

# City of Richmond

Coalition of Unions – Actions to Address 2020-2021 Budget Deficit



# Context of Budget Gap

- The 2020-2021 Richmond budget shortfall is structural – and existed well before COVID-19 appeared in China, let alone California.

## FY2019-20 Impact of COVID-19 on City Finances

General Fund Summary

	FY2019-20 Adopted Budget	FY2019-20 Mid-Year Budget	FY2019-20 Projected Budget
Total GF Revenues	(176,218,420)	(176,781,337)	(169,819,797)
Total GF Expenditures	176,208,965	176,781,145	176,440,163
(Surplus)/Deficit	(9,456)	(191)	6,620,366

## FY2020-21 General Fund Expenditure Summary

	FY2019-20 MID-YEAR BUDGET	FY2019-20 REVISED BUDGET	FY2020-21 PROJECTED BUDGET	\$ CHANGE	% CHANGE
A87 COST PLAN REIMBS	(4,518,250)	(4,518,250)	(4,518,250)	-	0.0%
GRANT EXPENDITURES	251,094	251,094	40,000	(211,094)	-84.1%
OPER XFERS OUT	12,704,654	12,704,654	10,974,029	(1,730,625)	-13.6%
TOTAL EXPENDITURES	176,781,145	176,440,163	193,075,485	16,635,322	9.4%
NET (SURPLUS)/DEFICIT	(192)	6,620,367	27,119,307	20,498,940	309.63%

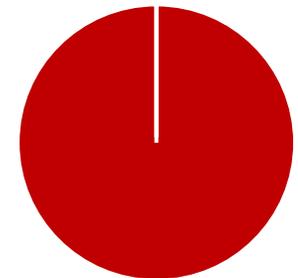
# No Impacts to Current Service Levels

- The public services of Richmond, CA have been under-resourced and under-staffed for many years.
- Additional service cuts would be detrimental to the community and Richmond workers who are already at capacity doing more with less.
- To close the projected Budget Gap for FY 20-21, City Departments must eliminate, reduce and defer planned expenditures beyond what City staff are currently recommending.
- To achieve structurally balanced budgets moving forward, we must enact changes on the Revenue side of the ledger, not the Service Delivery side.

# Actions To Address the Deficit

- The Coalition of Unions have identified a number of Actions to Address the FY2020-2021, which will have the least impact on the residents of the City of Richmond.
- They include:
  - Temporary vacancy savings and a “hard” hiring freeze.
  - Postponing capital investments, funded through operating revenue.
  - Canceling Meal, Travel, and Conferences expenditures.
  - Reducing the city’s insurance reserves.
- Additionally, as new revenue comes online and federal/state/county assistance is identified, **the above temporary actions can be unlocked in an as needed and as funded basis.**

\$29.5 Million - Projected Deficit

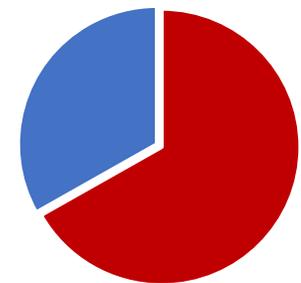


■ Projected Deficit ■ Actions To Address Deficit

# Vacancy Savings / Hard Hiring Freeze

- FY 2020-2021: **\$9,811,159** – General Fund, Annualized Salary & Benefits
- City should not be hiring more staff while imposing service cuts and layoffs of City workers.
- Need Hard Freeze w/ exceptions for emergency needs only.
- Maximize Hiring Freeze savings.

\$29.5 Million - Projected Deficit



■ Projected Deficit ■ Actions To Address Deficit

# Vacancy Savings / Hard Hiring Freeze

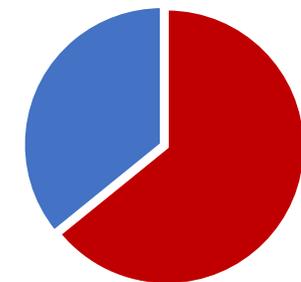
- FY 2020-2021: **\$789,321** (*repayment from RHA and Port advance*)
  - \$656,305 – RHA – Non-General Fund, Annualized Salary and Benefits
  - \$133,016 – Port – Non-General Fund, Annualized Salary and Benefits

## B. Long-Term Interfund Advances

At June 30, 2019 the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance	Fund Making Advance	Amount of Advance
Richmond Housing Authority Enterprise Fund	General Fund	\$2,215,970
	Community Development and Loan Programs	174,067
	Municipal Sewer Enterprise Fund	901,396
	Non Major Enterprise Funds	167,451
Port of Richmond Enterprise Fund	General Fund	13,633,624
Non Major Enterprise Fund	Internal Service Fund	2,433,894
	<b>Total</b>	<b>\$19,526,402</b>

**\$29.5 Million - Projected Deficit**



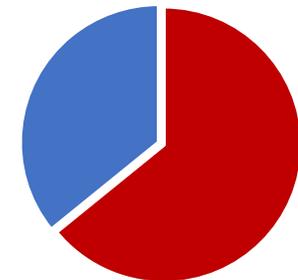
■ Projected Deficit ■ Actions To Address Deficit

# Postpone IT Capital Projects

- Postpone I.T. desktop and infrastructure refresh:
  - \$4,330,000 – General Fund – IT

48 ASSET/CAPITAL OUTLAY				
01261017	400601 - NONCAP ASST/Comp Hrdware<5K			4,330,000.00 *
		1.00	30,000.00	30,000.00
	CCTV SECURITY CAMERAS			
		1.00	4,300,000.00	4,300,000.00
	CITYWIDE DESKTOP REFRESH			
TOTAL NONCAP ASST/Comp Hrdware<5K				4,330,000.00
TOTAL ASSET/CAPITAL OUTLAY				4,330,000.00

**\$29.5 Million - Projected Deficit**

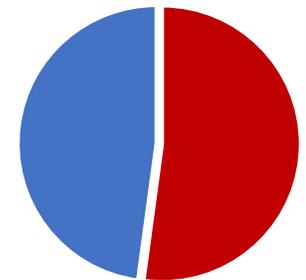


■ Projected Deficit ■ Actions To Address Deficit

# Reduce Insurance Reserves

- Reduce insurance reserves to 70% confidence level, which reduces general liability/workers' comp allocations.
  - \$3,029,873 – General Fund
- City of Richmond Ad Hoc Budget Committee Document, Potential Budget Balancing Strategies, FY2020-21 General Fund, 04/17/2020

**\$29.5 Million - Projected Deficit**



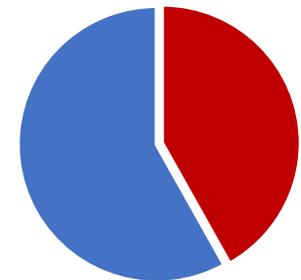
■ **Projected Deficit** ■ **Actions To Address Deficit**

# Postpone Vehicle/Equipment Replacement

- Postpone vehicle/equipment replacement:
  - \$1,149,000 – General Fund – DPW

47	COST POOL	
01232531	400571 - COST POOL/(ISF)-Veh Replacemnt	115,000.00
01233631	400571 - COST POOL/(ISF)-Veh Replacemnt	384,000.00
01234331	400571 - COST POOL/(ISF)-Veh Replacemnt	560,000.00
01234431	400571 - COST POOL/(ISF)-Veh Replacemnt	90,000.00
<b>TOTAL COST POOL/(ISF)-Veh Replacemnt</b>		<b>1,149,000.00</b>

**\$29.5 Million - Projected Deficit**



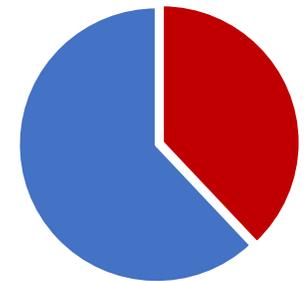
■ Projected Deficit ■ Actions To Address Deficit

# Postpone Vehicle/Equipment Replacement

- Postpone vehicle/equipment replacement:
  - \$1,326,000 – General Fund – Police

47	COST POOL	
01191021	400571 - COST POOL/(ISF)-Veh Replacemnt	1,326,000.00
TOTAL COST POOL/(ISF)-Veh Replacemnt		1,326,000.00

**\$29.5 Million - Projected Deficit**



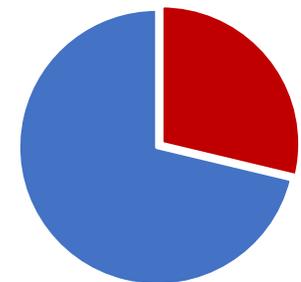
■ Projected Deficit ■ Actions To Address Deficit

# Postpone Vehicle/Equipment Replacement

- Postpone vehicle/equipment replacement:
  - \$1,405,000 – General Fund – Fire

47 COST POOL				
01202022	400571 - COST POOL/(ISF)-Veh Replacemnt			1,255,000.00
01203722	400571 - COST POOL/(ISF)-Veh Replacemnt			150,000.00 *
	REPLACE 3 STAFF VEHICLES	1.00	150,000.00	150,000.00
<b>TOTAL COST POOL/(ISF)-Veh Replacemnt</b>				<b>1,405,000.00</b>

**\$29.5 Million - Projected Deficit**



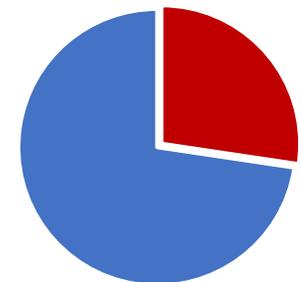
■ Projected Deficit ■ Actions To Address Deficit

# Postpone Comp. Study and Eliminate Costs Associated w/ Hiring Freeze and LCW.

- Postpone costs for items not needed in FY:
  - \$410,000 – General Fund – Human Resources

<b>TOTAL PROF SVCS/Professional Svcs</b>			<b>15,000.00</b>
01181016 400206 - PROF SVCS/Legal Serv Cost			115,000.00 *
	1.00	115,000.00	115,000.00
LCW Labor Neogotiations for all unions			
<b>TOTAL PROF SVCS/Legal Serv Cost</b>			<b>115,000.00</b>
01181016 400216 - PROF SVCS/Recruitment Svcs			33,000.00 *
	1.00	33,000.00	33,000.00
Recruitment Test Materials/Executive Recruitment			
<b>TOTAL PROF SVCS/Recruitment Svcs</b>			<b>33,000.00</b>
01181016 400217 - PROF SVCS/Appraisal Svcs			250,000.00 *
	1.00	250,000.00	250,000.00
CITYWIDE COMPENSATION STUDY			
<b>TOTAL PROF SVCS/Consulting Svcs</b>			<b>250,000.00</b>

**\$29.5 Million - Projected Deficit**



■ Projected Deficit ■ Actions To Address Deficit

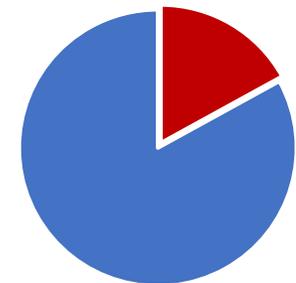


# Eliminate Budgeted 1% COLA

- Eliminate budgeted 1% COLA:
  - \$1,300,000 – General Fund

7	Eliminate 1% COLA for 2020-21	
---	-------------------------------	--

**\$29.5 Million - Projected Deficit**



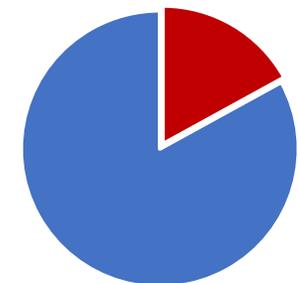
**■ Projected Deficit ■ Actions To Address Deficit**

# Other Identified GF Items

- Other Items Identified in Ad Hoc Budget Group
  - \$815,000 – General Fund

Line Item	Brief Description	Note	GF Savings
2	Credit card processing fees		\$90,000
3	Festivals		\$300,000
4	Campaign matching funds		\$100,000
5	ECIA transfers		\$325,000

**\$29.5 Million - Projected Deficit**

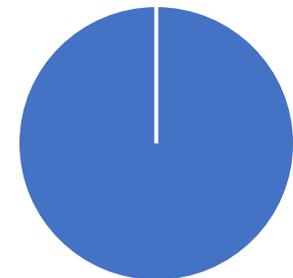


■ Projected Deficit ■ Actions To Address Deficit

# Modest Use of Reserves\*

- Virtually all state/local agencies in the U.S. are spending down their reserves, many below their policy targets, now due to the Coronavirus economic shock.
- \$4,204,010 – General Fund – Budget Reserve
  - \*Per AD HOC Budget Committee 6/1/2020:
    - The current year (FY2019-20) deficit is now projected to be ~ \$2 million, down from a projected ~ \$7 million deficit.
    - **Therefore, spending ~ \$4 million of the City’s reserves in this context, will leave the reserve in a better position (+ \$1 million), than projected, presented, and adopted (Item H-1, 5/26/2020) at the previous City Council meeting.**
    - Additionally, at the 6/1 AD HOC Budget Committee meeting, there was discussion of an update to the vacancy report that could **realize an additional ~\$2 million in savings from a hiring freeze**, further increasing the position of the City’s reserve.

\$29.5 Million - Projected Deficit



# New Revenue Potential – November 2020 Ballot

- Local Progressive Business License Reform:
  - Provide small business relief and raise ~ **\$5 million – \$10 million annually.**
- Local Vacant Parcel Tax:
  - Capture value from land owned by real estate speculators that is sitting vacant and raise ~ **\$3 million annually.**
- Statewide Schools & Communities First Initiative:
  - Closes commercial property tax loophole and ends shady schemes giant corporations use to avoid paying their fair share in property taxes.
  - **Protects all homeowners and renters** by maintaining tax protections for all residential properties.
  - Will RECLAIM more than \$12B per year for local communities, including an estimated **\$22 million annually** for City of Richmond.

# Other Savings Potential:

- CARES Act FEMA reimbursements and relief.
- HEROES Act.
  - Congress currently pushing for a stimulus bill which includes potential for significant direct local municipal aid.
- Long-Term Debt refinancing.

# Conclusion – Impacts to Current Service Levels are not Required

- The public services of Richmond, CA have been under-resourced and under-staffed for years.
- Need to eliminate, reduce & defer expenditures this year and enact changes on the Revenue side of the ledger, not the Service Delivery side.
- As new revenue comes online and federal/state/county assistance is identified, the above temporary actions, including a responsible rebuilding of our reserves, can be unlocked on an as-needed and as-funded basis.
- **Budget Actions can and Must be taken, without direct cuts to Service and Staff.**

