					
Transfers-Out								
Operating Transfers Out	\$ 7,653,945	\$ 6,063,001	\$ 3,400,499	\$ 3,400,499	\$ 3,400,499	\$ 3,400,499	\$ 3,400,499	\$ 3,400,499
Debt Service Transfers Out	\$ 614,081	\$ 1,602,628	\$ 2,877,133	\$ 2,877,133	\$ 2,510,094	\$ 2,510,094	\$ 2,510,094	\$ 2,510,094
<b>Transfers-Out, subtotal</b>	<b>\$ 8,268,026</b>	<b>\$ 7,665,629</b>	<b>\$ 6,277,632</b>	<b>\$ 6,277,632</b>	<b>\$ 5,910,593</b>	<b>\$ 5,910,593</b>	<b>\$ 5,910,593</b>	<b>\$ 5,910,593</b>
<b>EXPENDITURES &amp; TRANSFERS OUT, Total</b>	<b>\$ 140,354,865</b>	<b>\$ 142,944,813</b>	<b>\$ 151,923,081</b>	<b>\$ 159,921,943</b>	<b>\$ 165,310,143</b>	<b>\$ 171,615,528</b>	<b>\$ 177,079,350</b>	<b>\$ 182,916,958</b>
<b>FUND BALANCE</b>								
Net Change in Fund Balance	\$ 1,215,742	\$ (10,597,301)	\$ (59)	\$ (3,141,271)	\$ (4,227,356)	\$ (4,795,531)	\$ (7,377,112)	\$ (7,524,654)
Beginning Balance (Deficit): July 1	\$ 27,733,298	\$ 28,949,040	\$ 18,351,739	\$ 18,351,680	\$ 15,210,409	\$ 10,983,053	\$ 6,187,523	\$ 6,311,273
<b>Ending Balance (Deficit): June 30</b>	<b>\$ 28,949,040</b>	<b>\$ 18,351,739</b>	<b>\$ 18,351,680</b>	<b>\$ 15,210,409</b>	<b>\$ 10,983,053</b>	<b>\$ 6,187,523</b>	<b>\$ (1,189,589)</b>	<b>\$ (1,213,381)</b>

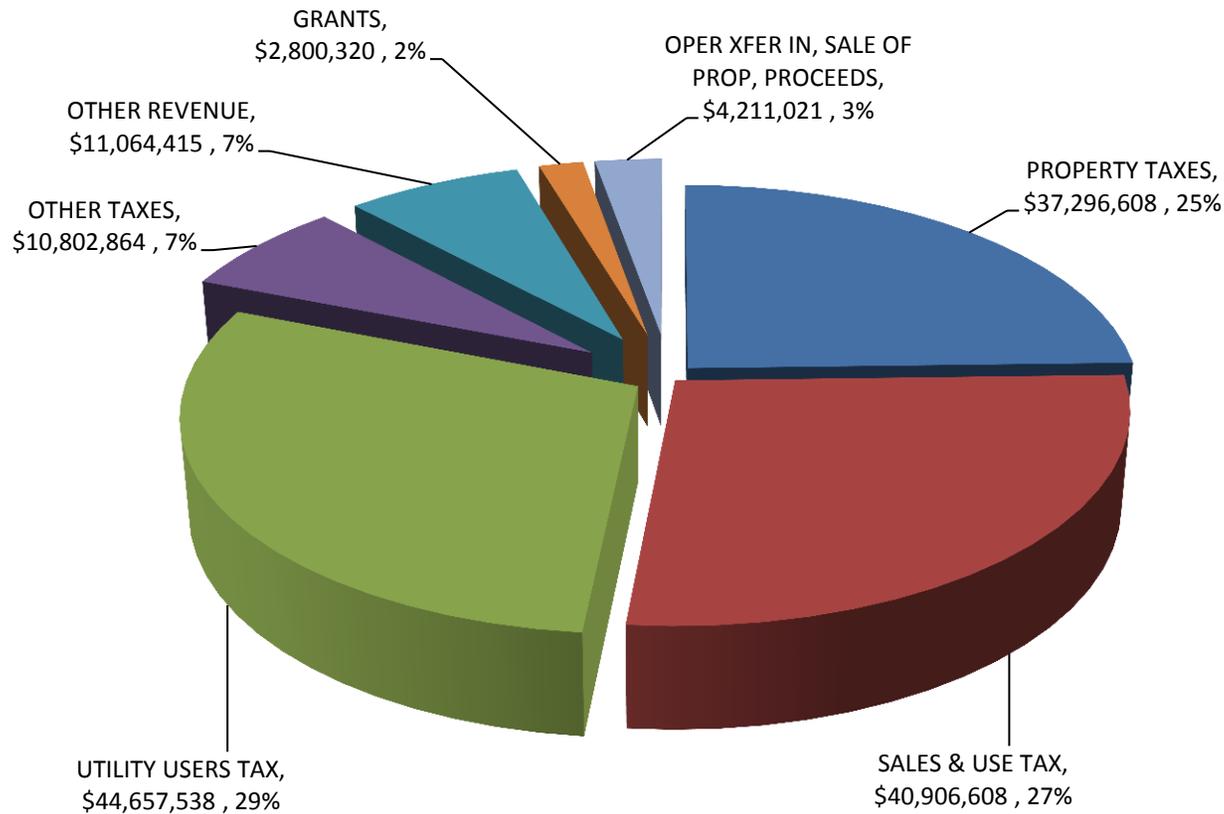
Below are area of focus and challenges that the City will address through long-term financial planning:

Areas of Focus / Challenges	Current Status	Planning for the Future
Bringing Operations Into Balance	<ul style="list-style-type: none"> <li>▪ FY2014-15 ended with more than \$2 million General Fund surplus</li> <li>▪ FY2015-16 budget balanced and tracking on budget</li> </ul>	<ul style="list-style-type: none"> <li>▪ Five-year forecast will inform labor negotiations and aid in long-term planning</li> </ul>
Deficits in Operating Funds	<ul style="list-style-type: none"> <li>▪ Cost Recovery departments no longer accumulating deficits</li> </ul>	<ul style="list-style-type: none"> <li>▪ Future surplus funds will be returned to the General Fund</li> </ul>
Revenue Volatility and Concentrated Tax Base	<ul style="list-style-type: none"> <li>▪ Tax base still highly concentrated in Chevron, but new distribution centers added in last 1.5 years will diversify tax base and employment in Richmond</li> <li>▪ AV and sales tax are growing</li> </ul>	<ul style="list-style-type: none"> <li>▪ UC Berkeley Global Campus and Shea Homes/South Shore Specific Plan</li> <li>▪ \$1 billion Chevron modernization project will increase AV and concentration</li> </ul>
Derivative and Variable Rate Portfolios	<ul style="list-style-type: none"> <li>▪ POBs are indexed floaters – no bank credit or renewal risks</li> <li>▪ All variable rate debt is hedged by swaps</li> <li>▪ Moody's downgrade affects POB swaps</li> </ul>	<ul style="list-style-type: none"> <li>▪ Novation of POB swaps removes immediate ATE and eliminates Moody's</li> <li>▪ Civic Center swaps terminated, leaving POB swap as only GF swap</li> </ul>
Outstanding General Fund Loans	<ul style="list-style-type: none"> <li>▪ \$15 million outstanding Port loan</li> <li>▪ \$1.9 million outstanding storm water loan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Terminal 1 contract sale will repay \$9.5 million of Port loan</li> </ul>
Wastewater Enterprise	<ul style="list-style-type: none"> <li>▪ FY2015-16 budget shows cash funding of capital projects</li> <li>▪ Budget does not assume rate increases</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rate increase of 6.8% per year for five years approved by City Council</li> <li>▪ City is currently pursuing SRF loans for capital projects</li> </ul>
Pension and OPEB Liabilities	<ul style="list-style-type: none"> <li>▪ Increased PERS contributions included in FY2015-16 budget</li> <li>▪ Funded status ~77% for both plans</li> <li>▪ Paying OPEB Normal Cost</li> </ul>	<ul style="list-style-type: none"> <li>▪ City Council has an adopted policy regarding use of one-time revenues to make OPEB payments</li> </ul>

## Major General Fund Revenue Sources

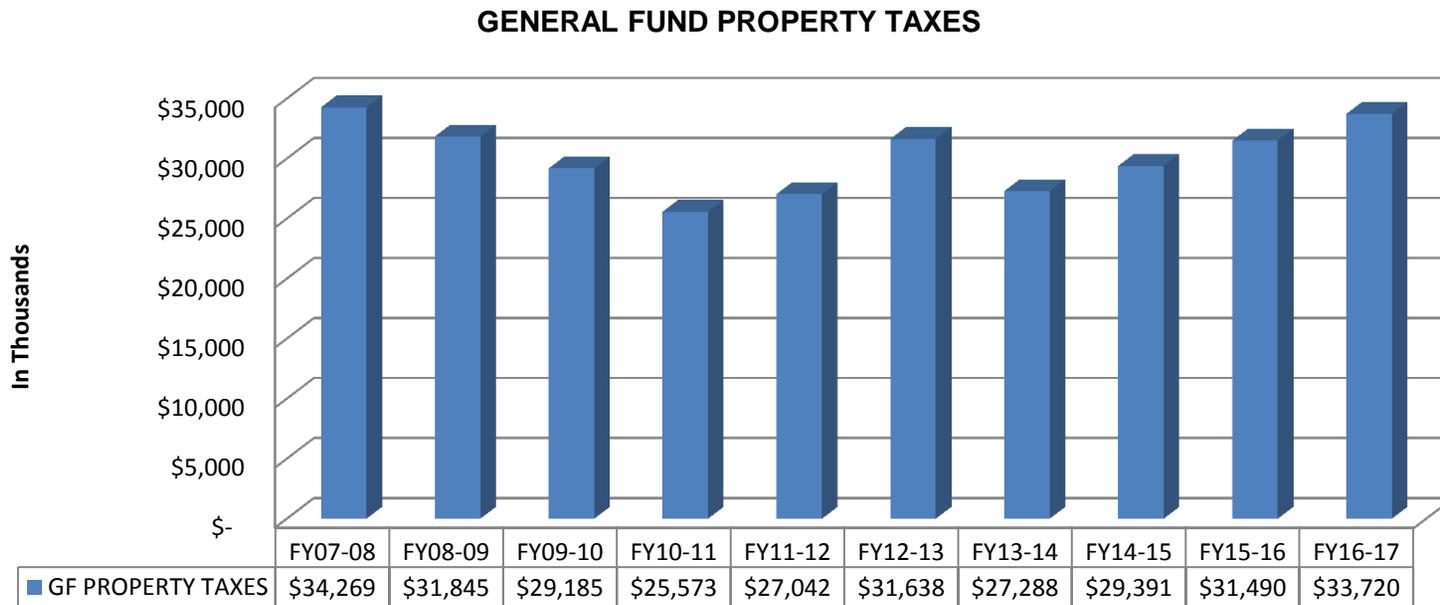
Following is a discussion of the City's principal general fund revenue sources: property taxes, utility user taxes, sales and use taxes, and other taxes. For Fiscal Year 2016-17, the budget projects these principal sources to total approximately \$133.7 million, or 88.1% of the General Fund revenue budget. The overall General Fund budget including all revenue sources totals \$151.7 million. The revenue budget is developed based on financial indicators and analyses, including the Consumer Price Index (CPI), trend analyses, and reports provided by Contra Costa County.

### FY2016-17 General Fund Revenue Budget



General Fund Property Taxes category consists of several different revenue streams. The primary segment is Secured Property Taxes which makes up 90% of this category. Secured Property Taxes changes from year to year based on changes to the Assessed Valuation (AV) as determined by the Contra Costa County Assessor’s Office. The projection of the AV growth (or decline) is based on prior year data including CPI increase limit per Proposition 13, sold properties and their subsequent new valuation, and prediction of the properties that will change from Proposition 8 status back to the normal Proposition 13 maximum valuation as determined by the Contra County Assessor’s Office. Very generally, Proposition 8 provides that taxable value does not exceed the current market value of the property. Once a value is temporarily reduced under Proposition 8, it is reviewed annually and adjusted, according to the market value. Once the market value exceeds the adjusted base value, it will be restored. Other revenue streams within the Property Tax category change from year to year, based on different criteria. Those changes are usually projected based on CPI changes or prior year trends.

*Property Taxes and Assessed Valuations*



The City utilizes the facilities of the County for the assessment and collection of property related taxes for City purposes. The assessed valuation of property is established by the County Assessor and reported at 100% of the full cash value as of January 1,

except for public utility property, which is assessed by the State Board of Equalization. City property related taxes are assessed and collected at the same time and on the same tax rolls as are county, school, and special district taxes.

The County collects the *ad valorem* property taxes. Taxes arising from the basic one percent levy are apportioned among local taxing agencies on the basis of a formula established by State law in 1979. Under this formula, the City receives a base year allocation plus an allocation on the basis of growth in assessed value (consisting of new construction, change of ownership and inflation). Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. Taxes relating to voter-approved pension costs are allocated to the taxing agency. Beginning in Fiscal Year 1990-91 (with the adoption of new State legislation), the County has deducted the pro-rata cost of collecting property taxes from the City's allocation.

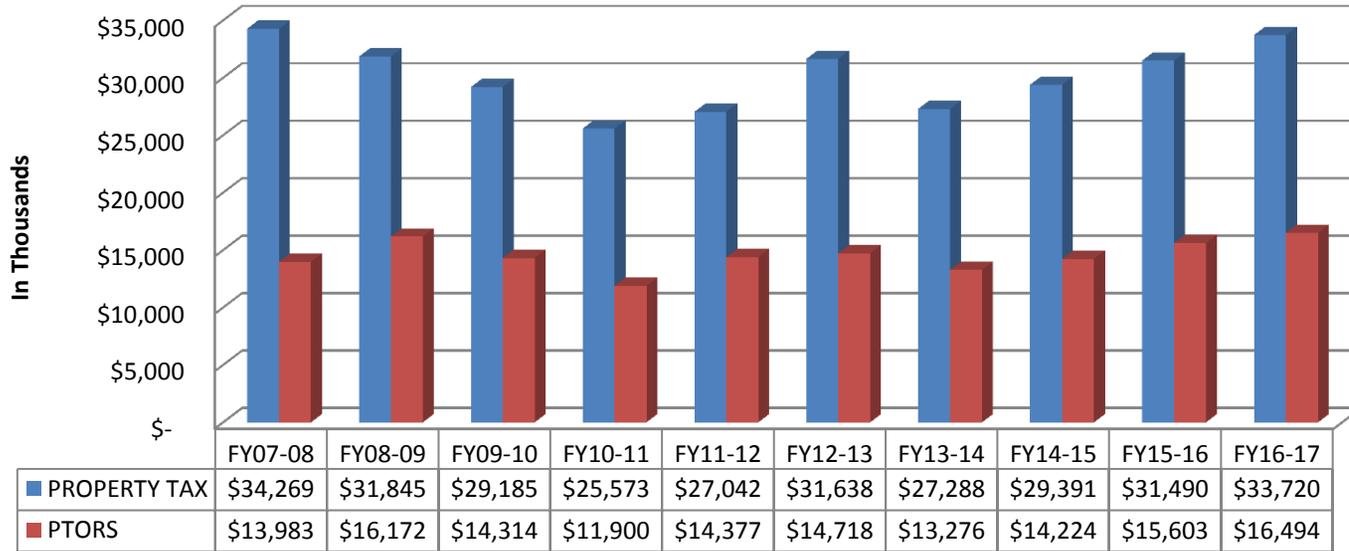
Pursuant to Article XIII A of the California Constitution, annual increases in property valuations by the County Assessor are limited to a maximum 2% unless properties are improved or sold. Transferred properties and improvements are assessed at 100% of full cash value. Therefore, the County tax rolls do not reflect values uniformly proportional to market values.

Business inventories are exempt from property taxation and are not included in the values shown in the following tables. Also excluded is the first \$7,000 of the value of owner occupied residences, pursuant to the homeowners' exemption under State law.

"Secured" property is real property which in the opinion of the County Assessor can serve as a lien to secure payment of taxes. "Utility" property is any property of a public utility which is assessed by the State Board of Equalization rather than the County Assessor, and which is also "secured" property.

Property tax receipts collected for the City by the County are set forth in the chart below. In preparing its annual budgets, the City forecasts property taxes based on each of the specific categories of receipts (secured and unsecured, current and delinquent receipts, supplemental, and State replacement funds). Current receipts are derived from the County Assessor's estimate of growth in assessed valuation, adjusted for estimates in growth for redevelopment project areas. Estimates of other property tax receipts are primarily based on historical collections.

**City of Richmond  
Property Tax Collections  
Last Ten Fiscal Years**



*Teeter Plan.* The City is located within a county that is following the “Teeter Plan” (defined below) with respect to property tax collection and disbursement procedures. Under this plan, a county can implement an alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Section 4701 through 4717, inclusive), commonly referred to as the “Teeter Plan.”

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within the county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided. While the County bears the risk of loss on delinquent taxes that go unpaid, it benefits from the penalties associated with these delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk. The constitutionality of the Teeter Plan was upheld in *Corrie v. County of Contra Costa*, 110 Cal. App. 2d 210 (1952). The County was the first Teeter Plan county in the State when the Teeter Plan was enacted by the State Legislature in 1949.

The valuation of property is determined as of January 1 each year and equal installments of tax levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due May 15 and become delinquent August 31.

Although the City receives its entire secured tax levy amount each year under the Teeter Plan, an indication of actual tax collections can be obtained from the history of collections of all entities levying taxes within the City limits.

*Largest Taxpayers.* Set forth in the following table are the ten largest secured taxpayers in the City for the Fiscal Year FY2015-16, based on assessed valuations within the City.

**FY2015-16 TOP TEN PROPERTY TAXPAYERS**  
**Top Property Owners Based on Net Values**

<b>Owner</b>	<b>Type of Business</b>	<b>Secured</b>		<b>Unsecured</b>		<b>TOTAL</b>			
		<b>Value</b>	<b>% of</b>	<b>Value</b>	<b>% of</b>	<b>Value</b>	<b>% of</b>		
1) CHEVRON USA INC	Industrial	\$3,055,659,318	25.72%	\$458,957,053	45.02%	\$3,514,616,371	27.25%		
2) GUARDIAN KW HILLTOP LLC	Residential	\$150,112,542	1.26%			\$150,112,542	1.16%		
3) LENNAR EMERALD MARINA BAY LLC	Residential	\$92,625,257	0.78%			\$92,625,257	0.72%		
4) KAISER	Industrial	\$47,870,995	0.40%			\$29,690,313	2.91%	\$77,561,308	0.60%
5) RICHMOND ESSEX LP	Residential	\$74,326,827	0.63%			\$74,326,827	0.58%		
6) DICON FIBEROPTICS INC	Industrial	\$41,307,604	0.35%			\$41,307,604	0.32%		
7) US BANK NATIONAL ASSOCIATION TRUST	Commercial	\$40,545,369	0.34%			\$40,545,369	0.31%		
8) FORD POINT LLC	Industrial	\$39,780,255	0.33%			\$39,780,255	0.31%		
9) BRE PIPER MF TIDES CA LLC	Residential	\$38,668,807	0.33%			\$38,668,807	0.30%		
10) DDRM HILLTOP PLAZA LP	Commercial	\$37,490,000	0.32%			\$37,490,000	0.29%		
<b>Top Ten Total</b>		<b>\$3,618,386,974</b>	<b>30.46%</b>	<b>\$488,647,366</b>	<b>47.93%</b>	<b>\$4,107,034,340</b>	<b>31.84%</b>		
<b>City Total</b>		<b>\$11,878,699,74</b>		<b>\$1,019,468,0</b>		<b>\$12,898,167,822</b>			

Property Tax revenue has seen large swings, both up and down, based on changes to the valuation of the Chevron Refinery and the valuation of residential properties. Other economic factors impacting the future of this revenue stream include:

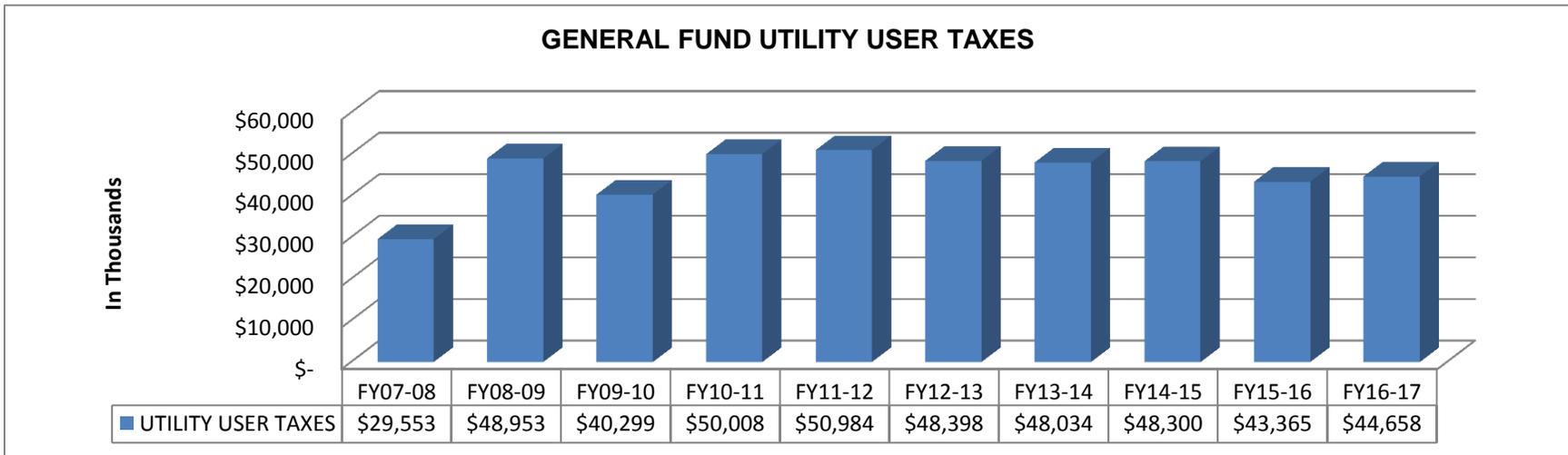
- Future changes to the price of crude oil will continue to affect the valuation of the refinery. Furthermore, the valuation of the refinery will be impacted by the current modernization project taking place there. In brief, the valuation is based on the profitability of the refinery as determined by the County Assessor.
- The housing crash from the previous decade had a long lasting effect on Property Tax revenue in the City of Richmond. After several years, most of the valuation lost during the housing market crash, and the subsequent re-valuation by the County Assessor under the Proposition 8 framework, has been regained – although not all. Many factors will affect this segment of the revenue stream going forward including new housing construction, of which there are several large projects in the initial stages throughout Richmond. Also, sale prices during the previous year will impact the Assessed Valuation (AV).
- Many sales of warehouses in Richmond have also taken place in recent months. It is assumed that this has happened because investors are speculating that these will be good locations for marijuana growths with the impending passage of Proposition 64.

### *Utility Users Tax*

The City collects a Utility Users Tax (UUT) from utility users within the City's boundaries. Such users are charged 10% of the total bill for electricity and gas services, and 9.5% of the total bill for telecommunication and cable television services. The tax is not applicable to State, County, or City agencies, insurance companies or banks. The Utility Users Tax represented the largest revenue source for the City in Fiscal Year 2015-16.

The Richmond Municipal Code Section 13.52.100 provides that any electric service user may annually elect to pay a maximum UUT that is calculated as the base amount of \$1,148,137.54 for each percent of tax imposed for any tax year. The base amount is then adjusted annually by that percentage which is ninety percent (90%) of the total percentage of change in the United States Department of Labor, Bureau of Labor Statistics' Gas (piped) and Electric Consumer Price Index for All Consumers Urban for the San Francisco/Oakland/San Jose Area. This is calculated on the basis of the two consecutive and most recently completed years for which data is available from the United States Department of Labor. In order to elect to pay the maximum UUT, a user of the electric service must enter into an agreement with the City Tax Administrator prior to the commencement of the tax year to pay the maximum tax liability directly to the City during the tax year. No portion of the maximum UUT is refundable in the event the service user subsequently determines that its tax liability under this chapter would have been less than the maximum UUT calculated as described above.

UUT as mentioned above consists on taxes to utilities such as cable television, gas and electricity, telecommunications (land lines and cell phones) and prepaid wireless cards – which is a new revenue as approved by the State of California in 2014 year with the passage Assembly Bill 1717. Stemming from these taxes, the City has two revenue streams related to the Chevron Refinery. The refinery opts to use the maximum UUT provision on a consistent basis. Additionally, within the UUT category the City has settlement payments related to litigation with the refinery. These two Chevron related streams account for over 63% of UUT as a whole. Furthermore, each revenue stream is analyzed independently based on prior year data and trends happening locally and legislation or changes happening at the state level. For example, for both cable television and telecommunications, there are less people subscribing to these services (i.e. landlines), often opting for non-taxed services (dish services).



For many years, this revenue stream was the steadiest of Richmond’s major revenue streams. With ever changing technologies, there have been significant declines to two of the categories that make up this revenue stream. Other economic factors impacting the future of this revenue stream include:

- Telecommunications: The City has experienced significant decreases in this segment of the UUT category. The decreases stem from many people getting rid of their landlines or getting prepaid cards. The prepaid cards were previously not taxed. Last year, the State approved AB1717 which imposed UUT on prepaid cards. This means cities will be able to recoup some of the UUT that was being lost.
- Cable TV: The City has also seen stagnation and eminent decreases to UUT from cable subscribers. This is the result of people switching over to dish providers, which are exempt from UUT, and from people using over the top TV (OTT) such as Netflix, Hulu and YouTube which are currently not taxed. Many California cities are looking at possibly starting to charge UUT on such services.

- Gas and Electricity: As mentioned above, the drop in oil prices can also affect our UUT stemming from gas and electricity.
- Operation: This segment of our UUT revenue stems from a provision in our Municipal Code that allows any party in Richmond to opt to pay a Maximum Tax without having to disclose actual utility usage. The rate changes from year to year based on changes to the CPI. It has been around \$20 million for the past few years.
- Settlements: Currently we only have one settlement related to UUT and that stems from various litigations with Chevron. We have a settlement in place through FY2024-25 with specific payment amounts stipulated for each year.

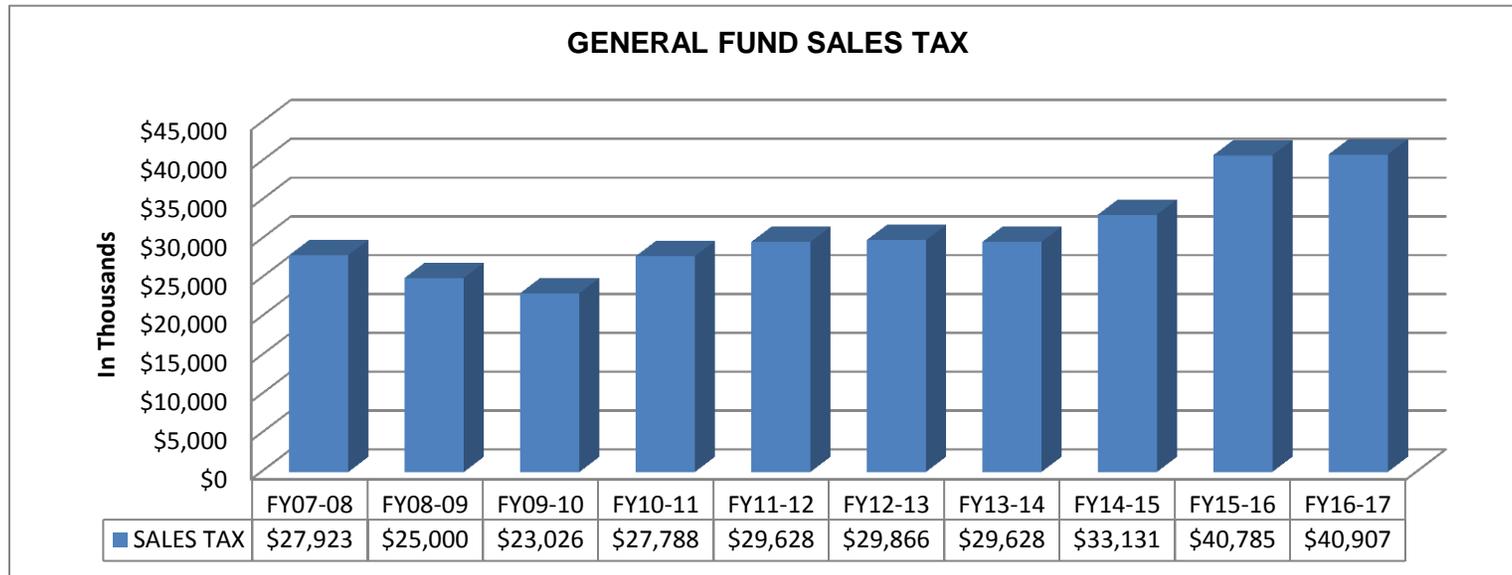
### Sales and Use Taxes

The sales tax is an excise tax imposed on retailers for the privilege of selling tangible personal property. The use tax is an excise tax imposed on a person for the storage, use or other consumption of tangible personal property purchased from any retailer. The proceeds of sales and use taxes (collectively, “Sales Tax”) imposed within the boundaries of the City are distributed by the State to various agencies as shown below in the table below. The total Sales Tax rate for the City currently is 9.50% and is allocated as follows:

Rate	Jurisdiction	Purpose
3.69%	State	State's General Fund
0.25%	State	State's General Fund
0.50%	State	Local Public Safety Fund to support local criminal justice activities (1993)
0.25%	State	State's Education Protection Account to support school districts, county offices of education, charter schools, and community college districts.
0.50%	State	Local Revenue Fund to support local health and social services programs (1991 Realignment)
1.06%	State	Local Revenue Fund 2011
0.25%	County Transportation	County transportation funds
1.00%	Local	City operations – Regular Sales Tax
1.00%	Local	City operations – Measure Q/2004
1.00%	Local	City operations – Measure U/2014
<b>9.50%</b>	<b>Total</b>	<b>Total Statewide Base Sales and Use Tax Rate</b>

The Sales Tax category is made of several categories. Of significance are those collected by the State of California’s Board of Equalization, regular sales tax, and the two voter-approved extra half-cent Measure U and Measure Q sales taxes make up 75% of this revenue stream. The City works with revenue consultants, MuniServices, to produce these forecasts. The company provides quarterly updates that contain updated five year forecasts. They specifically look at California’s economic and local trends to forecast future trends. Additionally, their Cash Receipts Analysis report presents performance information for the City, others in our county,

geographical regions, and statewide by quarter, fiscal year to date and benchmark year. MuniServices also reviews the released sales tax permit and payment data separately from the allocation summaries State Board of Equalization. The other revenue streams within the Sales Tax category change from year to year based on different criteria. Those streams are analyzed individually and projected based on trends from prior years. One revenue in particular, the Vehicle License Fee Backfill Swap, is based directly on changes to AV. For this stream in particular, the City uses the same AV change as used for Secured Property Taxes.



Richmond has relatively well diversified sales tax segments with Transportation making up 30% of the total Sales Tax, General Retail at 28%, Business to Business at 21%, Construction at 11% and Food Products at 10%. This diversification helps smooth out the revenue stream although each segment is susceptible to its ups and downs due to various factors. Additionally, Richmond has two voter approved extra half cent sales tax measures – neither of which have sunset clauses. Other economic factors impacting the future of this revenue stream include:

- **Transportation:** This segment includes car sales and gasoline sales. It is affected by oil prices and interest rates as well as the overall regional economy. With a large Auto Plaza in Richmond, the many sales to customers from outside of Richmond boost the regular Sales Tax. The extra half cent sales taxes are only applied to car sales to Richmond residents whether in Richmond or somewhere else in the State.
- **General Retail:** Richmond has several big box retailers including Costco, Wal-Mart and Target; and also a large regional mall with anchor tenants Macy's, Sears and JC Penney.
- **Construction:** This segment is highly influenced by the housing market, especially new construction.

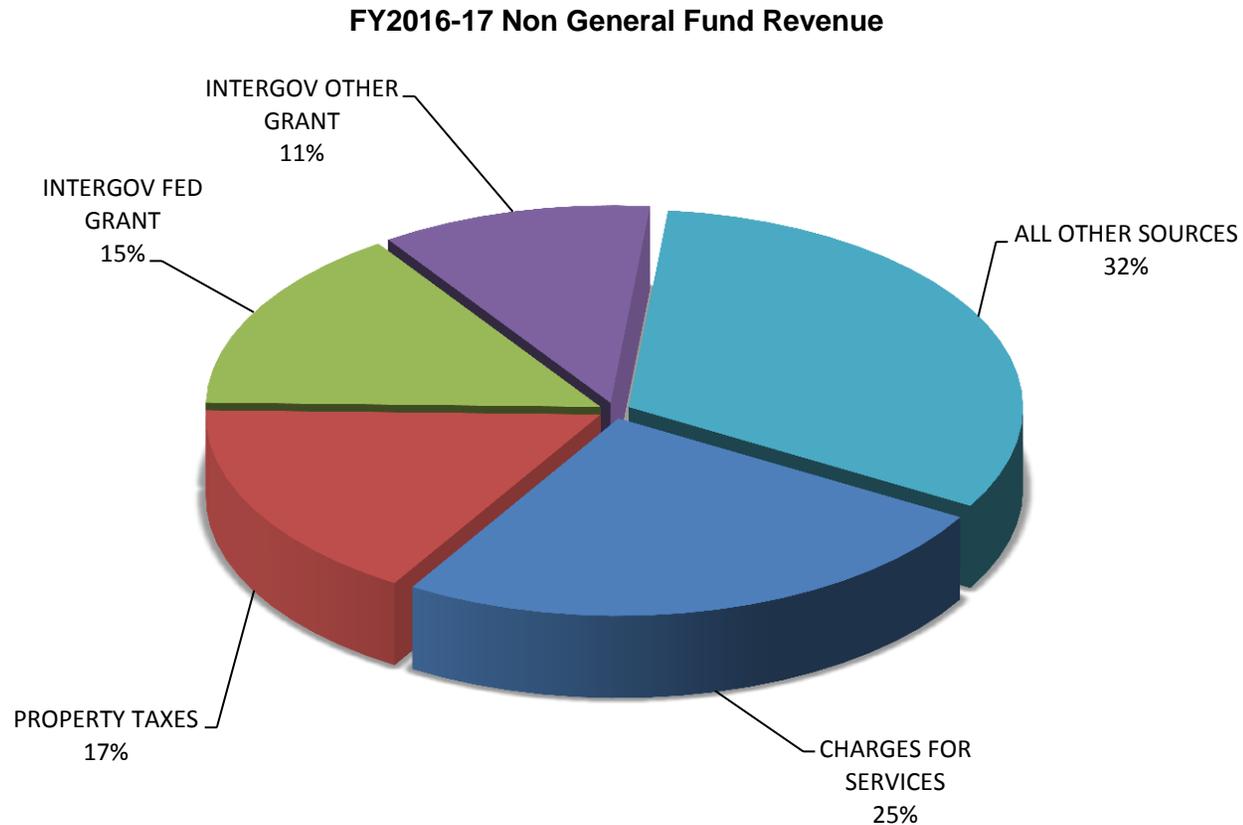
- Marijuana: Richmond currently has three permitted medical marijuana dispensaries. With Proposition 64—which could possibly legalize recreational use--going before the voters this November, this segment might see significant changes in the near future.

### *Other Taxes*

Other taxes include franchise fees, transient occupancy tax, and documentary transfer tax which is the largest amount collected under this revenue source. The City collects a tax (the “Documentary Transfer Tax”) on all transfers by deeds, instruments, writings or any other document by which lands, tenements, or other interests in real property are sold at a rate of \$7.00 for each \$1,000 or fractional part thereof of the consideration.

## Major Non-General Fund Revenue Sources

Following is a discussion of the City's principal non-general fund revenue sources: charges for services, property taxes, federal grants, and other grants. For Fiscal Year 2016-17, the budget projects these individual non-general fund revenue sources to total approximately \$154.7 million. The overall Non-General Fund budget including all revenue sources totals \$216.4 million.



### *Charges for Services*

These charges are imposed by two main departments of the City of Richmond – Water Resource Recovery and Human Resources. Water Resource Recovery department generates revenue from wastewater sewer charges. The wastewater sewer division receives revenues from fixed fees from residential, commercial, and industrial users as set by ordinance. While the residential fees are fixed based on the number of users, commercial and industrial pay a flat fee and a flow based fee. These non-residential fees (commercial & residential) are based on prior year usage. The Human Resources department receives revenue from general liability cost allocations and worker's compensation charges. Charges are allocated to the departments to fund the City's insurance reserves.

### *Property Taxes*

The property taxes received outside the General Fund is from tax increment, special assessment tax (assessment district, floating lien), pension override, and secured and unsecured property taxes. The tax increment is collected and used in the Successor Agency to the Richmond Community Redevelopment Agency (RCRA) for the revitalization of physical, economic and social conditions of blighted areas and community enhancing programs to improve the general welfare and enhance the quality of life in the community. The other revenues are used on debt service, retirement benefits, bank fees, and other miscellaneous expenses. Projections of tax increment revenues are from hiring an outside consulting agency with assumptions from the assessor's office. Assessed valuation determines the revenue from the special assessment tax each year. Pension override is a fixed rate of tax levied upon the taxable and personal property within the taxing districts. For secured property taxes - revenue is generated when the Assessor establishes the value of property (land or structures) on January 1<sup>st</sup>. This value is multiplied by the tax rate then some special charges are added i.e. sewer assessment charges. Unsecured property taxes are taxes against businesses for property that can be relocated such as business equipment, planes, and boats. The unsecured tax revenue comes from the prior year secured tax on January 1<sup>st</sup> multiplied by the tax rate.

### *Federal Grants*

The revenue received from federal grants fund programs managed in four main departments - Housing Department, Employment and Training, Richmond Housing Authority, and the Successor Agency. Funding is received from the following sources: Department of Housing and Urban Development (HUD), Community and Block Development Grant (CDBG), Workforce Investment Act (WIA). While many of the grants are recurring, the City continues to explore and apply for grants in the future to better help serve our communities.

### *Other Grants*

The revenue from other grants primarily fund Paratransit operations and capital improvement projects. Funding is received from the following local sources: Contra Costa Transit Authority, One Bay Area Grant Program, Safe Routes to School, Measure J, Bay Area

Air Quality Management District.

## Changes in Cash Balance

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FY2016-17 Budget Summary (page B-44) illustrates changes in beginning and ending balances by fund. Below is a summary explaining significant variances by fund group.

Capital Improvement Funds: Projected cash balance estimated to decrease by 175%. Most of the funds with positive cash balances and revenues have active projects, monies are rolled over from prior fiscal year, and remaining balances will be carried forward to next year's budget. The negative ending fund balance is due to historical negative balances in Parks Projects and Traffic Impact Fee funds with no activity expected in fiscal year 2016-17.

Debt Service Funds: Projected cash balance to decrease by 12% due to debt service payments of pension stabilization bonds.

Enterprise Funds: Projected cash balance to decrease by 50% due to major capital projects in Wastewater, Port of Richmond, and Marina funds that are funded by cash reserves.

Internal Service Funds: Projected fund balance to decrease by 14% due to Risk Management fund's reduced allocation to City departments in lieu of expected reimbursement of claims receivable. The reimbursement is estimated to maintain the fund's liquidity at desired confidence level.

Housing Department Funds: Projected fund balance to increase by 66% due to projected increase of revenue in developer fee, which is estimated based on current trend of developments in the city. Additionally, projected revenue of proceeds from sale of properties in neighborhood stabilization program is increasing.

## Annual Appropriations Limit

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Article XIII B of the State Constitution, more commonly referred to as the Gann Initiative or Gann Limit, and subsequent implementation legislation requires that the City of Richmond limit each fiscal year's appropriations of the proceeds of taxes to the amount of such appropriations in Fiscal Year 1978-79 as adjusted for changes in the cost of living and population. Section 7910 of the Government Code requires each local government to establish by resolution its appropriations limit for each fiscal year. The City's limitation is calculated every year and it is established by a resolution of the City Council as a part of the Annual Operating Budget. Resolution No. 59-16 was approved on June 28, 2016 establishing the City of Richmond's appropriation limit. Below is the calculation.

<b>Fiscal Year</b>	<b>Population Percent Change</b>	<b>Per Capita Inflation Change Factor</b>	<b>Annual Growth Factor</b>	<b>Annual Adjustment</b>	<b>Annual Appropriations Limit</b>
2016-17	1.0074	1.0537	1.0615	\$20,473,251	\$353,385,831
2015-16	1.0090	1.0382	1.0475	\$15,109,563	\$332,912,580
2014-15	1.0098	0.9977	1.0075	\$2,358,722	\$317,803,017
2013-14	1.0077	1.0512	1.0593	\$17,657,067	\$315,444,295
2012-13	1.0083	1.0377	1.0463	\$13,180,945	\$297,787,227
2011-12	1.0077	1.0251	1.0330	\$9,090,177	\$284,606,282
2010-11	1.0110	0.9746	0.9853	-\$4,104,665	\$275,516,105
2009-10	1.0116	1.0062	1.0179	\$4,909,616	\$279,620,770
2008-09	1.0136	1.0429	1.0571	\$14,834,645	\$274,711,154
2007-08	1.0113	1.0442	1.0560	\$13,781,204	\$259,876,509

The City's appropriations subject to the Gann Limit total \$136,711,393, which is well below the authorized spending limit of \$353,385,831. Additional appropriations to the budget funded by non-tax sources such as beginning fund balances, grants or service charges are unaffected by the appropriations limit. Historically, the City's Annual Appropriations Limit has exceeded annual appropriations and the City projects this trend to continue.