



CITY OF

Richmond CALIFORNIA

Updates on the results of the California State Auditor's Fiscal Health Assessment, the FY 2020-21 budget, overtime reports, fiscal sustainability plan, and financial policies.

Richmond City Council Meeting
Finance Department
December 15, 2020

Recommended Action:

RECEIVE updates on the results of the California State Auditor's Fiscal Health Assessment, the FY 2020-21 budget, overtime expenditures, the fiscal sustainability plan, and financial policies.

Agenda

- California State Auditor's Fiscal Health Assessment
- FY 2020-21 Budget Update
- Overtime Reports - October & November 2020
- Fiscal Sustainability Plan
- Financial Policies

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

California State Auditor's Assessment

- On 11/18/2020, the State Auditor published Local Government High-Risk Dashboard
- Analyzed financial information for 471 California cities to assess fiscal distress
 - Richmond is one of the top cities facing significant fiscal challenges due to longstanding problems
 - Ranking has dropped over last 3 fiscal years:

	FY 2016-17	FY 2017-18	FY 2018-19
Ranking	#12	#10	#5

**Cities were ranked from 1 (worst) to best (100)*

California State Auditor's Assessment cont'd.

- FY 2018-19 Results:

Indicator	Rank	Risk
Overall Risk	#5	High
Liquidity	#69	Low
Debt Burden	#44	High
General Fund Reserves	#23	High
Revenue Trends	#49	Moderate
Pension Obligations	#1	High
Pension Funding	#110	Moderate
Pension Costs	#39	High
Future Pension Costs	#30	High
OPEB Obligations	#15	Moderate
OPEB Funding	#184	High

FY 2020-21 Budget Update

- Current deficit = \$5.5 million
 - Budget adopted with \$3 million placeholder for accommodations
 - Deficit reduced by \$533,000 due to Richmond Police Officers Association (RPOA) foregoing 1% COLA
 - 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

FY 2020-21 Budget Update cont'd.

- Measure U – Gross Receipts Ballot Measure
 - Passed by Richmond voters on 11/3/2020 and goes into effect on January 1, 2022.
 - Changes the rate structure and calculation for most businesses in Richmond.
 - Amends the City's business tax rate based on a range of .06% to 5% of gross receipts, depending on the business category.

Overtime Report

General Fund	Adopted Budget	Actual Expenditures	Available Budget	% Expended
City Clerk	\$10,184	\$9,196	\$989	90%
Finance	4,365	2230	2,135	51%
Human Resources		144	-144	-100%
Police - Non-Sworn	588,137	330,211	257,926	56%
Police - Sworn	2,497,290	1,201,418	1,295,872	48%
Fire - Sworn	1,993,165	1,590,864	402,301	80%
Public Works	291,839	80,381	211,458	28%
Library	727	360	367	49%
Community Services	2,327	105	2,222	5%
Information Technology	2,910	0	2,910	0%
Total General Fund	\$5,390,944	\$3,214,907	\$2,176,037	60%

Overtime report through October 2020 (Should be at 33% expended)

Overtime Report

General Fund	Adopted Budget	Actual Expenditures	Available Budget	% Expended	Pending Reimbursements
City Clerk	\$10,184	\$10,925	-\$741	107%	
Finance	4,365	3,765	600	86%	
Human Resources	0	228	-228	100%	
Police - Non-Sworn	588,137	408,034	180,103	69%	
Police - Sworn	2,497,290	1,508,205	989,085	60%	
Fire - Sworn	1,993,165	1,858,684	134,481	93%	(189,588)
Public Works	291,839	106,444	185,395	37%	
Library	727	360	367	50%	
Community Services	2,562	105	2,457	4%	
Information Technology	2,910	0	2,910	0%	
Total General Fund	\$5,391,179	\$3,896,748	\$1,494,430	72%	

Overtime report through November 2020 (Should be at 42% expended)

Fiscal Sustainability Plan

- The City will be working Management Partners to develop a fiscal sustainability plan designed to help address current and future fiscal challenges.

- The Plan will include:
 - Analysis of the long-range budget forecast
 - Service priority evaluation
 - Budget strategies to address immediate and structural fiscal challenges
 - Guidance on migrating to a biennial budget
 - Scenario analysis for decision-making
 - Recommendations for a path to fiscal sustainability

Financial Policies

Cash Reserve Policy

- Purpose: Guides City in planning for contingencies and unexpected events; ensuring cash availability to stabilize cash flow; maintaining creditworthiness, long-range financial planning; deciding when to use reserves.
- Policy: The City shall maintain a year-end contingency reserve balance in the General Fund equal to a minimum of 15% of next year's budgeted General Fund expenditures, including transfers out.

Grant Management Policy

- Purpose: Establishes a framework and general guidelines for seeking and managing grants.
- Policy: Pursue grant opportunities that align with the City's and the community's mission; and before applying/accepting or committing to any grant, consider the feasibility and responsibility of grant deliverables.

Debt Policy

- Purpose: Sets forth parameters for issuing debt and managing the debt portfolio, including post-issuance compliance. Credit rating agencies place significant value on adopted debt policies.
- Policy: Requires annual commitments relating to the General Fund debt not to exceed 10% of annual General Fund revenues.

SWAP Policy

- Purpose: Guides the City in selecting, implementing, and administering all swaps related to City bond issues. This policy goes beyond the scope of traditional fixed rate long-term bonds covered by the Debt Policy.
- Policy: 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.

Investment Policy

- Purpose: Provides for the City to invest public funds in a manner which will provide the highest investment return, with maximum security, while meeting the daily cash flow demands of the City, and conforming to all state and local statutes governing the investment of public funds.
- Policy: Invest up to 100% of all idle funds, guarantee that funds are always available when needed, and manage portfolio within the confines of safety, liquidity, and yield.

Other Post-Employment Benefits (OPEB) Policy

- Purpose: Establishes a methodology for funding benefit obligations accruing under the City's OPEB plans.
- Policy: The Plan's actuary shall conduct an actuarial valuation biennially, based on actual Plans data, to determine funding progress as well as employer contributions for the following two fiscal years.

Purchasing Policy

- Purpose: Ensures City compliance with applicable laws relating to the expenditure of public funds.
- Policy: Establish the manner by which all City procurement is to be conducted as well as to ensure City compliance with applicable laws relating to the expenditure of public funds.

Allowance for Doubtful Accounts Policy

- Purpose: Serves to reflect the true value of accounts receivable. The amount represents the value of accounts receivable that the City does not expect to receive payment for.
- Policy: Formally establishes the methodology employed to determine the percentage of the City of Richmond open accounts receivables that are unlikely or doubtful to be realistically collected within a reasonable period of time following the close of a fiscal year.

Sanctuary City Contracting and Investment Policy

- Purpose: As a Sanctuary City, the City is committed to protecting all residents of our community. This policy prevents contractors from providing information to Immigration and Customs Enforcement (ICE) without the City's knowledge.
- Policy: Prohibits the City from contracting with any person or entity that provides the United States Immigration and Customs Enforcement (ICE) with any "Data Broker", "Extreme Vetting" services unless the City Council makes a specific determination that no reasonable alternative exists.

Next Steps

- City Council to receive updates on January 26, 2021:
 - FY 2020-21 Mid-Year Budget Review
 - Overtime Report - December 2020
 - Progress of fiscal sustainability plan

Questions?