



CITY OF

*Richmond* CALIFORNIA

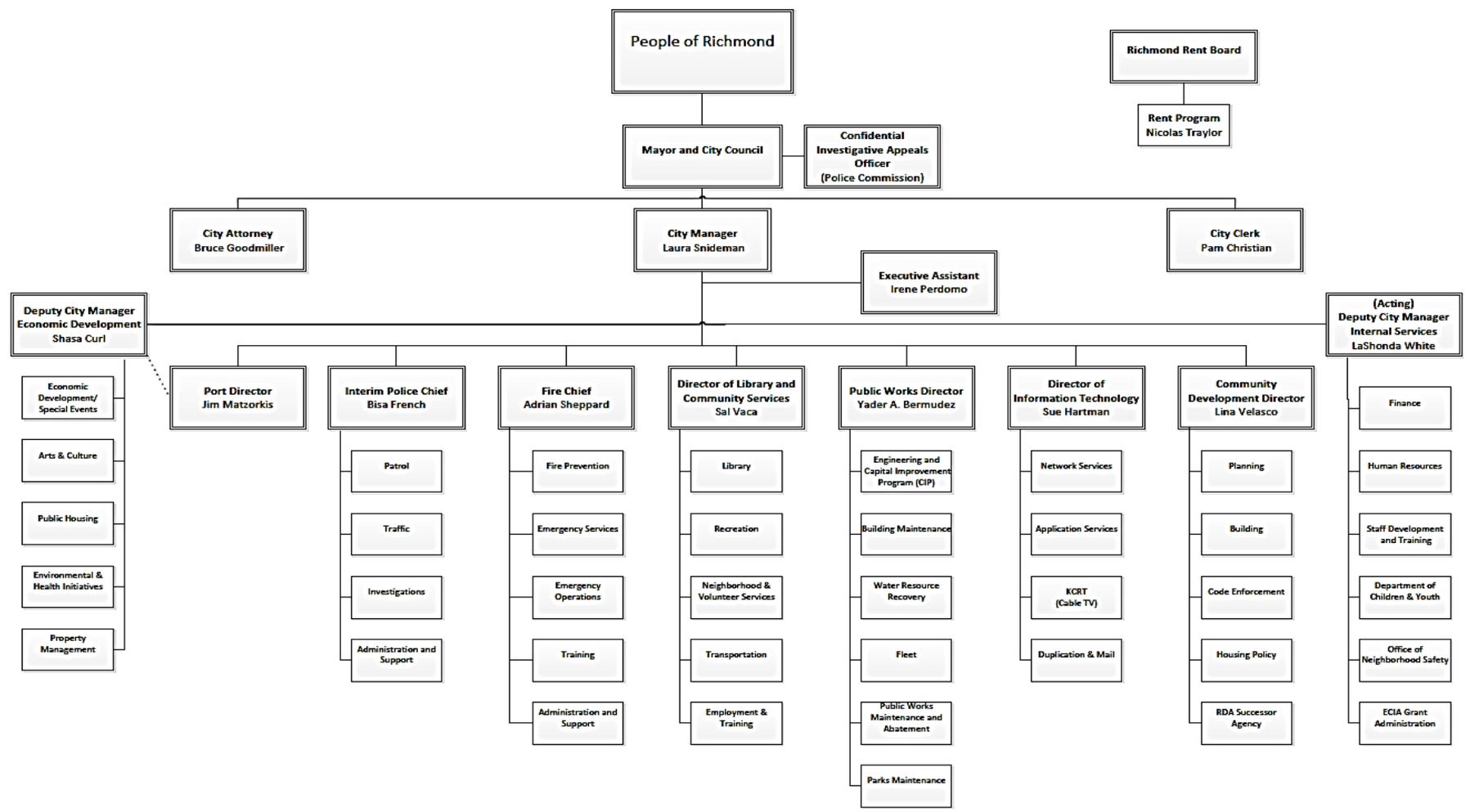


# Community Budget Meeting Finance Department April 7, 2021

# Agenda

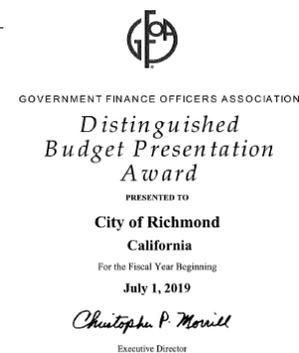
- Overview of the Budget
- Budget Highlights and Challenges
  - American Rescue Plan Act (ARPA)
  - Measure U – Gross Receipts Tax
  - Management Partners - Long Term Forecast
- Revenues and Expenses
- Next Steps
- Question and Answer Session

# Organizational Structure



# Purpose of the Budget

- Policy Document
- Financial Plan
- Operations Guide
- Communications Device



# 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

# Decision Making Process

- Annual budgets are initially developed with input from all departments
- Review, input and revisions made through series of internal and public meetings
- City Council makes final decisions regarding budget allocations

# Budget Development

- Budget Kick Off
- Budget Input Window
- Department Hearings
- Council Meetings
- Community Meetings
- Union Meetings

# Budget Development Key Dates

Responsible Department/Staff	Action / Activity	Date
Finance Department	Budget Kick-off	February 17
Finance Department	Budget Input Training	February 17
All Departments	Personnel Position Control due	March 5
All Departments	Budget input window	February 22 to March 7
Finance Department/City Manager/All Departments	Budget Hearings	March 17 begins
Finance Department	Community Budget Meetings	April 7; May 6; June 3
Finance Department/City Manager/City Council	Study Session: First Draft Budget	May 4
Finance Department/City Manager/Union Leaders	Union Budget Meetings	Week of February 22, March 25; April 15; May 20, June 17
City Council	Approval of FY 2021-22 Budget and CIP Budget	By June 30, 2021

# Financial Highlights

- Last 5 fiscal years ended with surpluses
- Maintained credit rating upgrade
- Decrease in total negative cash balances
- Measure U - Gross Receipts Business License Tax
- Updated long term budget forecast
- American Rescue Plan

# Measure U - Gross Receipts Business License Tax

- Approved by voters in November 2020
- Changes the way the tax is calculated
  - Currently based on number of employees
  - New methodology is based on the business gross receipts
    - Tax is a percentage of the gross receipts and changes based on the business category and the size of the business
  - Business making less than \$250 thousand pay the minimum tax of \$100 per year
- Estimated to bring an additional \$5.3M for the City of Richmond
- Staff working with stakeholders on various items:
  - Definitions and interpretation
  - Implementation

# Updated Long Term Budget Forecast

- City has done 5-year forecasts since 2010
- Russ Branson, starting in 2015, developed existing long-range fiscal model, and maintained it for the City through 2020
  - May 2020 forecast showed a structural deficit made worse by effects of Covid-19 pandemic
  - September 2020 update incorporated FY21 budget adjustments, but still showed significant ongoing budget shortfalls through FY27
- Management Partners hired in November 2020 to develop a fiscal sustainability plan, including:
  - **Analyze City's Financial Forecast** - “second opinion” on assumptions in existing model
  - **Prepare Forecast Dashboard Decision-Making Tool** - make existing model easier to use

# American Rescue Plan Act

- Richmond's allocation is \$20.81 million
- Funds received in two equal installments one year apart
  - First: ~June/July 2021 for use in FY 2022
  - Final: 2022 for use in FY 2023
- Funds must now be spent by 12/2024
- Periodic reports to the Treasury Department with a detailed accounting of the use of funds
- Specific guidance on uses forthcoming

# Use of Funds

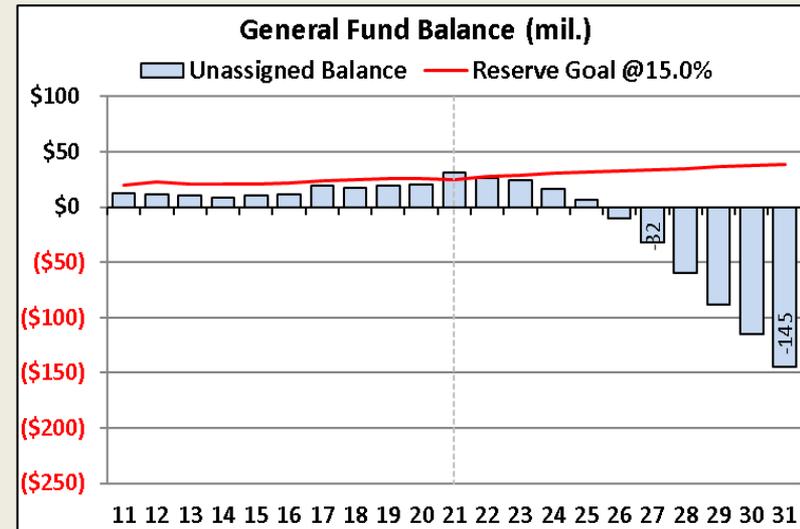
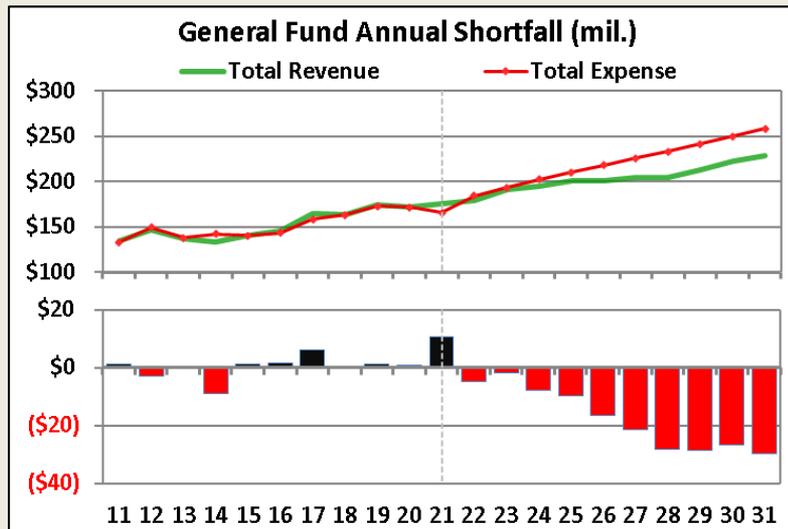
- Respond to COVID-19 Emergency and Address its economic effects
- Provide premium pay to essential employees to grants to their employees.
- Restore government services to the extent they were cut or reduced due to tax revenue lost due to the pandemic
- Making investments in water, sewer, or broadband infrastructure
- Cannot use the funds towards pensions
- Can transfer funds to private nonprofits, a transportation-related public benefit, or a special-purpose unit of state or local government

# Financial Challenges

- COVID-19
- Rising pension costs
- Unfunded deferred maintenance/improvements
- Reserve level below policy target
- Negative fund balances

# Updated Forecast is Improved, But Still Challenging

## Management Partners' Forecast Update (Mar 2021)



**Avg \$17.6M shortfall**

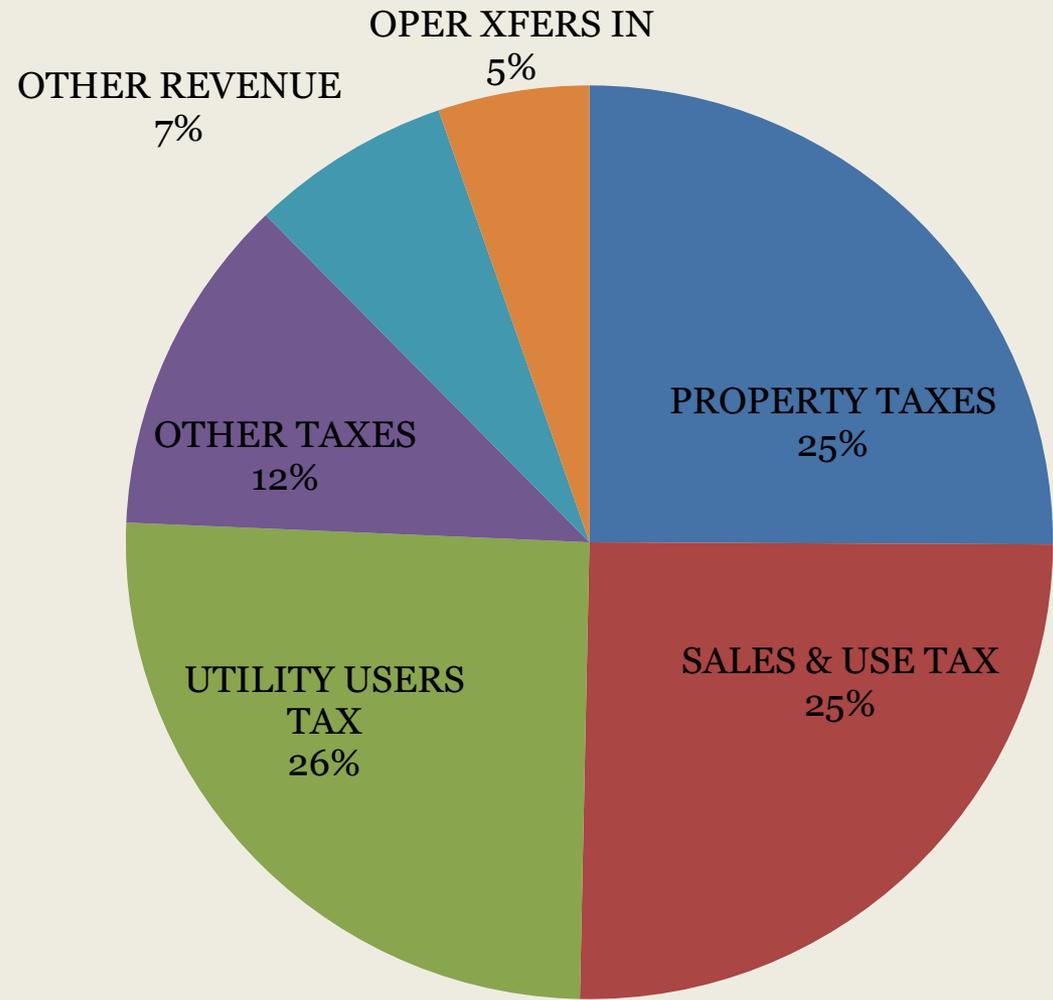
### MP Forecast Update:

- Includes FY20 actuals, 6/30/20 balances
- Includes City's FY21 midyear adjustments
- Includes other revised assumptions



# How the City Generates its Revenue

FY2020-21 General Fund Mid-Year \$176 million

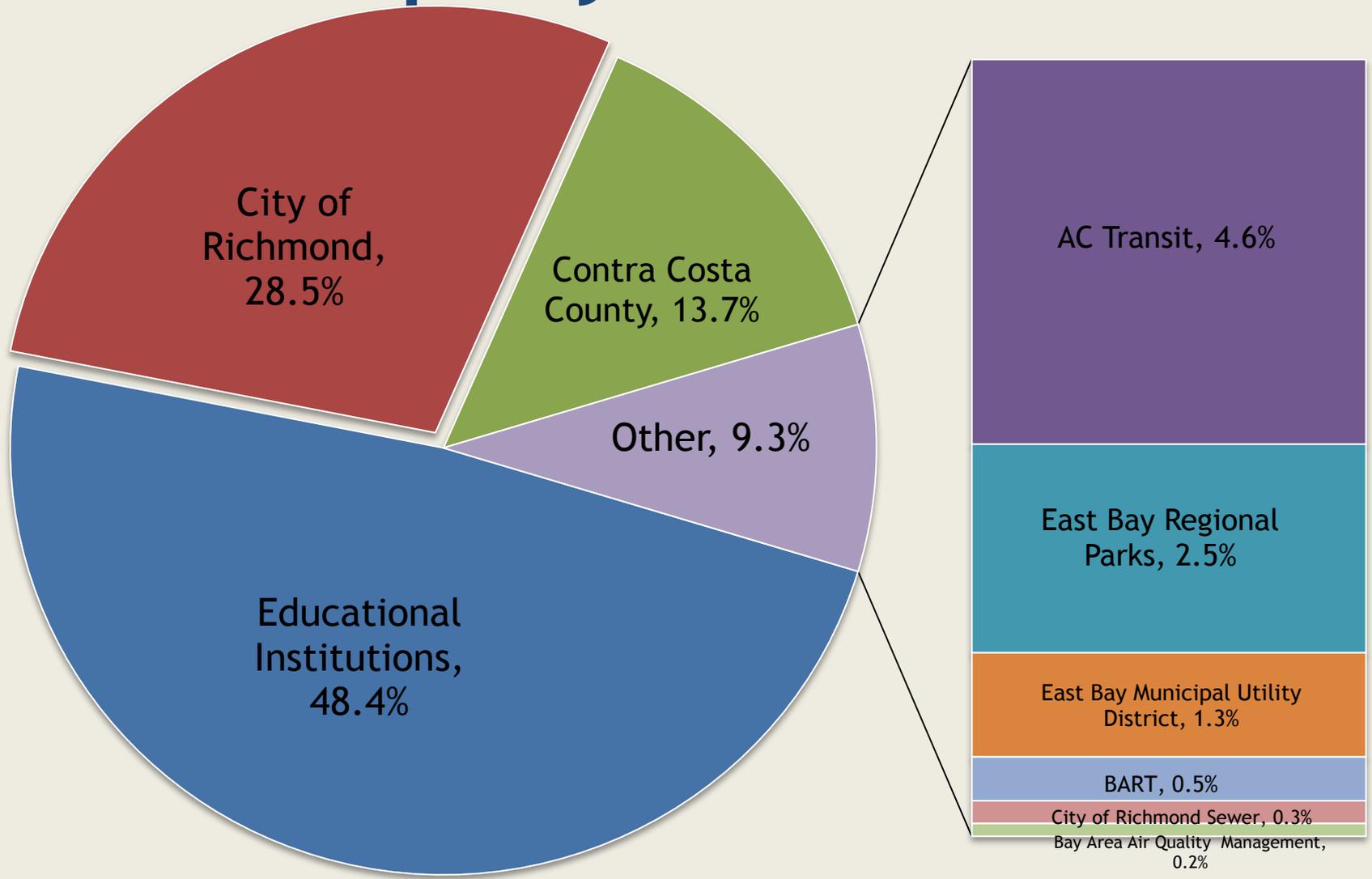


# General Fund Revenues

## FY2020-21 General Fund Mid-Year \$176 million

	ADOPTED BUDGET	ADJUSTMENTS	REVISED BUDGET	YTD ACTUAL	AVAILABLE BUDGET	% REC'D
30 PROPERTY TAXES	(43,928,806)	(136,600)	(44,065,406)	(23,630,374)	(20,435,032)	53.6%
31 SALES & USE TAX	(40,995,626)	(3,384,091)	(44,379,717)	(24,936,079)	(19,443,639)	56.2%
32 UTILITY USERS TAX	(44,506,312)	(56,447)	(44,562,759)	(29,775,248)	(14,787,511)	66.8%
33 OTHER TAXES	(13,704,709)	(7,407,247)	(21,111,956)	(13,889,260)	(7,222,696)	65.8%
34 LICENSES,PRMITS&FEES	(6,479,388)	563,226	(5,916,162)	(4,081,577)	(1,834,585)	69.0%
35 FINES & FORFEITURES	(831,966)	190,000	(641,966)	(336,103)	(305,863)	52.4%
36 USE OF MONEY&PROPRTY	(236,079)	-	(236,079)	(58,610)	(177,469)	24.8%
37 CHARGES FOR SERVICES	(3,381,868)	(344,687)	(3,726,555)	(2,643,375)	(1,083,180)	70.9%
38 OTHER REVENUE	(196,496)	(800)	(197,296)	(228,514)	31,218	115.8%
39 RENTAL INCOME	(952,123)	96,775	(855,348)	(427,462)	(427,887)	50.0%
3A INTERGOV STATE TAXES	(87,405)	-	(87,405)	-	(87,405)	0.0%
3C INTERGOV STATE GRANT	(378,328)	(72,192)	(450,520)	(174,776)	(275,744)	38.8%
3D INTERGOV OTHER GRANT	(167,856)	-	(167,856)	(192,299)	24,444	114.6%
60 PROC FR SLE PROP	(55,000)	(15,215)	(70,215)	(70,721)	506	100.7%
90 OPER XFERS IN	(9,258,229)	(9,372)	(9,267,601)	(9,425,856)	158,255	101.7%
<b>TOTAL GF REVENUES</b>	<b>(165,160,191)</b>	<b>(10,576,650)</b>	<b>(175,736,842)</b>	<b>(109,870,254)</b>	<b>(65,866,587)</b>	<b>62.5%</b>

# 1% Property Tax Distribution



# Sales Tax Distribution

Rate	Jurisdiction	Purpose
3.69% State		Goes to State's General Fund
0.25% State		Goes to State's General Fund
0.50% State		Goes to Local Public Safety Fund to support local criminal justice activities (1993)
0.50% State		Goes to Local Revenue Fund to support local health and social services programs (1991 Realignment)
1.06% State		Goes to Local Revenue Fund 2011
1.25% Local		0.25% Goes to county transportation funds and 1.00% Goes to city or county operations
<b>7.25% State Base</b>		Total Statewide Base Sales and Use Tax Rate
0.50% Local		Measure U - Richmond (2005)
0.50% Local		Measure Q - Richmond(2015)
0.50% Regional		BART (1970)
0.50% Regional		CCTA (1989)
0.50% Regional		Measure X - Contra Costa County (2020)
<b>2.50% Richmond Rate</b>		Richmond specific rate with local voter approved measure
<b>9.75% Total Rate</b>		

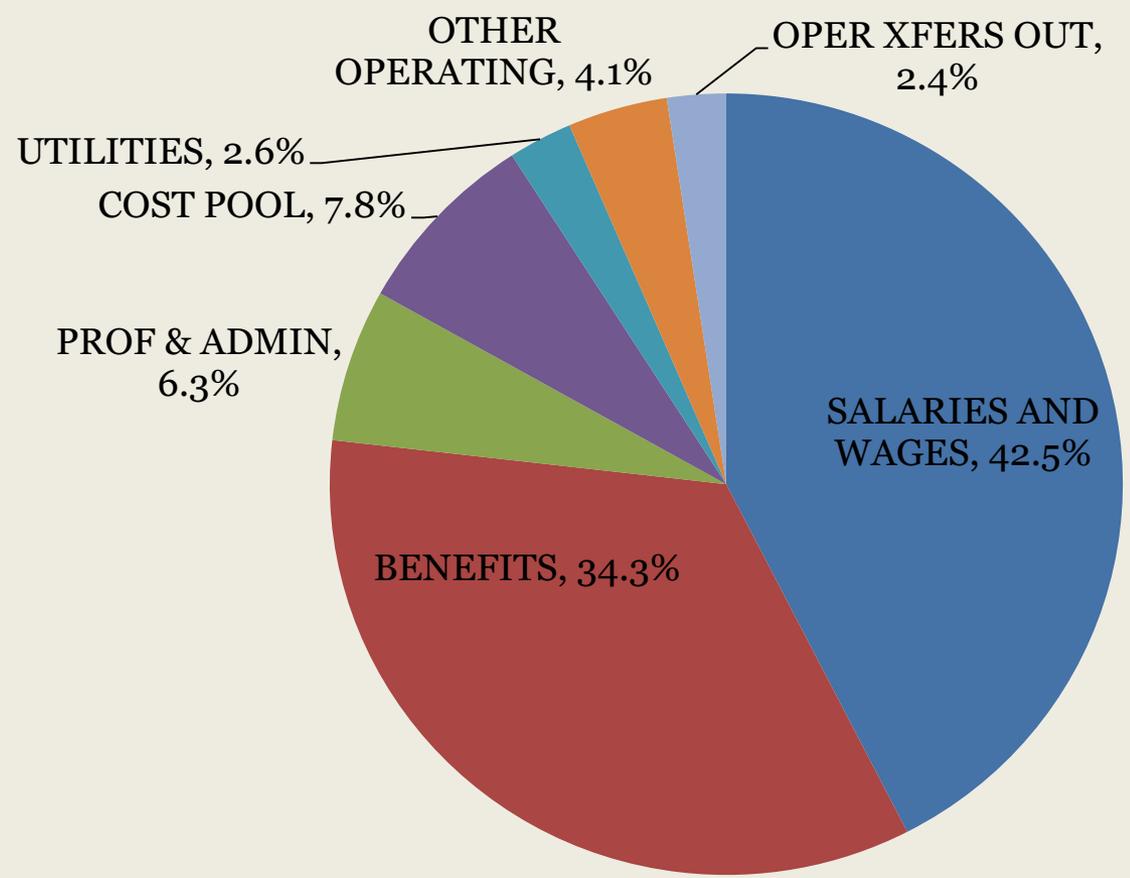
# Utility Users Tax Breakdown

Utilities Subject to Tax	Rate
Telecommunications	9.5%
Prepaid Wireless	9.0%
Video	5.0%
Gas & Electricity	10.0%
Tax Settlement (flat dollar amount per agreement)	\$4M/fiscal year
Cap Provision	Varies based on CPI

# How the City Spends its Revenues

FY2020-21 General Fund Mid-Year \$176 million

By Type



# General Fund Expenditures

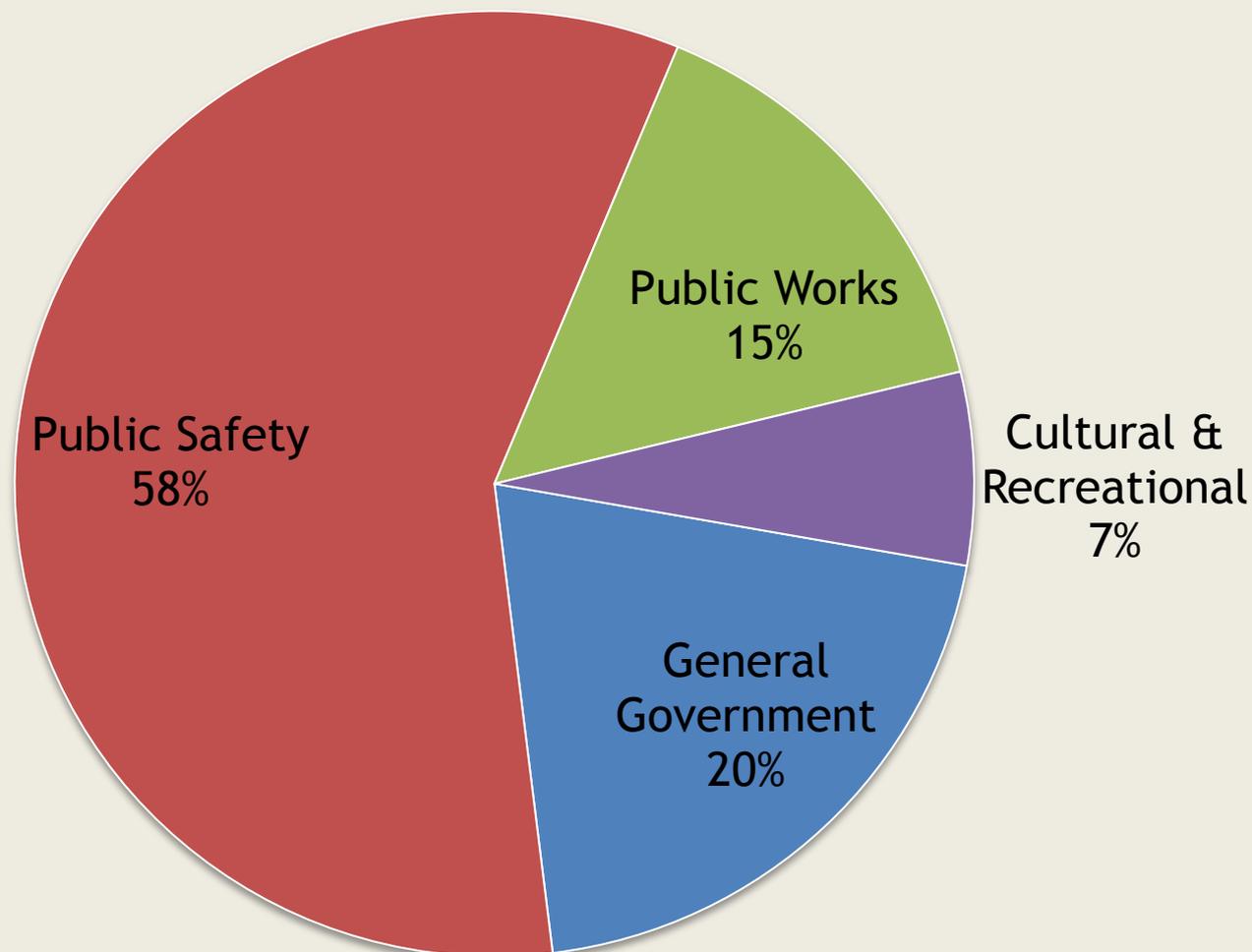
FY2020-21 General Fund Mid-Year \$170 million

	ADOPTED BUDGET	ADJUSTMENTS	REVISED BUDGET	YTD ACTUAL	ENCUM- BRANCES	AVAILABLE BUDGET	% REC'D
40 SALARIES AND WAGES	70,291,326	2,034,395	72,325,721	47,110,207	-	25,215,514	65.1%
41 PYRLL/FRINGE BENEFIT	58,554,789	(38,996)	58,515,794	39,827,942	-	18,687,852	68.1%
42 PROF & ADMIN	9,998,917	769,304	10,768,221	4,242,071	2,481,376	4,044,773	39.4%
43 OTHER OPERATING	5,327,563	14,917	5,342,480	3,311,264	1,512,110	519,105	62.0%
44 UTILITIES	4,548,320	(90,635)	4,457,685	2,802,761	451,435	1,203,490	62.9%
45 EQPT & CONTRACT SVCS	2,113,661	150,036	2,263,698	1,168,898	410,826	683,975	51.6%
46 PROVISN FOR INS LOSS	3,143	10,200	13,343	13,343	-	-	100.0%
47 COST POOL	13,274,926	-	13,274,926	8,849,953	-	4,424,973	66.7%
48 ASSET/CAPITAL OUTLAY	460,468	1,191,381	1,651,849	15,242	315,403	1,321,204	0.9%
49 DEBT SVC EXPENDITURE	2,049,749	(1,000,000)	1,049,749	639,273	-	410,476	60.9%
4A A87 COST PLAN REIMBS	(3,516,104)	-	(3,516,104)	(2,415,418)	-	(1,100,686)	68.7%
50 GRANT EXPENDITURES	40,000	86,725	126,725	47,461	-	79,264	37.5%
91 OPER XFERS OUT	4,961,206	(868,215)	4,092,991	3,411,630	-	681,361	83.4%
<b>TOTAL GF EXPENDITURES</b>	<b>168,107,966</b>	<b>2,259,112</b>	<b>170,367,078</b>	<b>109,024,626</b>	<b>5,171,150</b>	<b>56,171,302</b>	<b>64.0%</b>

# How the City Spends its Revenues

FY2020-21 General Fund Mid-Year \$176 million

By Function

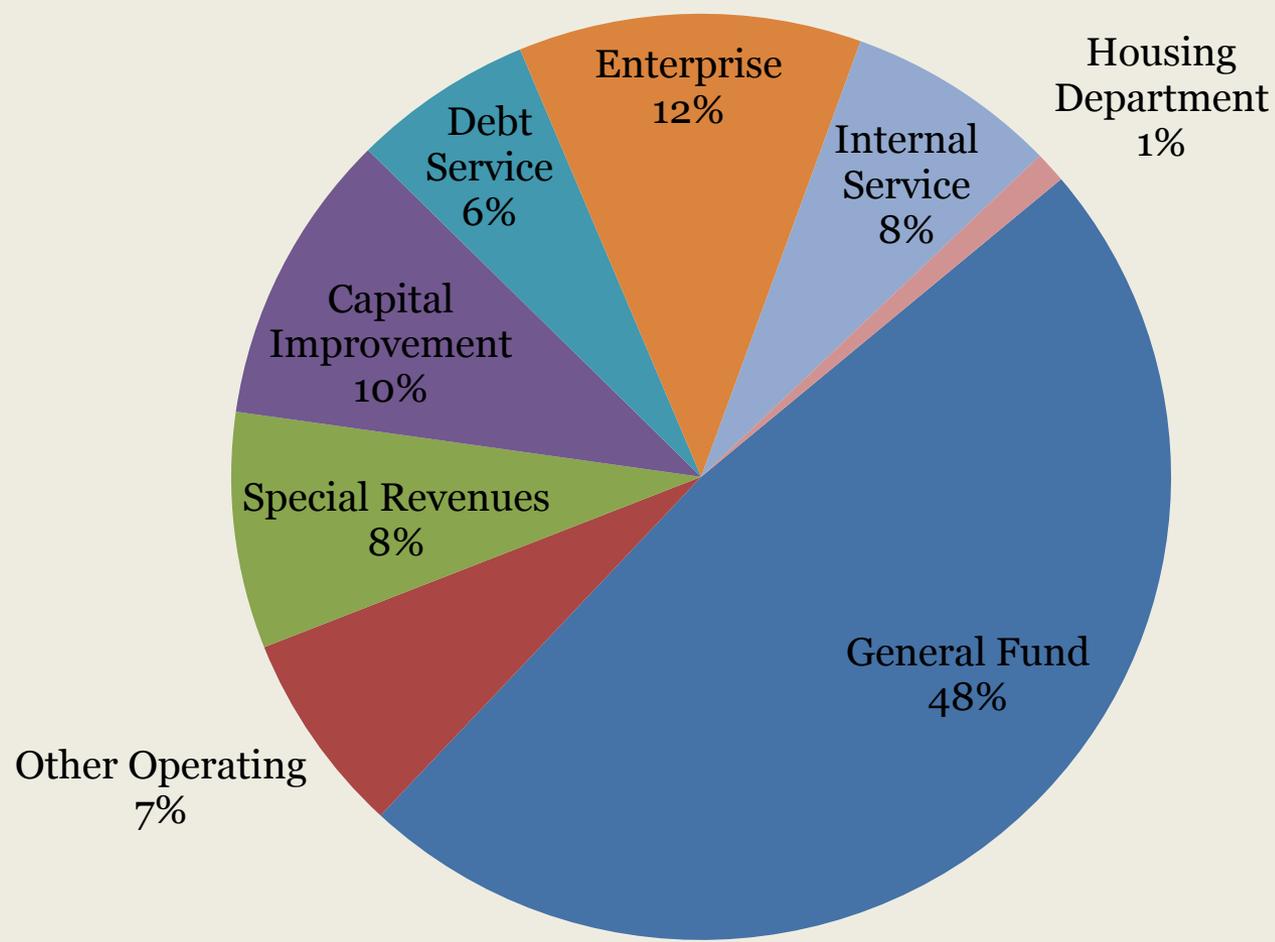


# Status of FY2020-21 Budget

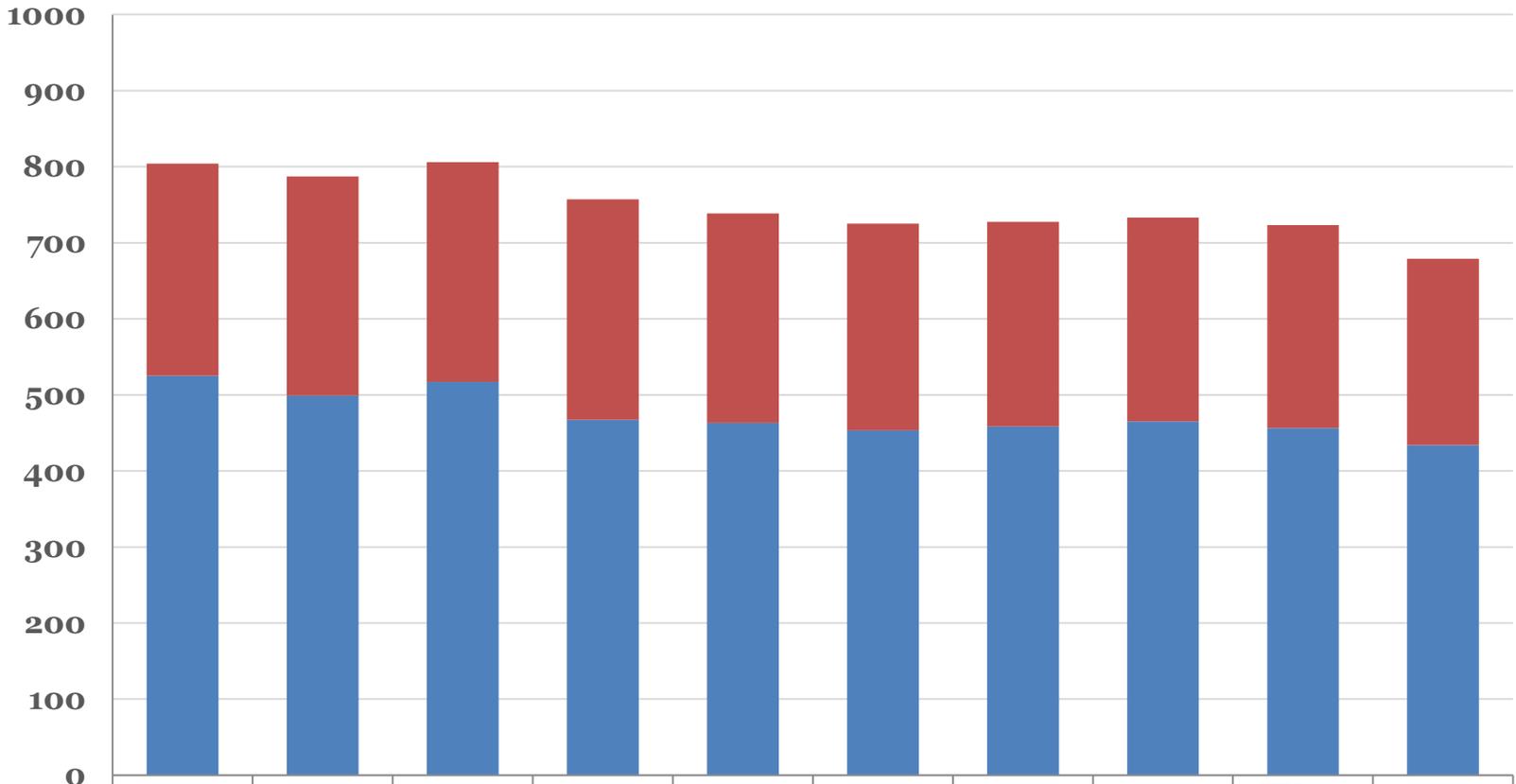
	FY2020-21	FY2020-21
	ADOPTED BUDGET	MID-YEAR BUDGET
<b>TOTAL REVENUES</b>	<b>165,160,191</b>	<b>175,814,340</b>
<b>TOTAL EXPENDITURES</b>	<b>165,160,191</b>	<b>171,653,539</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>0</b>	<b>4,160,801</b>

# All Funds

FY2020-21 Mid-Year \$366 million



# Staffing Levels 10-Year Summary



	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
<b>Total</b>	<b>804.1</b>	<b>787.1</b>	<b>806.2</b>	<b>757.2</b>	<b>738.7</b>	<b>725.2</b>	<b>727.4</b>	<b>733.2</b>	<b>723.3</b>	<b>679</b>
<b>Sworn</b>	<b>279</b>	<b>288</b>	<b>289</b>	<b>290</b>	<b>275.5</b>	<b>272</b>	<b>269</b>	<b>268</b>	<b>267</b>	<b>245</b>
<b>Non-Sworn</b>	<b>525.1</b>	<b>499.1</b>	<b>517.2</b>	<b>467.2</b>	<b>463.2</b>	<b>453.2</b>	<b>458.4</b>	<b>465.2</b>	<b>456.3</b>	<b>434</b>

# FY 21-22 Budget Calendar

## March

- **3/2 and 3/9:** Budget principles and budget development process
- **3/23:**
  - Management Partners: Presentation on 10-year forecast and fiscal model dashboard
- **3/25:** Unions/Finance meeting

## April

- **4/6:** FY 20-21 budget update & FY 21-22 budget development update
- **4/7:** Community budget meeting
- **Mid-late April:**
  - Council workshops
  - Community workshop to discuss City's budget forecast & dashboard
- **4/15:** Unions/Finance meeting
- **Late April/Early May:** CM/Union Quarterly Meeting

## May

- **5/4:** First draft of FY 21-22 annual budget to council
- **5/7:** Community budget meeting
- **5/18:** Department budget presentations
- **Mid-late May:** Fiscal sustainability plan update
- **5/20:** Unions/Finance meeting

## June

- **6/1 and 6/15:** Council budget presentations and discussions
- **6/4:** Community meeting
- **6/17:** Unions/Finance meeting
- **6/22:** Council approval of FY 21-22 Budget & CIP Budget

# Next Steps

- Staff will prepare the FY21-22 budget documents for the May 4th City Council meeting
- Next Community Meeting Thursday, May 6th at 4pm
- Staff to bring back updates to the City Council every meeting until budget adoption
- Council to adopt balanced budget - June 2021

# Resources

- City Council Meeting Presentations  
<http://www.ci.richmond.ca.us/1427/Presentations>
- Budget Documents  
<http://www.ci.richmond.ca.us/183/Budget-Documents>
- Comprehensive Annual Financial Report  
<http://www.ci.richmond.ca.us/2969/Comprehensive-Annual-Financial-Report-CA>
- Richmond Financial Transparency  
<http://www.transparentrichmond.org>

# Thank you

## Questions/Comments?