



CITY OF

Richmond CALIFORNIA

ITEM I-1: FY2020-21 BUDGET UPDATE

Richmond City Council Meeting
City Manager's Office & Finance Department
May 19, 2020

ITEM I-1

REVIEW, COMMENT and PROVIDE DIRECTION to staff regarding the status report of the FY 2020-21 Annual Operating Budget, and on the progress to date and proposed next steps for revenue enhancement and cost-recovery measures – City Manager’s Office - (Shasa Curl/LaShonda White 620-6512).

Agenda

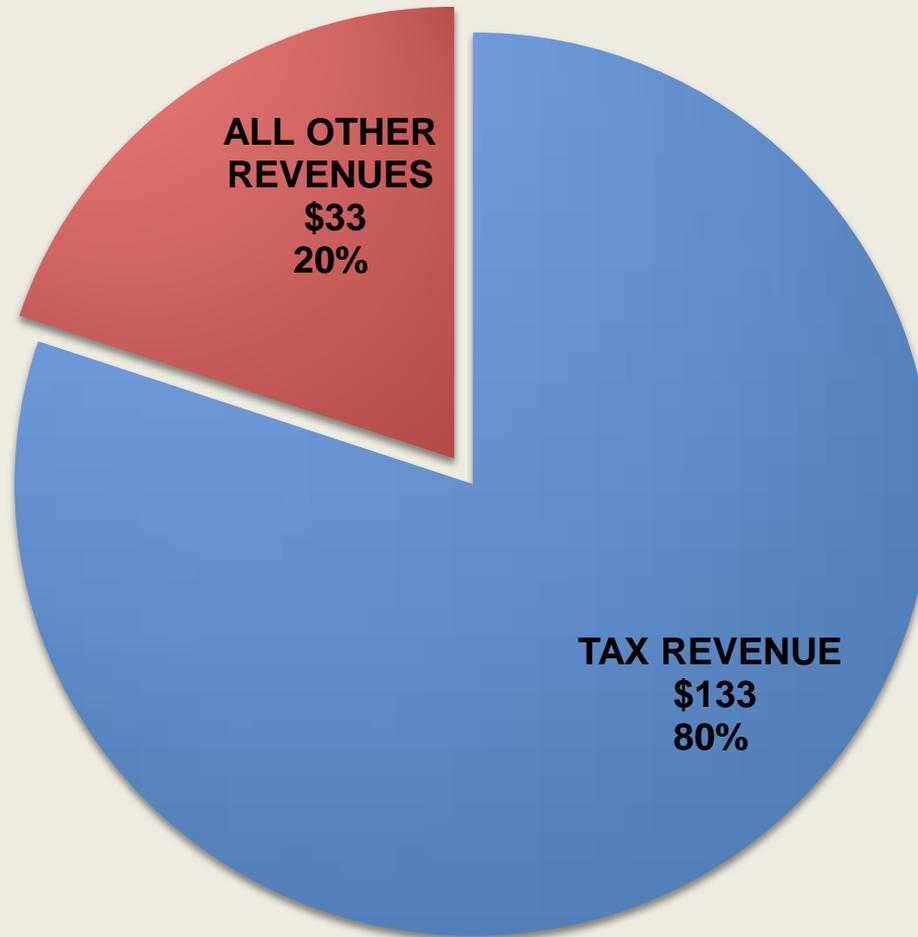
- Budget Goals and Updates
- Revenue Generation and Cost Recovery Measures
- Next Steps

Budget Goals and Updates

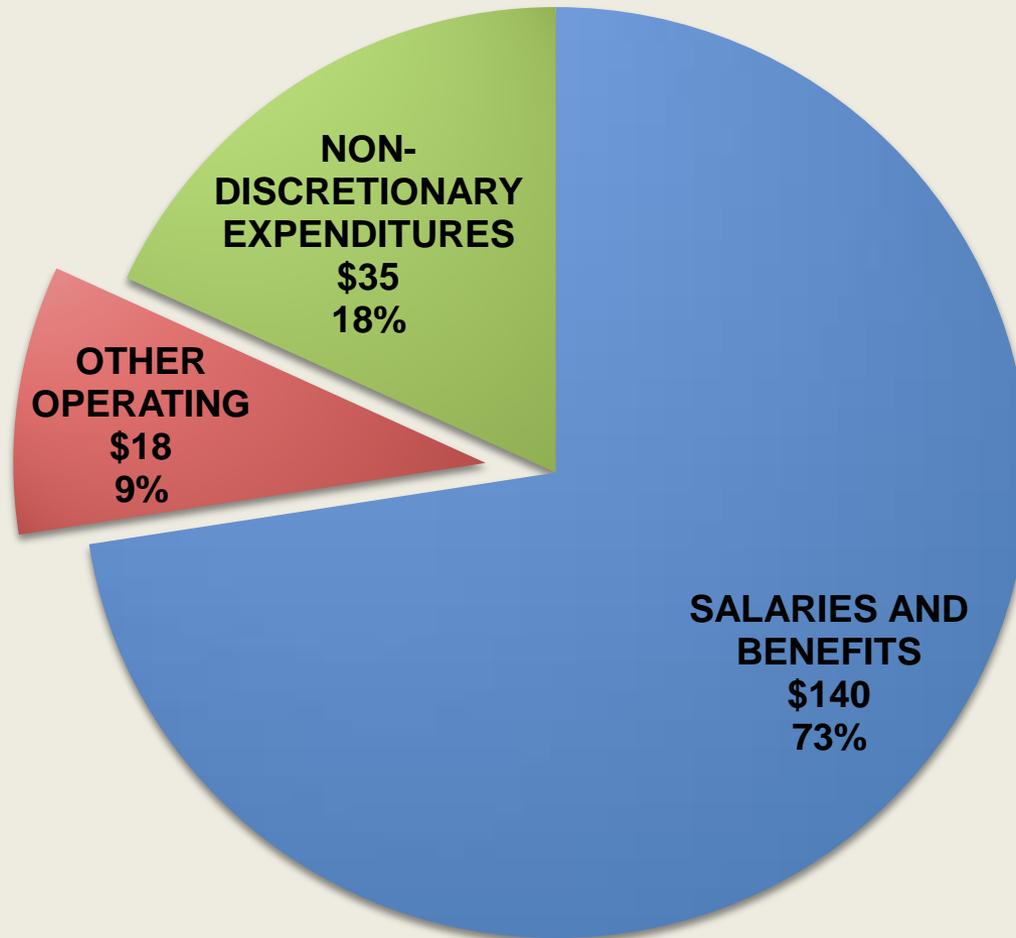
Budget Goals

- Structurally balanced budget
- Preserve services to the extent possible
- Consider impacts of COVID-19 on services
- Minimize staff reductions
- Increase cash reserves to policy level
 - Maintain bond ratings

FY2020-21 Draft General Fund Revenues: \$166 million



FY2020-21 Draft General Fund Expenditures: \$193 million



General Fund Estimated Deficit = \$27 million

Budget Balancing Strategies

#	“Buckets” of Options	Est. Savings (Low)	Est. Savings (High)
1	General operating reductions	\$12.3M	\$21.2M
2	Meet and confer with bargaining units	\$9.2M	\$12.6M
3	Items to consider after exhausting other items	\$1.8M	\$5.6M
	Total	\$23.3M	\$39.4M
4	Other items considered but not costed out		

Budget Updates

- Budget balancing strategies continue to be refined
- Identifying potential savings in FY2019-20
 - Some reductions will carry forward to FY2020-21
- Updating revenue projections based on current conditions
- Next steps:
 - Staff will provide updates on the above items on
5/26

Revenue Generation & Cost Recovery Measures

Tracking Measures and Progress

#	Revenue Opportunity	Description	Feasibility (Yes, No, or Not at this time/low priority)	Short (6 months or less) Medium (7 months-1.5 years) Long (>1.5 year) Implementation Time Frame	Estimated Revenue Generation	Status	Next Steps	Accomplishments	Lead Staff Member and Department* (City Attorney's office will advise all departments on legal requirements of various items)
ADMINISTRATIVE PRACTICE									
5	Cost Recovery for Public Safety Responses Ordinance - General Fund	Work with the City Attorney's Office to establish an ordinance allowing public safety to recoup expenses related to response services for non-Richmond tax-paying customers (e.g., vehicle accidents). Also, the ordinance shall allow for fee to be charged for Richmond tax paying residents engaged in illegal activity (e.g., DUI accidents, grow houses).	Yes	Short	Annual revenue generation for illegal marijuana grows: \$100,000 per year Additional revenue generation unknown at this time.	In-progress	Work with the City Attorney's Office Staff are compiling information from other police departments on how they conduct cost recovery and what they charge. Estimated revenue generated for DUI's will be provided once the fees are understood.	The City Attorney's Office is reviewing several example ordinances and will have a draft ordinance to share before May 22, 2020.	- Chief Adrian Sheppard, RFD - Chief Biza French, RPD - Kim Greer, City Manager's Office, Internal Services, Risk Management Division - Bruce Soubier, City Attorney's Office
6	Code Enforcement Fees - General Fund	Description from 12/17/19 City Council Item: Code enforcement is supposed to be self-supporting, but it is not. We just allocated over \$2 million from the FY 2019-20 year end surplus to backfill a Code Enforcement negative balance. Restructuring Code Enforcement fiscal management and fee structure could result in eliminating the negative balances.	Yes	Short	~\$1.2million annually	In-progress	Explore potential fee increases for services to ensure a greater percentage of cost recovery. Fee study to be completed between May 2020 and March 2021.		- Eva Mann/Quina Malasco - Community Development, Code Enforcement Division - Shannon Moore- City Attorney's Office
7	Business License Enforcement - General Fund	Description from 12/17/19 City Council Item: It is also widely agreed that a large number of businesses are operating without a business license (actually a tax). Enforcement is lax. This is especially problematic because entering a business license into the city's database (eTRAKIT) is the gateway to putting the business and building on the city's radar for other fees, such as fire inspections, grease trap inspections and rest control fees. We need to find a way to bring these businesses and buildings into the system for fees and taxes. Description from 12/17/19 City Council Item: It is well known that a large number of cannabis-related businesses are operating without a license, are unregulated, and are not paying taxes and fees. We need to find a way to bring these businesses and buildings into the system for fees and taxes. (cannabis tax included in sales tax)	Yes	Short	~\$250,000 additional annually		The Business License Division has been significantly understaffed for several years. It is expected that we will finally have two full time positions staffing the cashier window and processing business licenses. With renewed continuity, staff will be able follow up more quickly on any issues and follow up more diligently on delinquent accounts. We have to find a way to tighten up enforcement. Investigate other cities for best practices. Consider hiring a full-time enforcement officer who drives around checking buildings and uses online resources like Craiglist to locate unlicensed businesses. We need to improve the accuracy of eTRAKIT. Recent inquiries by me revealed that several addresses without business licenses appeared to be vacant, but the City is not enforcing RMC 6.38. The excuse is that staffing is insufficient, but RMC 6.38 allows a fee to pay for staffing.	Vacant building survey round 1 completed - additional buildings identified to register. Round 2 visits will occur 30 days after. Code Enforcement will be assisting with Cannabis Business Permit oversight, Rental Inspection Program enforcement of non-responsive and non-compliant landlords.	- Antonio Baruelos/Belinda Brown - Internal Services, Finance Division - Eva Mann/Quina Malasco - Community Development, Code Enforcement Division - Shannon Moore- City Attorney's Office
8	Point of Sales Transactions - General Fund	Some businesses are NOT identifying the City of Richmond as the Point of Sale (POS) for their transactions and instead are using the address for their main office/headquarters. Larger businesses often have different offices in different cities. The sales tax generated by their sales department gets allocated to the city where the sales department is located.	Yes	Medium	Unknown at this time	On-going	Identify business in Richmond that are not listing their Richmond location as the point-of-sales location. Once a list has been created, staff will have a better understanding of the revenue that could be generated. If their sales office is in Richmond, work with them to have that corrected with the State. If their sales office is not in Richmond, convince them to move their sales office to Richmond.		- Antonio Baruelos/Belinda Brown - Internal Services, Finance Division - Eva Mann/Quina Malasco - Community Development, Code Enforcement Division - Shannon Moore- City Attorney's Office
9	Collection of outstanding funding from CCTA for Re-ransit, Paratransit Program - General Fund	Description from February 4, 2020 City Council Meeting: Transit complete checklist item from CCTA to collect funding for Paratransit funding Staff Update: CCTA has paid the City all past due amounts through FY 2019/20. Paratransit no longer has to rely on the General Fund to subsidize services. The ECIA Committee recently approved \$1m from ECIA Transportation funds to support senior and disabled transportation services under the paratransit program. There will also be Measure J reimbursements from CCTA for FY 2020/21 and all future years.	Yes	Short	~Over \$1 million annually	Completed for FY 2019-20 Completed for FY 2018-19	- Follow up has been completed and reimbursements have been paid to date for FY 2019/20. - Staff will continue to and apply for state and regional agency funding to support services.	- Reimbursement funding totaling \$626,304 was received on 5/11/20, from CCTA for FY 2019/20. This amount satisfies all payments due to date. - To support the longevity of the service the ECIA Transportation Committee has approved \$1million every year over the next 5 years to support resources received from Measure J for the program	- Lori Reese-Brown/Sal'leca- Library and Community Services, Transportation Division

Range of Potential Ballot Measures

Tax	Estimated Revenue*	Effective Date	Revenue Received
Gross Receipts Tax	\$5M to \$7M	January 2021	80% received December 2021
Vacant Parcel Tax	\$1M	July 2021	December 2021
Transient Occupancy Tax	\$400k	January 2021	April 2021
Sales Tax	\$7M to \$9M	April 2021	July 2021
Documentary Transfer Tax	\$1M to \$2M	End of December 2020	February 2021
Warehouse Tax	\$300k	January 2021	80% received December 2021

* Given the pandemic economy, there isn't a precedent for these projections. As such, they are subject to revisions.

Potential Ballot Measure

- City working with Lift Up Richmond
 - Analyzing options
 - Providing data
 - Coordinating ballot measure obligations
- Possible November 2020 Ballot Measure
 - Business License Tax based on gross receipts

Next Steps

Next Steps

- Structurally balanced and fiscally sustainable budget
- Refine FY2020-21 budget estimates
- Issue staff survey
- Explore and implement budget savings measures
- Provide information to inform financial projections to Lift Up Richmond
- Receive an update on the City's five-year budget forecast

Thank you

Questions/Comments?