



City of Richmond  
General Fund  
Five Year Financial Forecast



Fiscal Years 2019-20 to 2023-24

# Purpose

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- ▶ Create a long-range view for strategic decision making
- ▶ Align financial capacity with long-term service objectives
- ▶ Understand major drivers of revenue and expenditures
- ▶ Identify structural budget issues
- ▶ Evaluate long-term impacts of current decisions
- ▶ Scenario analysis to determine fiscal impact of varying conditions

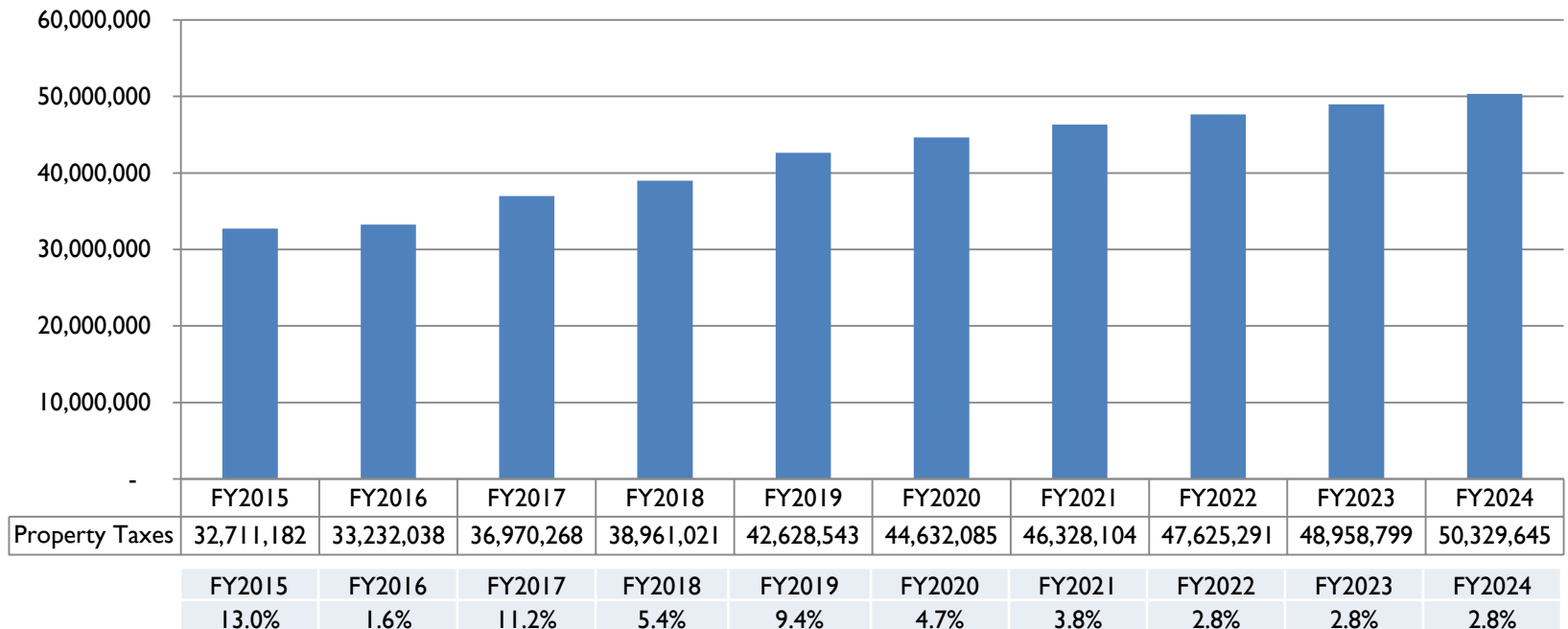
# Key Revenue Assumptions

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- ▶ Annual Consumer Price Index (CPI) conservatively averaged at 2% for next five years based on United States CPI
- ▶ Stable and growing economy, however, changes in the economy could significantly impact the forecast
- ▶ Number of properties sold will slow down due to possible cooling of the housing market
- ▶ Sales Tax: forecasted to grow 3% annually based on sales tax consultant estimates
- ▶ Utility User Tax (UUT): estimated to remain flat
- ▶ Documentary Transfer Tax: projected to generate additional \$2 million a year beginning in FY2020

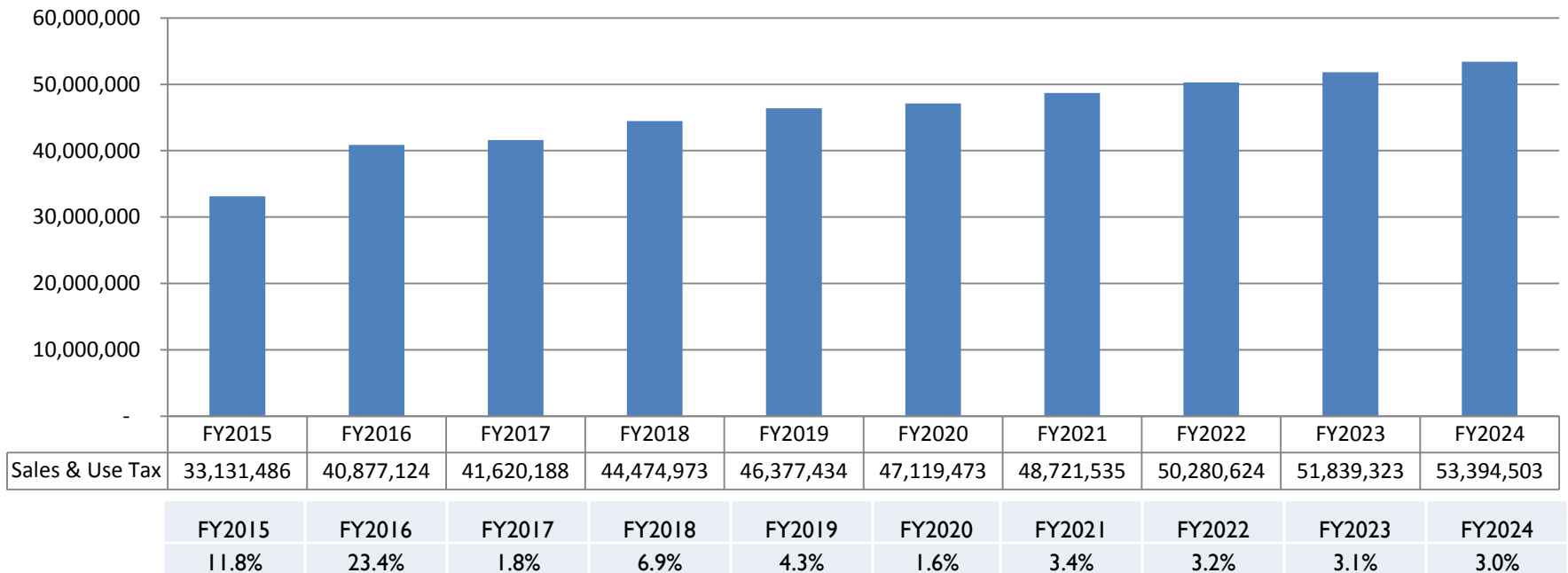
# Revenue - Property Tax

- Property Tax Revenues Include:
  - Secured Property Tax
  - Unsecured Property Tax
  - Homeowner's Exemption
  - Floating Lien
  - Successor Agency Pass-Thru and Residual Funds
- Assumes housing market slow down



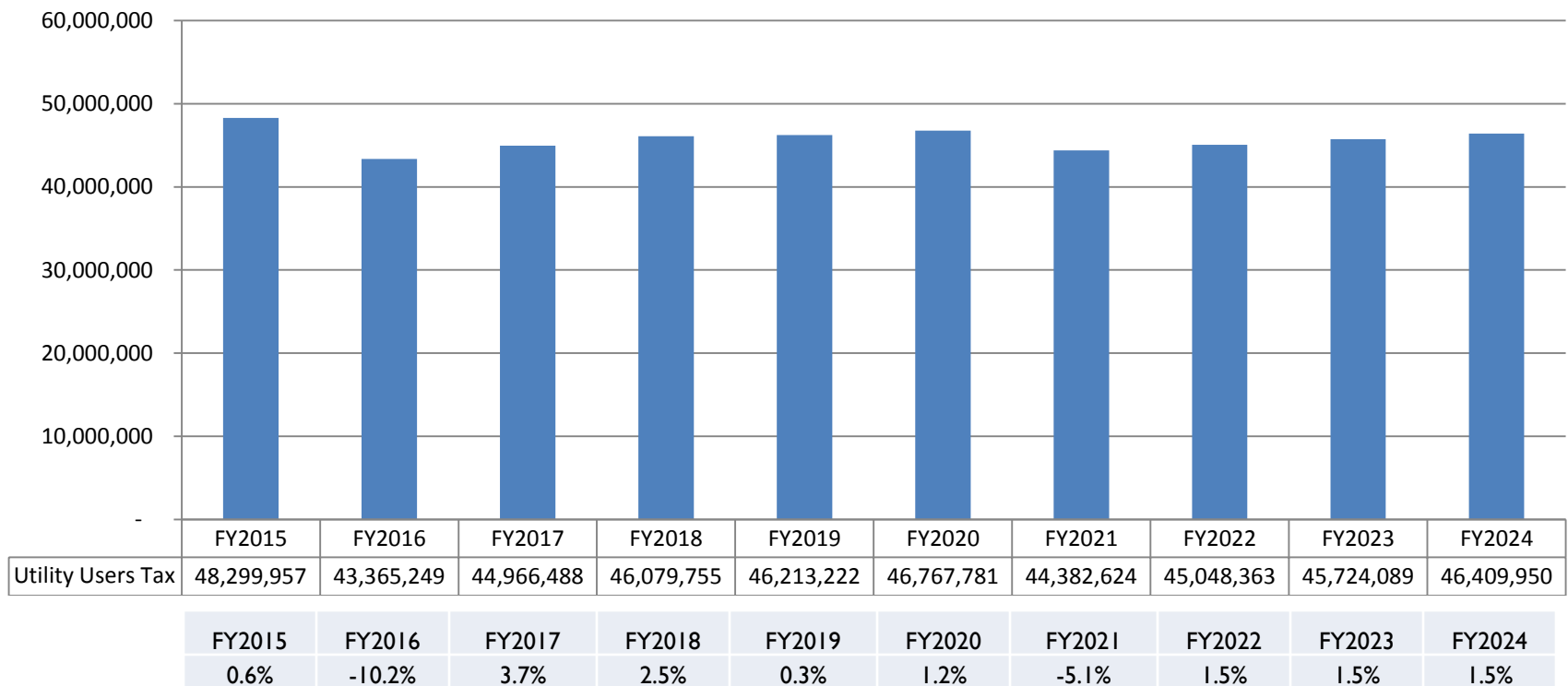
# Revenue - Sales Tax

- Sales Tax Includes:
  - Regular Sales Tax
  - Measures U & Q
  - Proposition 172 – sales tax for public safety activities
  - Marijuana Tax
  - Vehicle License Fee Backfill Swap
- Assumes stable and growing economy

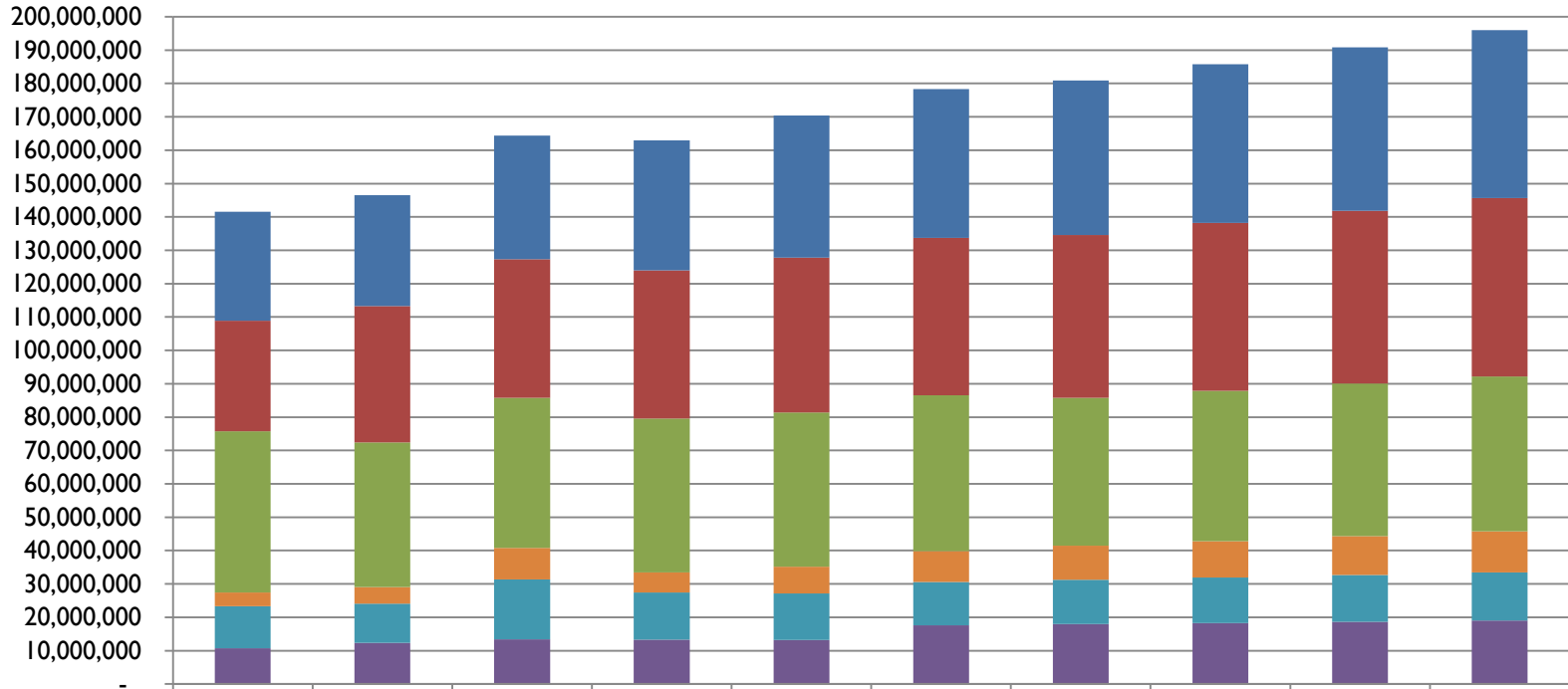


# Revenue – Utility Users Tax

- Utility Users Tax (UUT) Includes:
  - Tax on utilities (gas, electricity, cell phones, landlines, cable)
  - Chevron UUT Cap Payment at 2% annual growth based on Bay Area CPI for gas pipelines
  - Chevron Tax Settlement Agreement to decrease from \$7 million to \$4 million in FY2021, then concludes in FY2025
- Assumes flat growth



# Total Revenue



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Property Taxes	32,711,182	33,232,038	36,970,268	38,961,021	42,628,543	44,632,085	46,328,104	47,625,291	48,958,799	50,329,645
Sales & Use Tax	33,131,486	40,877,124	41,620,188	44,474,973	46,377,434	47,119,473	48,721,535	50,280,624	51,839,323	53,394,503
Utility Users Tax	48,299,957	43,365,249	44,966,488	46,079,755	46,213,222	46,767,781	44,382,624	45,048,363	45,724,089	46,409,950
Operating Transfer Ins	4,106,974	4,951,813	9,468,371	6,035,115	8,011,234	9,259,076	10,177,612	10,896,122	11,636,188	12,398,456
Other Revenues	12,593,450	11,703,807	17,909,757	14,176,135	13,964,688	12,958,254	13,307,723	13,668,197	14,040,042	14,423,633
Other Taxes	10,727,558	12,394,270	13,402,798	13,262,767	13,191,545	17,613,092	17,948,649	18,290,600	18,639,067	18,994,173
<b>Total</b>	<b>141,570,607</b>	<b>146,524,301</b>	<b>164,337,870</b>	<b>162,989,766</b>	<b>170,386,666</b>	<b>176,381,610</b>	<b>178,890,175</b>	<b>183,825,672</b>	<b>188,862,381</b>	<b>193,984,806</b>

# Key Expenditures Assumptions

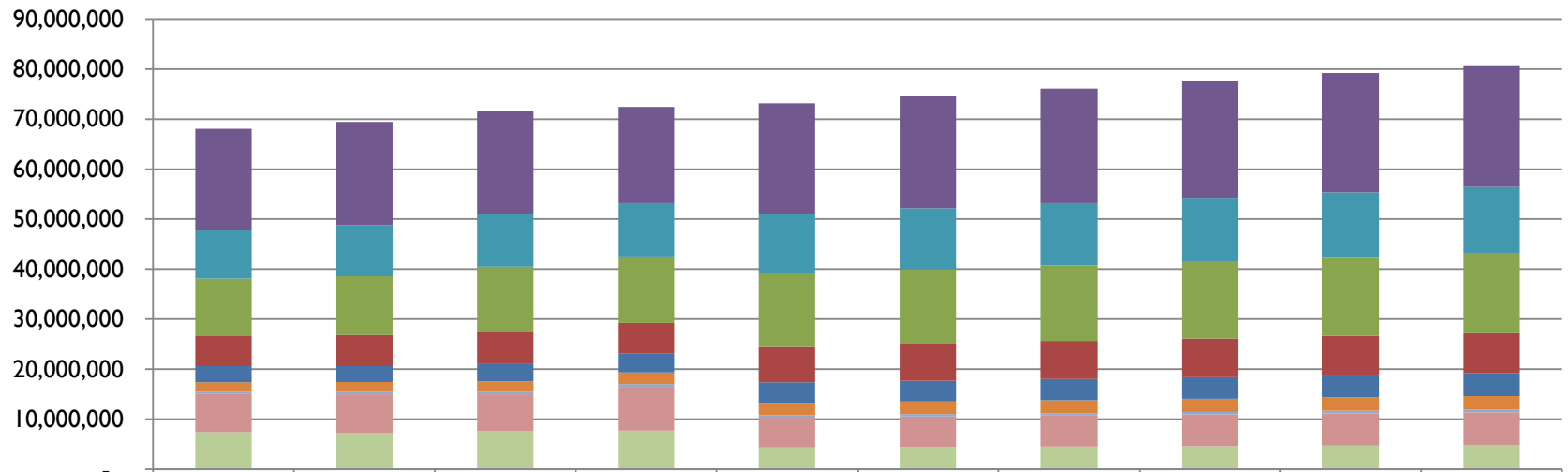
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- ▶ Projections are based on FY2019 mid-year budget as the baseline and do not assume any extraordinary events or changes in organization's structure
- ▶ Annual Consumer Price Index averaged at 2% for next five years
- ▶ Salaries: no increases in staff salaries beyond 2018-19; no change to the number of full-time permanent positions
- ▶ CalPERS costs: based on current actuarial report
- ▶ Other Benefits including health care and Other Post Employment Benefits (OPEB): trend analyses and CPI; include employee contributions to medical and OPEB
- ▶ Transfers Out: mostly operating subsidies to non-general funds; flat growth
- ▶ Other Expenditures: trend analyses and CPI



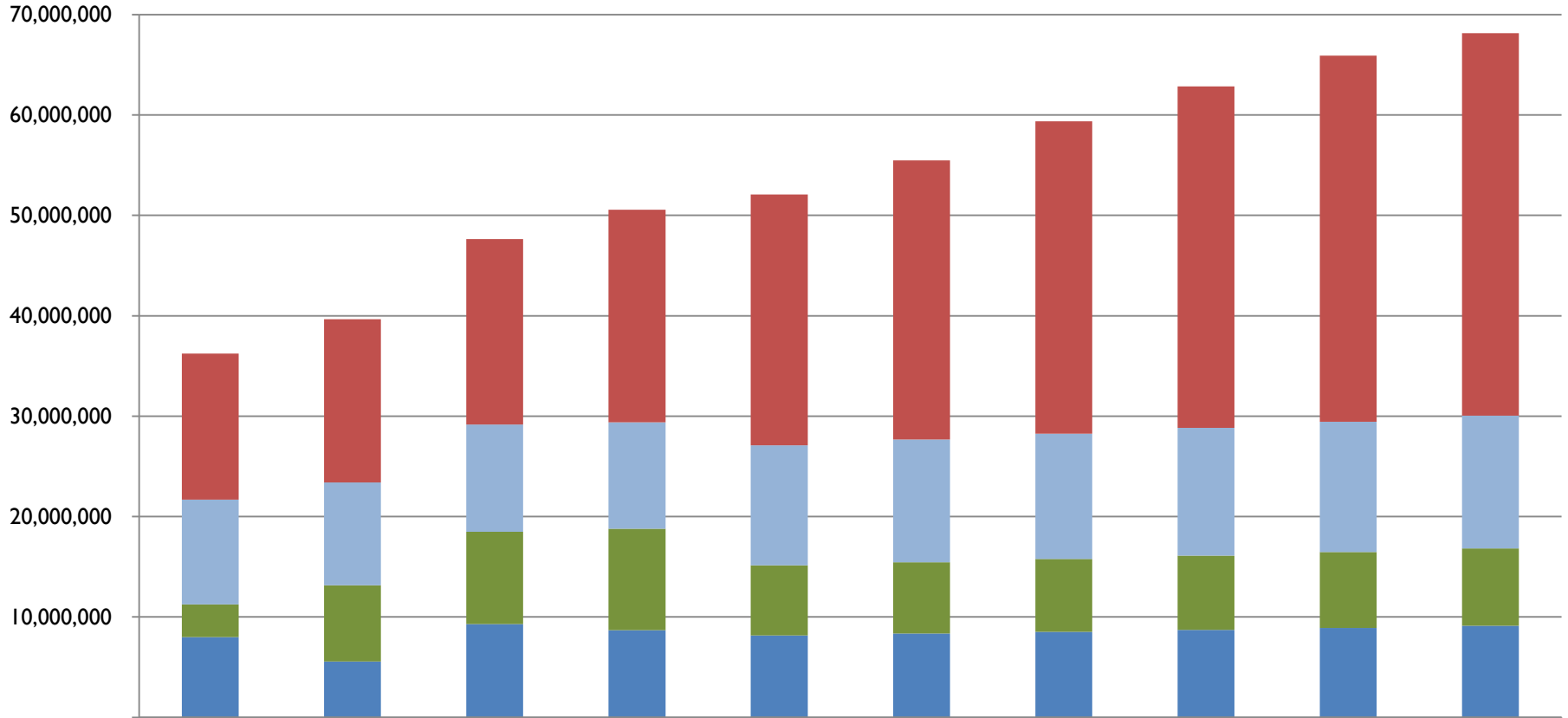
# Expenditures – Salaries & Wages

- No cost of living adjustments across the board for most bargaining units, only step increases for next five years
- 1% cost of living adjustment for police-sworn bargaining units



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Police-Sworn	20,267,943	20,585,288	20,583,130	19,171,493	22,018,865	22,459,242	22,908,427	23,366,596	23,833,928	24,310,606
Fire-Sworn	9,654,741	10,249,940	10,497,531	10,668,042	11,950,932	12,189,951	12,433,750	12,682,425	12,936,073	13,194,795
Local 1021	11,509,729	11,728,511	13,016,236	13,330,847	14,536,065	14,826,786	15,123,322	15,425,788	15,734,304	16,048,990
Local 21	5,979,419	6,223,172	6,320,376	6,062,063	7,292,513	7,438,363	7,587,130	7,738,873	7,893,650	8,051,523
Executives	3,265,949	3,156,582	3,590,430	3,786,315	4,078,604	4,160,176	4,243,380	4,328,247	4,414,812	4,503,108
Part Time Temp	1,874,097	1,964,498	2,099,645	2,328,544	2,474,425	2,523,914	2,574,392	2,625,880	2,678,397	2,731,965
Overtime General	419,744	490,675	480,037	576,989	475,207	484,711	494,405	504,293	514,379	524,667
Overtime Sworn	7,649,572	7,699,569	7,312,308	8,723,157	5,942,933	6,061,792	6,183,027	6,306,688	6,432,822	6,561,478
Other	7,419,198	7,320,129	7,701,527	7,755,671	4,385,726	4,473,440	4,562,909	4,654,167	4,747,251	4,842,196
<b>Total</b>	<b>68,040,390</b>	<b>69,418,362</b>	<b>71,601,220</b>	<b>72,403,121</b>	<b>73,155,270</b>	<b>74,618,375</b>	<b>76,110,742</b>	<b>77,632,957</b>	<b>79,185,616</b>	<b>80,769,329</b>

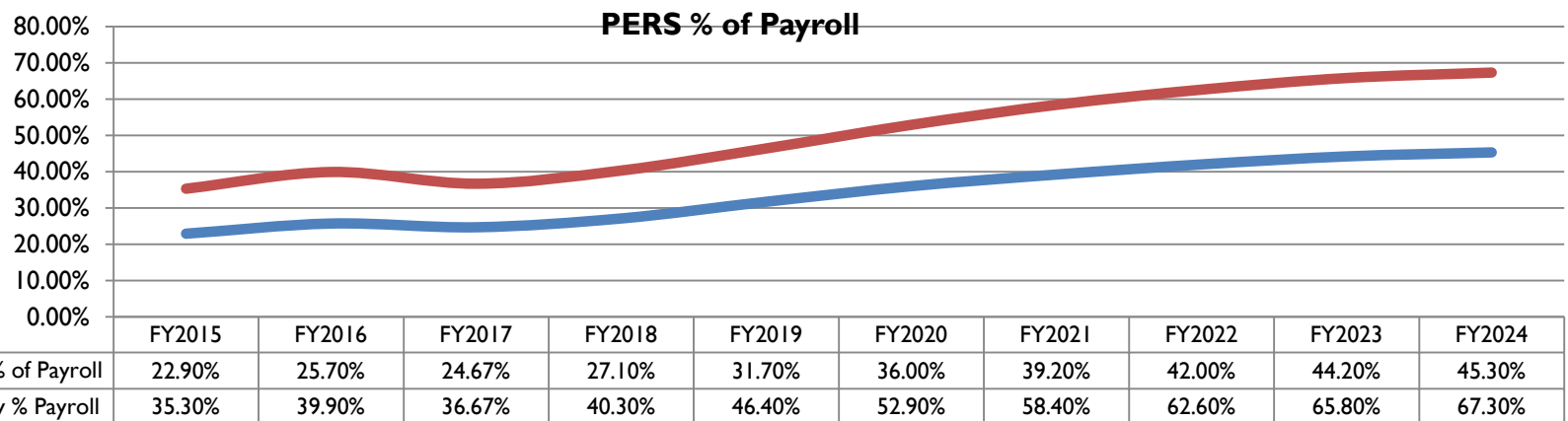
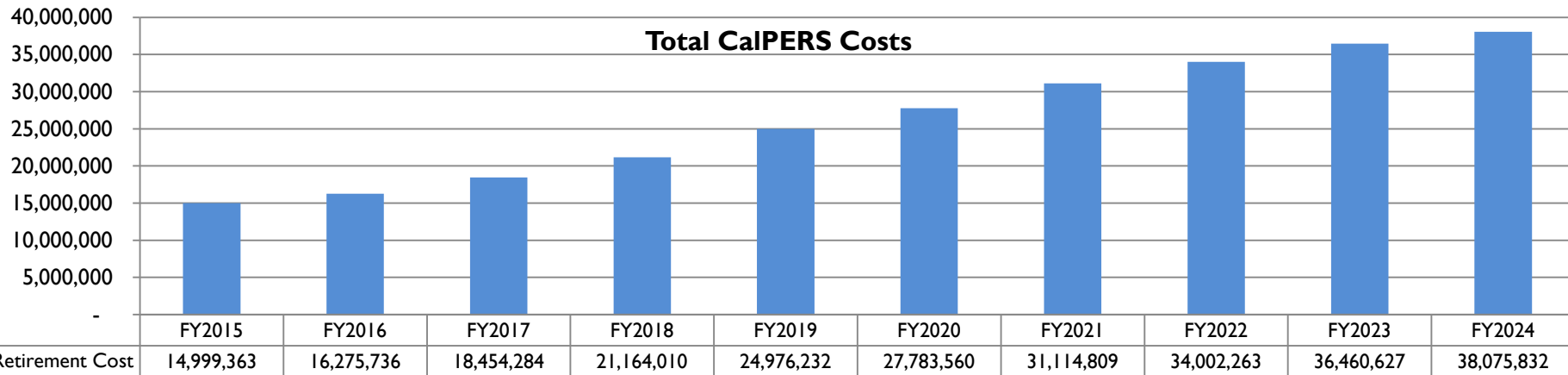
# Expenditures – Fringe Benefits



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
■ PERS	14,525,761	16,260,165	18,454,284	21,164,010	24,976,232	27,783,560	31,114,809	34,002,263	36,460,627	38,075,832
■ Healthcare	10,454,570	10,224,503	10,697,235	10,594,765	11,970,444	12,214,599	12,463,637	12,717,656	12,976,755	13,241,036
■ OPEB	3,255,289	7,584,873	9,185,328	10,089,337	6,974,029	7,113,510	7,255,780	7,400,895	7,548,913	7,699,892
■ Other	7,989,962	5,580,282	9,287,464	8,697,679	8,164,077	8,347,171	8,533,927	8,724,417	8,918,718	9,116,905
Total	36,225,582	39,649,824	47,624,311	50,545,790	52,084,782	55,458,839	59,368,152	62,845,231	65,905,013	68,133,664

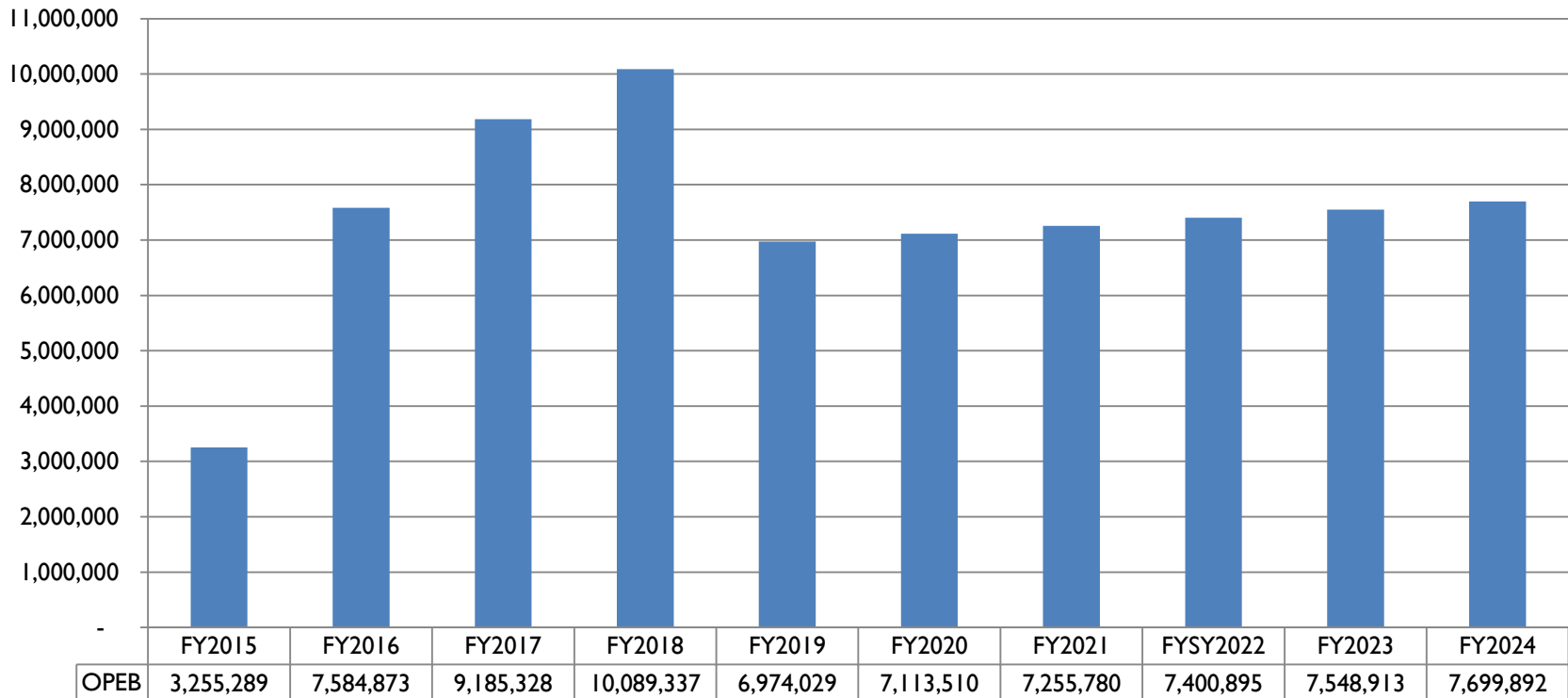
# Expenditures – CalPERS

- CalPERS discount rate reduction increased costs to agencies
- Effective FY2018, unfunded liability billing method changed from percentage of payroll to fixed dollar amount



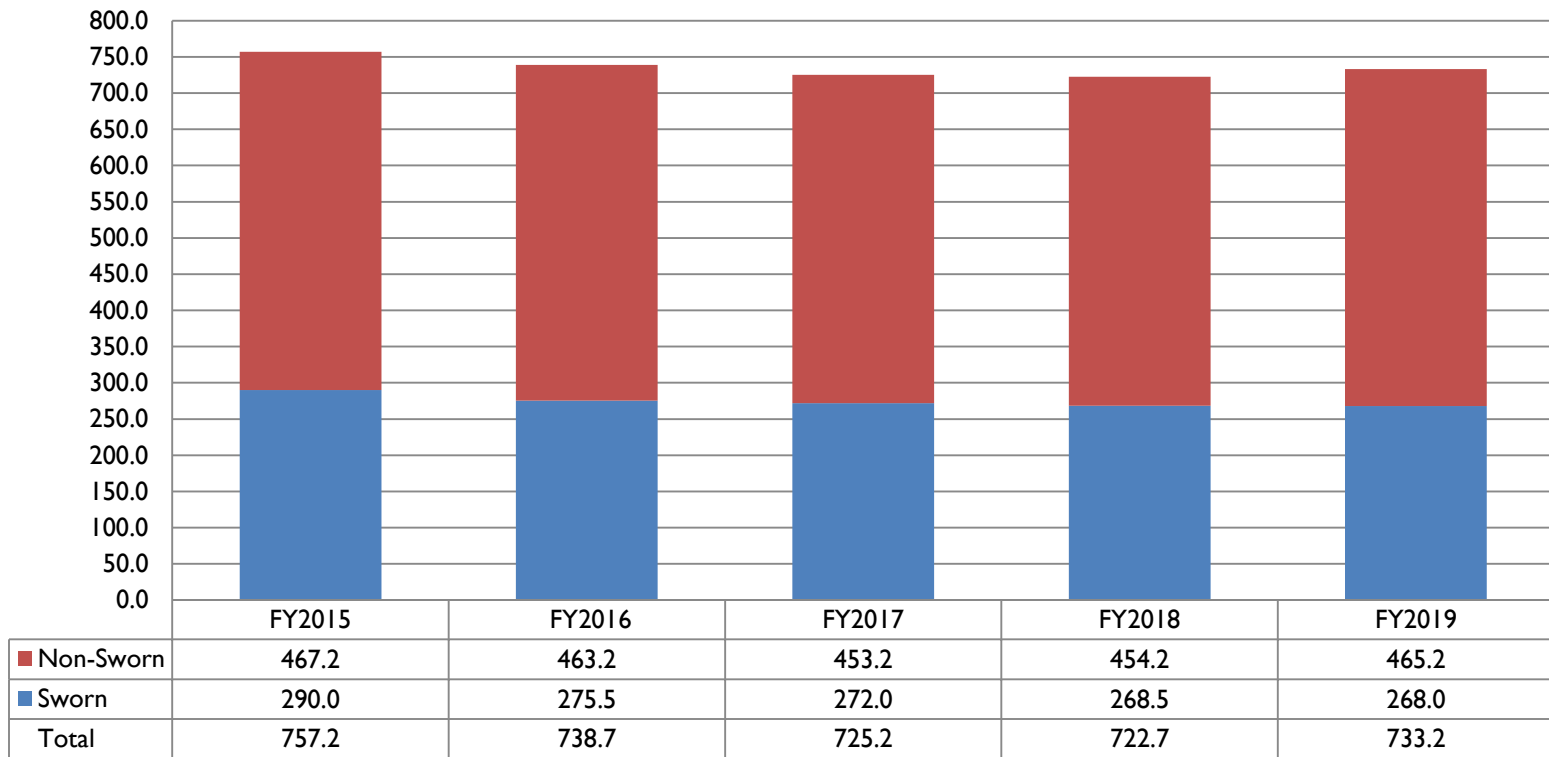
# Expenditures - Other Post Employment Benefits (OPEB)

- In FY2017-18, additional \$3.1 million transferred to OPEB trust as per City's OPEB Funding Policy
- OPEB is projected to grow at 2% annually based on historical trend analysis
- Unfunded Actuarial Accrued Liability currently \$196 million



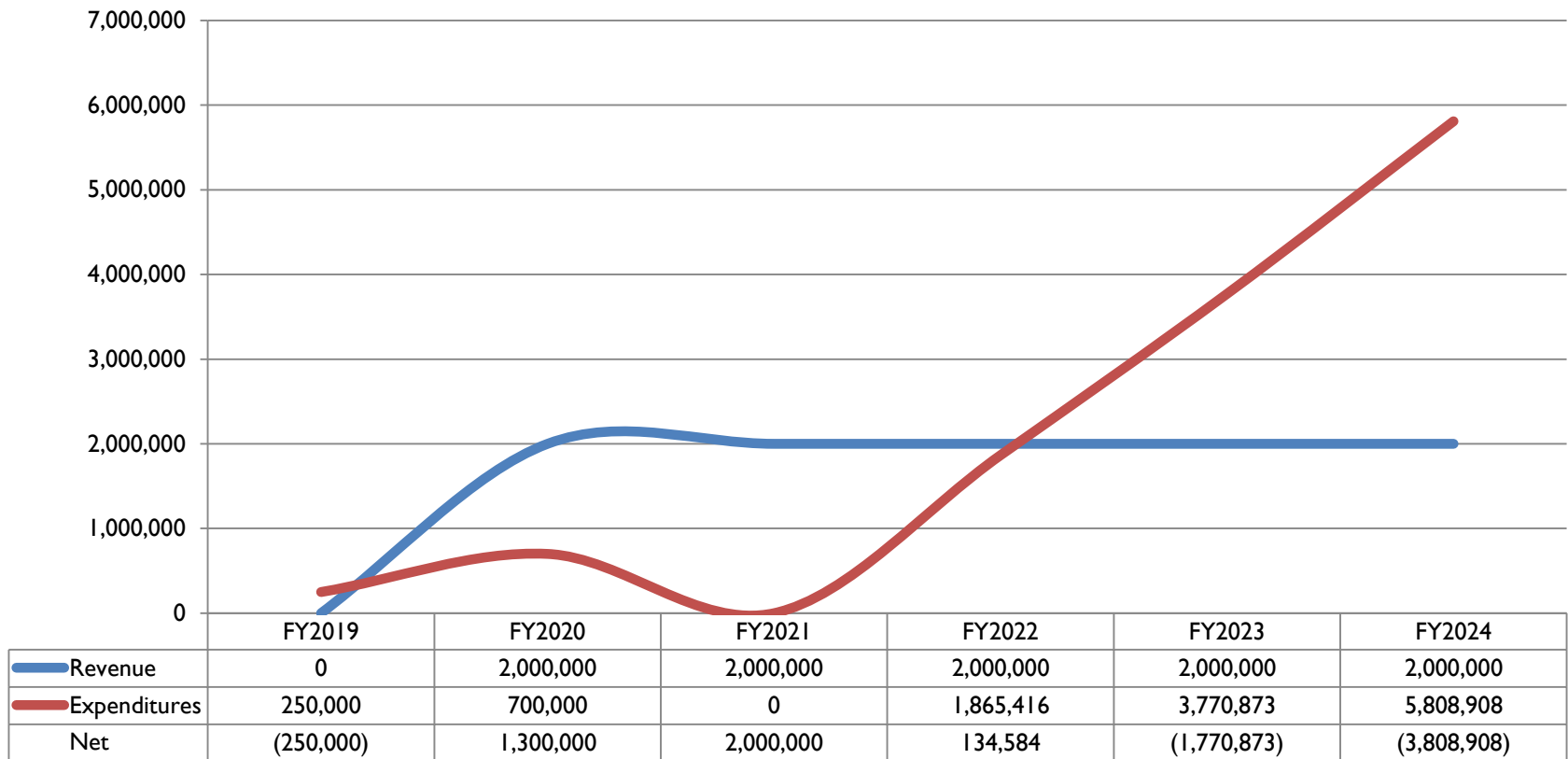
# Budgeted Positions

- Total full-time equivalents (FTEs) have remained stable over last five fiscal years
- Projection assumes no growth in the number of FTEs

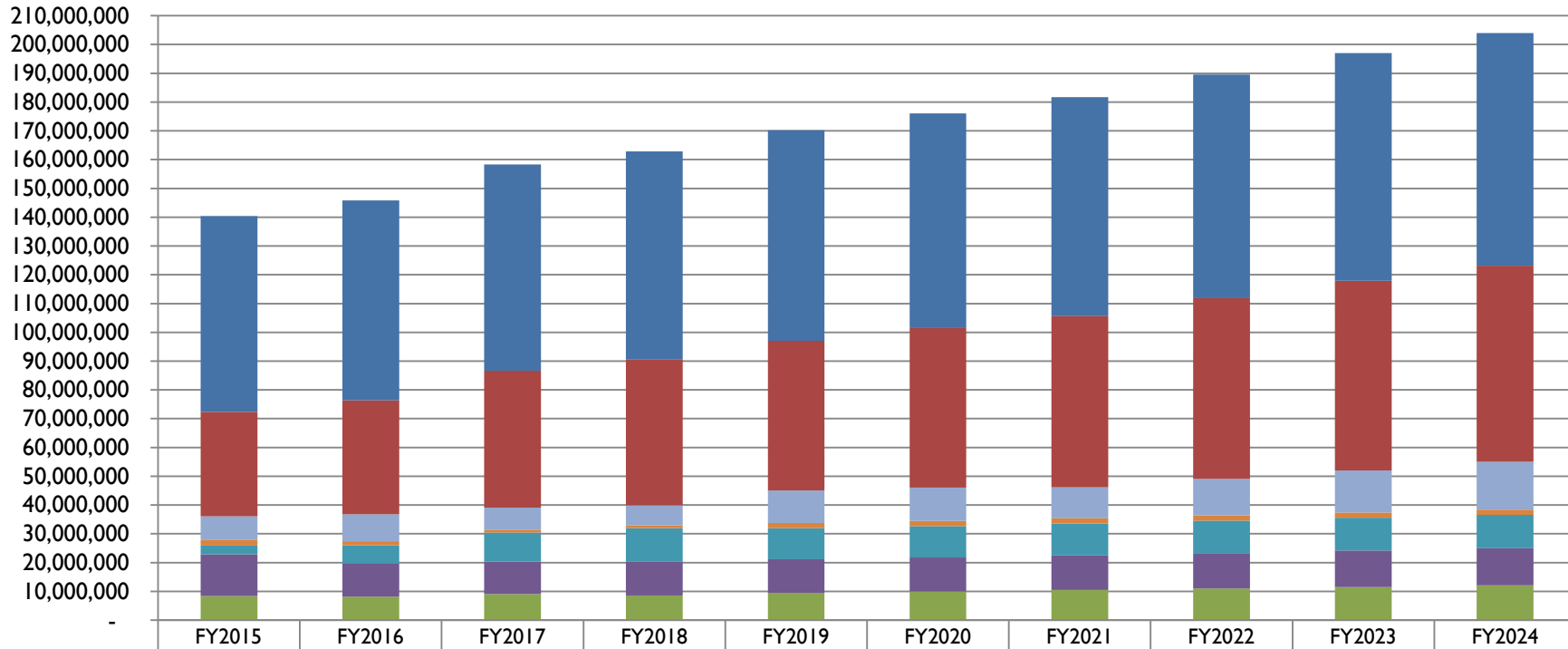


# Impact of Kids First Initiative on the General Fund

- Increased documentary transfer tax on properties over \$1 million
- Revenue stream is volatile and can change drastically from year to year
- Projection based on average of prior year trends



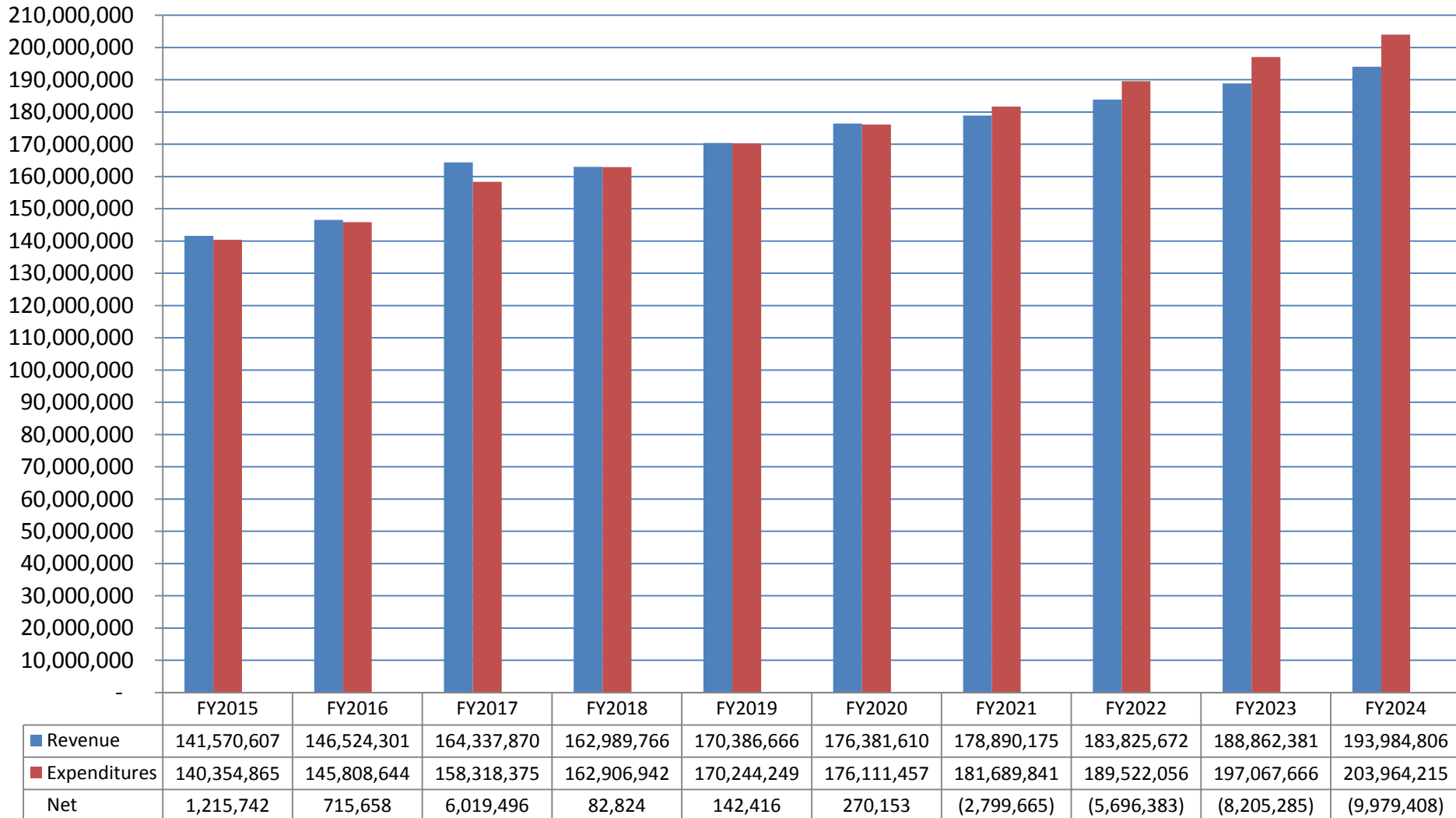
# Total Expenditures



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Salaries & Wages	68,040,390	69,418,362	71,601,220	72,403,121	73,155,270	74,618,375	76,110,742	77,632,957	79,185,616	80,769,329
Benefits	36,225,582	39,649,824	47,624,311	50,545,790	52,084,782	55,458,839	59,368,152	62,845,231	65,905,013	68,133,664
Operating Transfer Outs	8,268,026	9,356,148	7,671,453	7,010,216	11,236,050	11,536,053	10,790,824	12,668,427	14,611,764	16,672,022
Debt Service	1,869,958	1,355,590	1,005,345	1,023,687	1,811,725	1,811,907	1,812,088	1,812,269	1,812,088	1,809,551
Cost Pool & A-87	3,069,837	6,227,535	10,011,347	11,671,871	10,784,852	10,934,716	11,085,273	11,236,457	11,388,195	11,540,414
Other Operating	14,473,388	11,633,999	11,292,492	11,700,663	11,694,361	11,800,497	12,074,138	12,355,660	12,645,383	12,943,646
Professional & Administration	8,407,686	8,167,186	9,112,207	8,551,593	9,477,210	9,951,070	10,448,624	10,971,055	11,519,608	12,095,588
<b>Total</b>	<b>140,354,865</b>	<b>145,808,644</b>	<b>158,318,375</b>	<b>162,906,942</b>	<b>170,244,249</b>	<b>176,111,457</b>	<b>181,689,841</b>	<b>189,522,056</b>	<b>197,067,666</b>	<b>203,964,215</b>

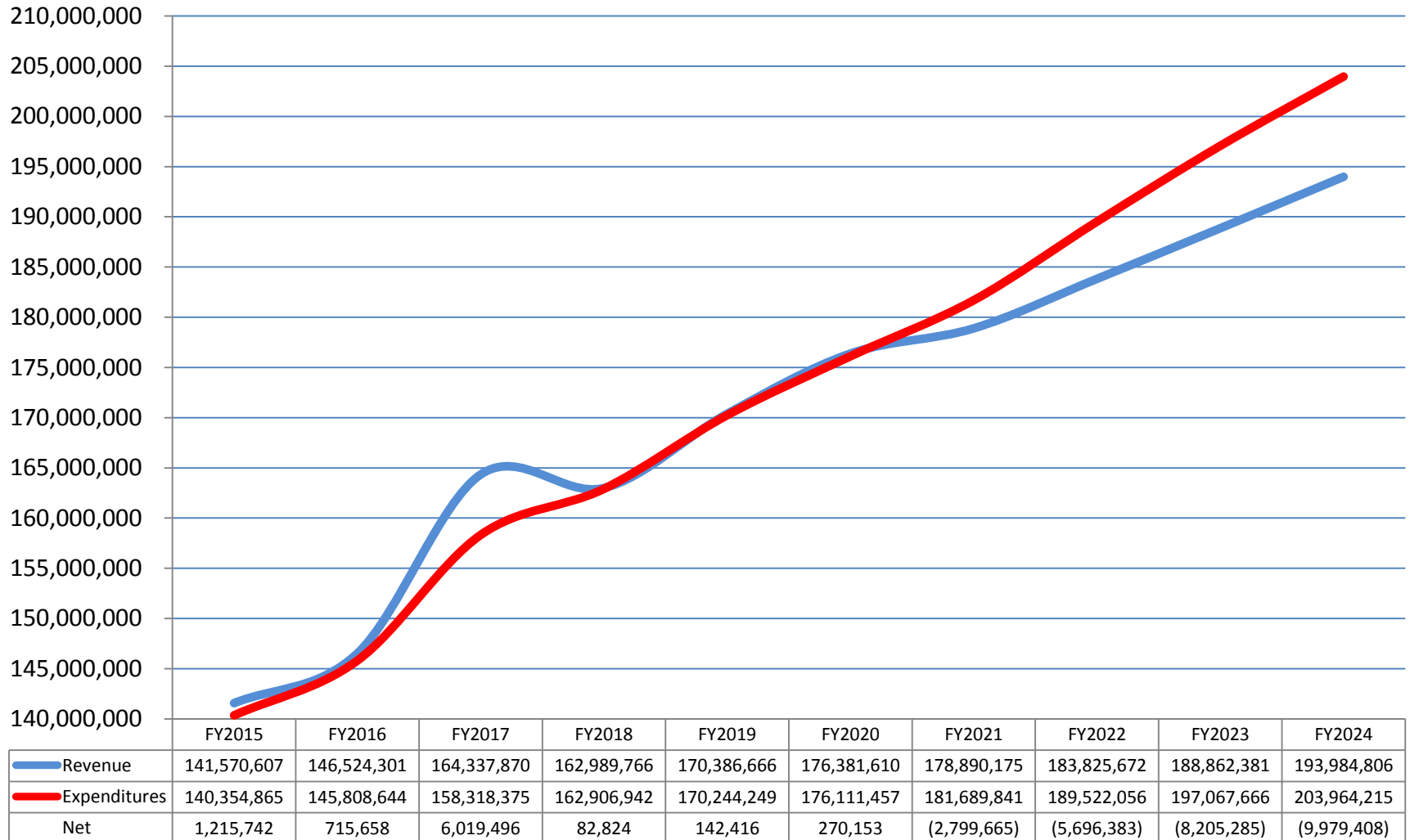


# Forecast Summary



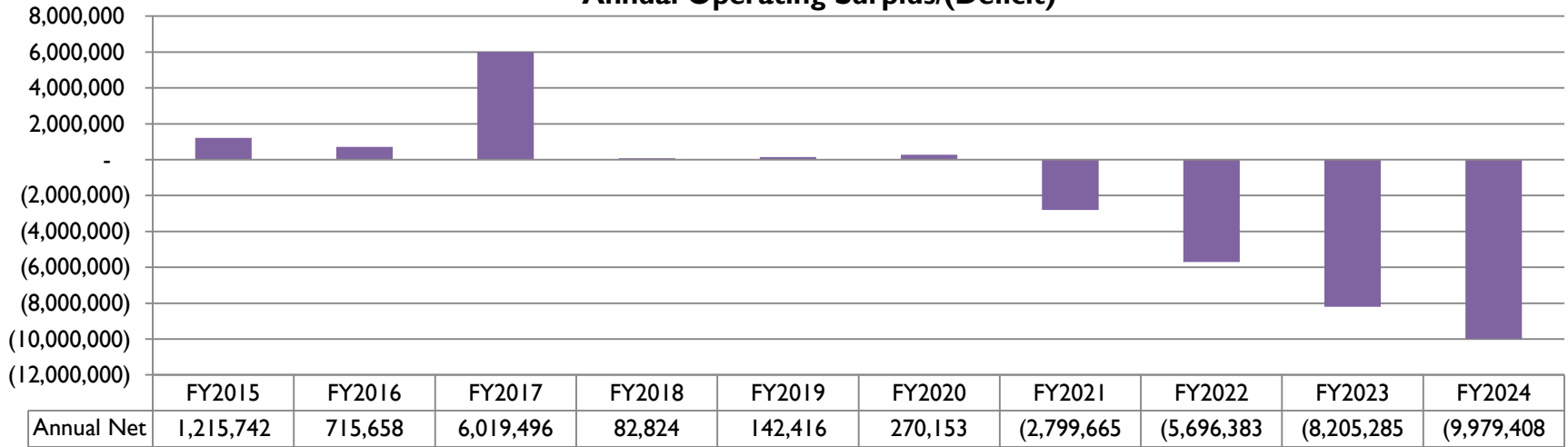


# Forecast Summary – Trend Line

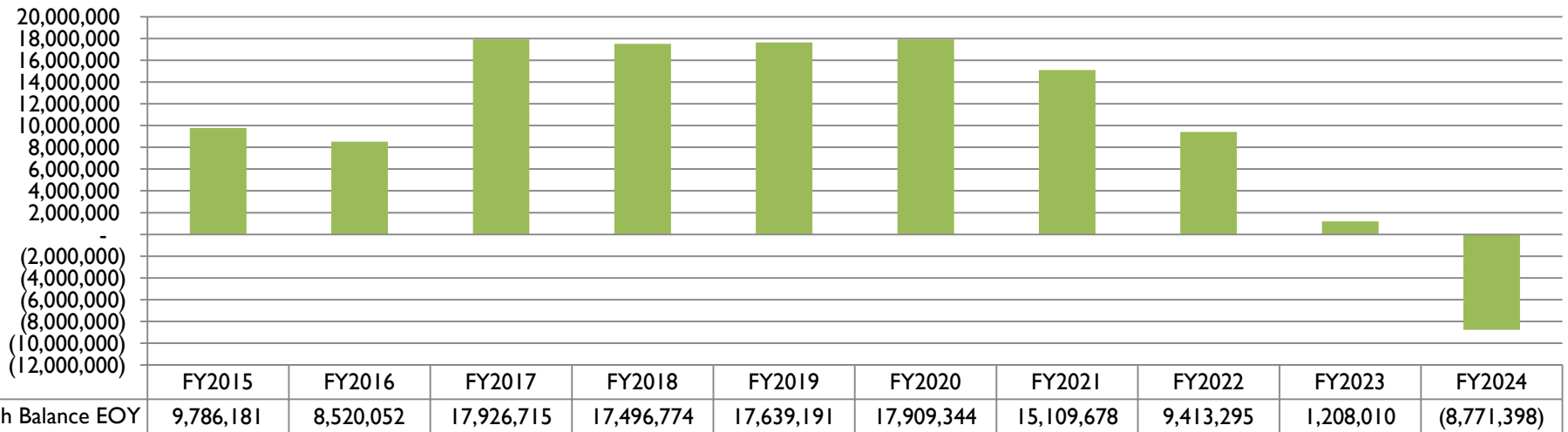


# Surplus/(Deficit) Impact on Cash Reserves

**Annual Operating Surplus/(Deficit)**



**Cash Balance – End of Year**



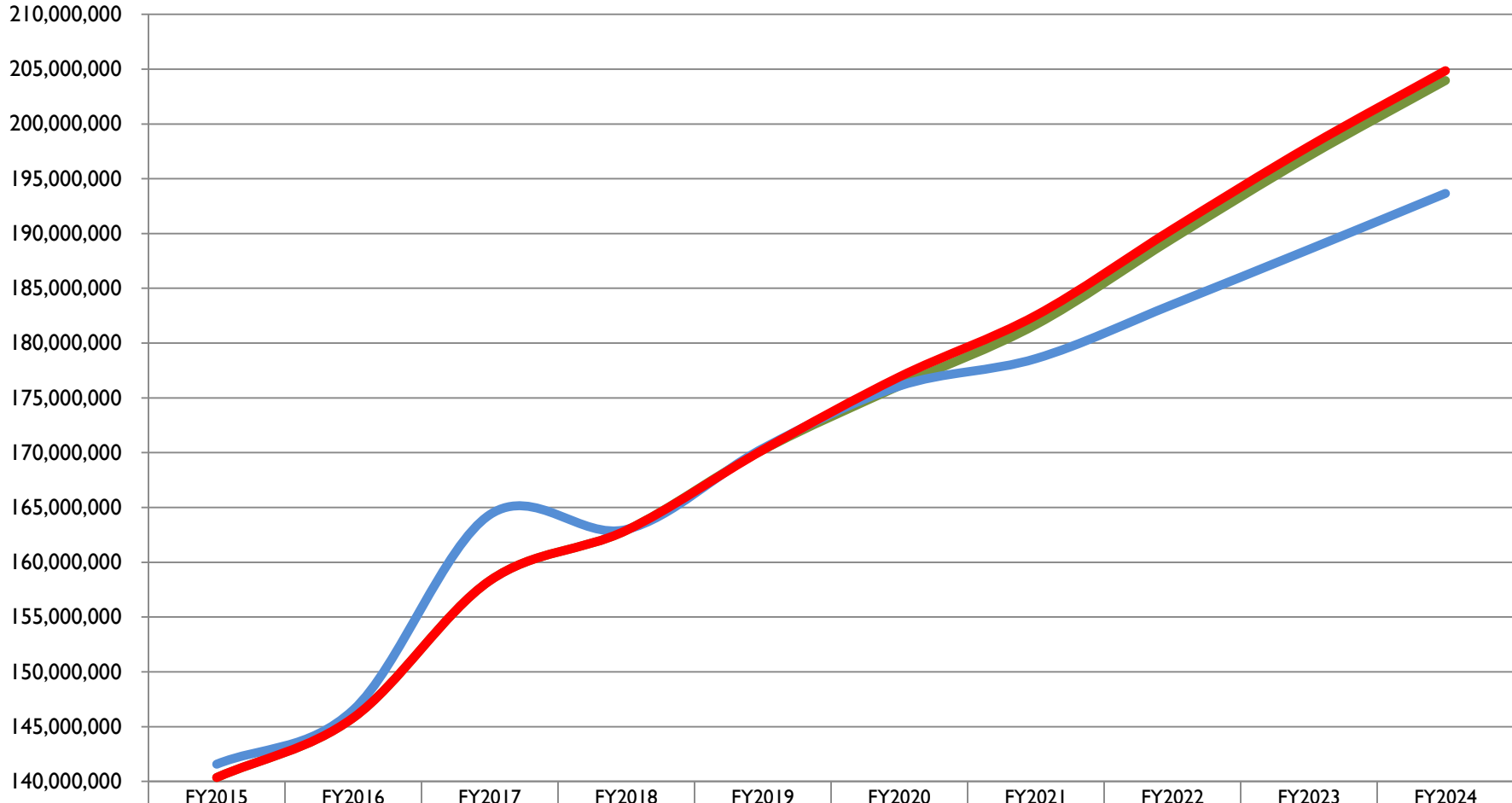
# Cash Reserve Analysis

- Effective FY2018-19, the City's minimum cash reserve policy is 15% of annual General Fund expenditures

Fiscal Year	Total Expenditures	Cash Balance	% of Total Expenditures	15% of Total Expenditures	Variance
FY2015	140,354,865	9,786,181	7%		
FY2016	145,808,644	8,520,052	6%		
FY2017	158,318,375	17,926,715	11%		
FY2018	162,906,942	17,496,774	11%		
FY2019	170,244,249	17,639,191	10%	25,536,637	(7,897,446)
FY2020	176,111,457	19,877,493	11%	26,416,719	(6,539,226)
FY2021	181,689,841	19,053,899	10%	27,228,308	(8,174,409)
FY2022	189,522,056	15,341,041	8%	28,428,308	(9,374,409)
FY2023	197,067,666	9,110,882	5%	29,560,150	(20,449,268)
FY2024	203,964,215	1,097,027	0%	30,594,632	(29,497,605)

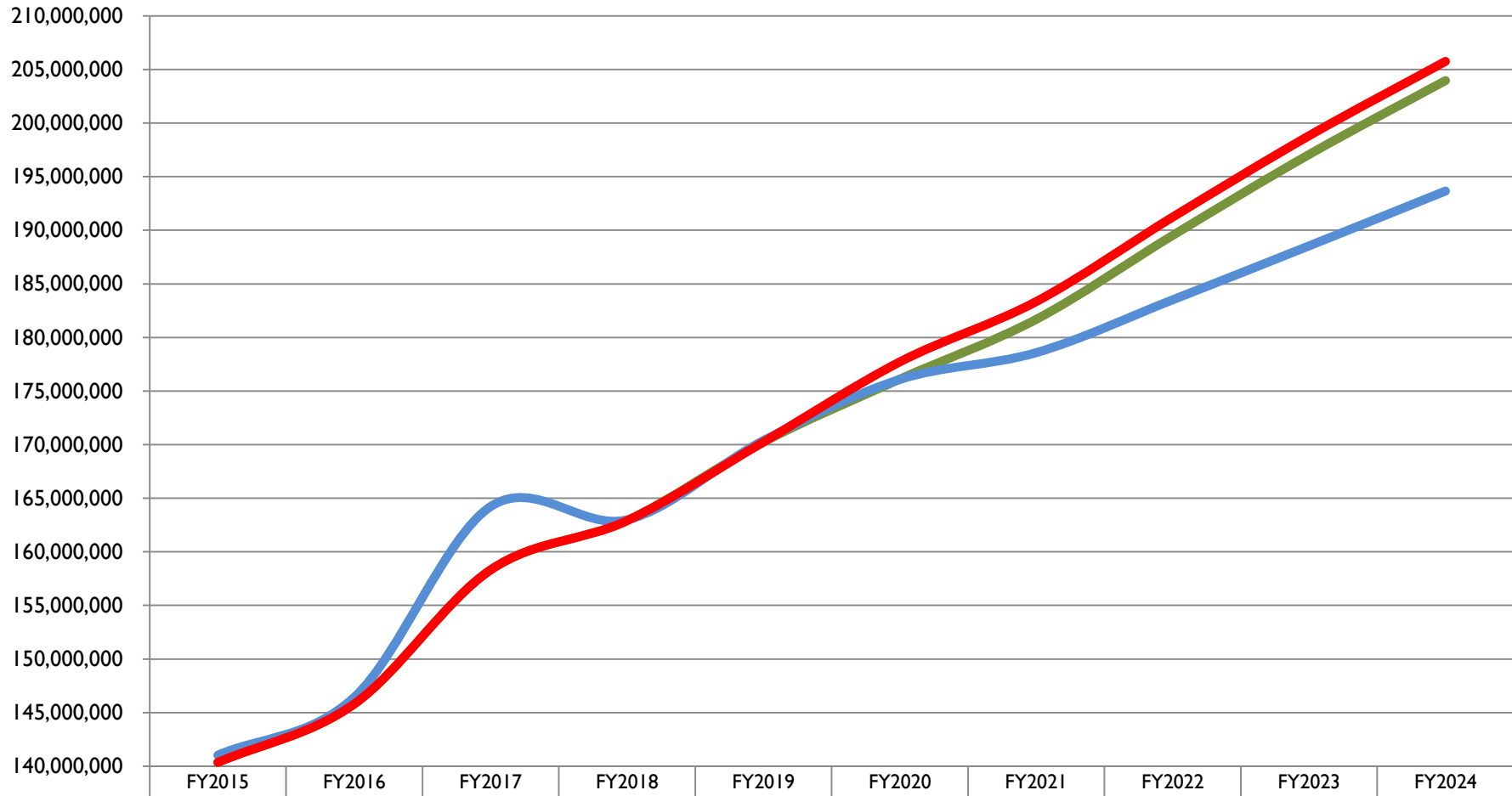


# Scenario 1: 1% Cost of Living Adjustment for All, Reduced School Resource Officers Share from School District



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Base Expenditures	140,354,865	145,808,644	158,318,375	162,906,942	170,244,249	176,111,457	181,689,841	189,522,056	197,067,666	203,964,215
Scl Revenue	141,570,607	146,524,301	164,337,870	162,989,766	170,386,666	176,081,610	178,584,175	183,513,552	188,544,019	193,660,077
Scl Expenditures	140,354,865	145,808,644	158,318,375	162,906,942	170,244,249	176,917,132	182,520,008	190,375,664	197,943,715	204,860,459
Scl Net	1,215,742	715,658	6,019,496	82,824	142,416	(835,522)	(3,935,833)	(6,862,112)	(9,399,697)	(11,200,382)

# Scenario 2: 2% Cost of Living Adjustment for All, Reduced School Resource Officers Share from School District



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Base Expenditures	140,354,865	145,808,644	158,318,375	162,906,942	170,244,249	176,111,457	181,689,841	189,522,056	197,067,666	203,964,215
Sc2 Revenue	141,032,754	146,431,444	164,226,395	162,989,766	170,386,666	176,081,610	178,584,175	183,513,552	188,544,019	193,660,077
Sc2 Expenditures	140,354,865	145,808,644	158,318,375	162,906,942	170,244,249	177,722,804	183,350,172	191,229,270	198,819,761	205,756,701
Sc2 Net	677,889	622,800	5,908,021	82,824	142,416	(1,641,194)	(4,765,997)	(7,715,718)	(10,275,742)	(12,096,624)

# Conclusion

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- ▶ Conservative revenue and expenditure projections with no salary increases in base projection
- ▶ Significant changes in the economy could impact projections
- ▶ Staff exploring options to proactively address future shortfalls, including review of the master fee schedule and other revenue-generating initiatives

# Next Actions

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- ▶ City to work with National Resource Network to:
  - ▶ Document the City's current fiscal condition
  - ▶ Evaluate the City Council's goals alongside the City's budget
  - ▶ Review organizational structure
  - ▶ Recommend actions
- ▶ Analyze long-range retirement/OPEB projections and funding options using GovInvest software

Thank you

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Questions