



CITY OF

*Richmond* CALIFORNIA

Updates on overall budget, deferred maintenance and capital improvements, the Rent Program cash position, negative cash balances, and the fiscal year 2019-20 year-end budget adjustments

Richmond City Council Meeting  
Finance Department  
October 6, 2020

## Recommended Action:

RECEIVE updates on overall budget, deferred maintenance and capital improvements, the Rent Program cash position, and negative cash balances; and, ADOPT a resolution approving the FY 2019-20 year-end budget adjustments.

# Agenda

- FY 2020-21 Budget Update
- Deferred Maintenance and Capital Improvements
- Rent Program Cash Position
- Negative Cash Balances
- FY 2019-20 Year-end Budget Adjustments

# 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

# FY 2020-21 Budget Update

- Current deficit = \$6 million
  - Budget adopted with \$3 million placeholder for accommodations
  - Deficit has increased by \$2 million due to unfunded liability portion of CalPERS being under-budget with removal of vacancies
  - Deficit increased another \$1 million for Richmond Housing Authority subsidy

# Deferred Maintenance and Capital Improvements

- Increases the structural budget deficit
  - The longer the deferral, the more costly to maintain or replace
- Goal is to appropriate funds annually to address the issue
- Unfunded high priority projects:
  - Fire station gender-specific restrooms
  - Facility roof replacement
  - Main library improvements
  - Cross-walk improvements

# Rent Program Cash Position

- Special revenue fund expected to be self-sustaining
- Cash reserve balance 6/30/2020: \$509,246
- Cash reserve balance 8/31/2020: \$1,107,743
  - No General Fund support

# Negative Cash Balances

- Negative cash is a liability on available cash reserves and impacts credit rating
- Totaled \$20.2 million 5 years ago
- Totaled \$6.6 million as of 6/30/2020
- Action plans implemented to cure remaining negative cash (slide 9)

Fund	FY2014-15
R-Transit - 1003	242,722
Planning & Building - 1050	5,512,338
Engineering Cost Recovery - 1051	2,002,925
Code Enforcement Cost Recovery - 1053	2,835,461
Stormwater - 4006	2,328,495
Traffic Impact Fee - 2111	1,789,000
Parks Impact Fee - 2116	132,013
Point Molate - 1008	364,758
2005 Pension Obligation Bonds - 3001	1,109,177
2007 Civic Center Bonds - 3005	745,845
Housing Department Funds	3,123,135
<b>TOTAL</b>	<b>20,185,869</b>



# Negative Cash Balances

Fund	FY 2017-18	FY 2018-19	(estimated) FY 2019-20	Action Plan
Transportation Operation (R-Transit) - 1003	\$2,902,517	\$2,720,440	\$1,554,177	Remaining balance to be cured with excess General Fund cash in FY 2019-20.
Engineering Cost Recovery - 1051	2,298,974	2,959,041	2,983,265	Fund closed as of 6/30/2020. Remaining balance to be cured over time from excess General Fund reserves when available.
Code Enforcement Cost Recovery - 1053	2,381,066	233,122	214,067	Remaining amount expected to be recovered through collection on accounts receivable.
2007 Refunding & Civic Center - 3005	1,003,477	561,263	0	Five-year repayment plan completed; negative cash balance cured.
Stormwater - 4006	904,974	664,914	287,544	Revenue continues to exceed expenditures - continuing to improve over time.
Housing Department Funds	3,367,762	1,516,541	1,516,541	Remaining balance to be received through sale of properties and other sources of funding.
<b>Total</b>	<b>\$12,858,770</b>	<b>\$8,655,321</b>	<b>\$6,555,594</b>	

# FY 2019-20 General Fund Year-end Summary (preliminary)

	Original Budget	Revised Budget (Mid-year)	Projected Budget (COVID-19)	Preliminary Actuals
Total Revenue	176,218,420	176,781,337	169,819,797	173,092,781
Total Expenditures	176,208,965	176,781,145	176,440,163	169,983,062
Surplus/(Deficit)	9,456	192	(6,620,366)	3,109,719

- Revenue came in higher than expected
  - Documentary transfer tax \$2.5 million over budgeted amount due to large property sales
  - Sales tax receipts higher by \$300k primarily due to State’s correction of allocation
  
- Expenditures came in lower than expected
  - Savings achieved mostly through vacancies and curtailment of departmental spending

# FY 2019-20 Year-end Budget Adjustments

- Preliminary amount of revenue over expenditures = \$3.1 million
- Proposed budget adjustments using excess funds:

Budget Adjustment	Revenue Adjustments	Expenditure Adjustments
<b>General Fund:</b>		
Increase subsidy to Engineering Cost Recovery	\$-	\$132,978
Cure negative cash balance in R-Transit fund		1,554,407
Citywide classification and compensation study		200,000
<b>TOTAL</b>	<b>\$-</b>	<b>\$1,887,385</b>

- Remaining \$1.2 million will go into cash reserves

# FY 2019-20 Year-end Budget Adjustments continued

General Fund	
Current cash reserves	\$19.5 million (~12% of total expenditures)
Estimated year-end surplus	3.1 million
Estimated year-end cash reserves	22.6 million
Proposed year-end adjustments	-1.9 million
Revised estimated year-end cash reserves	\$20.7 million (~13% of total expenditures)

*\*FY 2020-21 adopted budget includes an allocation of \$885,000 from cash reserves to help balance the budget.*

# FY 2019-20 Year-end Budget Adjustments continued

Budget Adjustment	Revenue Adjustments	Expenditure Adjustments
<b>Non-General Fund:</b>		
Engineering Cost Recovery increased General Fund subsidy	\$132,978	
R-Transit Fund negative cash balance cured	\$1,554,407	
Planning & Building (revenue) / Impact Fees (expenditure)	32,611	32,611
Civic Center Debt Service Fund - 2019A series bond refunding/new issuance	79,171,752	79,171,752
Port Debt Service Fund - 2019B series bond refunding/new issuance	34,635,000	34,635,000
<b>TOTAL</b>	<b>\$115,526,798</b>	<b>\$113,839,413</b>

# Next Steps

- City Council to receive updates on October 27, 2020:
  - FY 2020-21 - 1<sup>st</sup> Quarter Budget Report
  - Overtime Report - September 2020
  - Updated Financial Policies

Questions?