

Update on Cost Recovery and Revenue Enhancement

May 3, 2022

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Recommendation

RECEIVE an update on the Cost Recovery and Revenue Enhancement tracking document and Options for Long-term Fiscal Sustainability; and
PROVIDE input to City staff

Overview

1. Goals
2. Background
3. Revenue Enhancement Spreadsheet and Tracking
4. Revenue Options for Fiscal Sustainability
5. Potential Ballot Initiatives
6. Next Steps

Background

- **May 7, 2019** – Anticipated \$7 million deficit
- **December 17, 2019** – City Council direction to explore potential revenue enhancement and cost recovery measures
- **February 4, 2020** – Councilmembers provided staff with additional revenue generation recommendations
- **March 4, 2020** – Governor Newsom declared a State of Emergency due to COVID19
- **November 2020** – City Council approved contract with Management Partners to develop a Fiscal Sustainability Plan
- **July 27, 2021** – City Council received a presentation from Management Partners on a list of budget strategies

Revenue Enhancements

Tracking Measures and Progress

**Proposed Revenue Generation and Cost Recovery Tracking Sheet
Supports Strategic Priority 1A**

Revenue Opportunity	Description	Feasibility (Yes, No, or Not at this time-low priority)	Implementation Time Frame Short (6 months or less) Medium (7 months-1.5 years) Long (+1.5 year)	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)	City Attorney's Office- RLO Notes
FEE									
ADMINISTRATIVE PRACTICE									
POTENTIAL BALLOT MEASURE									

Tracking Measures and Progress

	COMPLETE	IN-PROGRESS	EXPLORATORY	NOT AT THIS TIME	TOTAL
FEE	1	1	1	1	4
ADMINISTRATIVE PRACTICE	1	21	9	3	33
POTENTIAL BALLOT MEASURE	0	1	7	1	9
TOTAL	2	23	16	5	47

Options for Fiscal Sustainability

Management Partners

November 2020: Approved contract with Management Partners

February – July 2021: Management Partners presented guiding principles, fiscal model, and budget strategy options

May 3, 2022: Discuss revenue enhancement options

June 2022: Develop Fiscal Sustainability Plan

Budget Strategy Options

Management Partners



Revenue
enhancements



Service delivery
alternatives



Expenditure
controls and cost
shifts



Service level
reductions

Budget Strategies for Consideration

Maintaining Service Levels

Revenue Enhancements

Strategy	Fiscal Impact (H/M/L)	Estimated Fiscal Impact
Renegotiate UUT agreement with Chevron and/or renegotiate/extend ECIA	H	\$9,000,000
Institute a parcel tax for library services	H	\$5,600,000
Implement vacant parcel tax	H	\$2,000,000
Increase real property transfer tax (RPTT) by 20%	H	\$1,600,000
Explore neighborhood improvement districts, community facilities district	H	\$1,000,000
Conduct an asset inventory and lease surplus properties	H	\$1,000,000
Redevelop Port land for alternative revenue-generating uses	H	\$1,000,000
Increase cost recovery on recreation services	H	\$1,000,000
Increase cost recovery on planning and building services	M	\$700,000
Increase the transient occupancy tax (TOT) rate to 10%	L	\$300,000
Use surplus properties to provide open spaces for development opportunities (excluding one-time revenues of \$4.5 million)	L	\$100,000
Total – Revenue Enhancement Strategies		\$23,300,000

Note: All dollar figures are preliminary estimates and subject to additional analysis. Estimates are the results of preliminary analyses and information and observations from similarly situated cities in California. Unique organizational or operational conditions in Richmond will require careful consideration in incorporating these strategies into a draft fiscal sustainability plan.

Revenue Enhancements

Voter Required Revenue Strategies

- **Taxes**
 - **Transient occupancy tax (TOT)**
 - Increase rate, currently at 8%
 - **Real Property Transfer Tax (RPTT)**
 - Increase real property transfer tax (RPTT)
 - **Other Taxes**
 - Explore **neighborhood improvement districts**, community facilities district, lighting and landscape district to finance operational costs
 - Institute a **parcel tax for library** services
 - Implement a **vacant parcel tax**
 - Raise **Utility Users Tax (UUT)**

Council-Led Revenue Strategies

- **Chevron**
 - Extend or renegotiate ECIA
 - Renegotiate UUT agreement
- **Cost Recovery**
 - Increase cost recovery on planning, building and/or recreation services
- **Other**
 - Conduct an **asset inventory** to determine surplus or underutilized properties
 - Sell or lease **surplus properties**
 - Provide **open spaces for development opportunities**
 - **Redevelop part of Richmond Port land** for alternative uses

City Department Rankings

<u>Revenue Enhancement Options</u> (Per Management Partners)	<u>Estimates</u> (Per Management Partners)	<u>Overall Ranking</u> (Per City Directors)
Implement a vacant parcel tax	High (\$2 million)	1
Institute parcel tax for library services	High (\$5.6 million)	2
Raise the utility users tax rates by 1%	High (\$4 million)	3
Increase transient occupancy tax to 10%	Low (\$300,000)	4
Renegotiate ECIA with Chevron	High (\$9 million)	5
Increase real property transfer tax by 20%	High (\$1.6 million)	6
Conduct an asset inventory and lease surplus properties	High (\$1 million)	7
Increase cost recovery on planning, building services	Medium (\$700,000)	8
Redevelop Port Land for alternative revenue-generating uses	High (\$1 million)	9
Create neighborhood improvement district/community facilities district	High (\$1 million)	10
Increase cost recovery on recreation services	High (\$1 million)	11
Use surplus properties to provide open spaces for development opportunities	Low (\$100,000)	12

Potential Ballot Initiatives

Utility Users Tax

Increase of 1%

Utilities Subject to Tax	Current Rate	FY21-22 Budget	New Rate	New Amount	Additional Revenue
Telecommunications	9.5%	2,686,043	10.5%	2,968,784	282,741
Video	5.0%	2,686,043	6.0%	3,223,252	537,209
Gas & Electricity	10.0%	12,218,542	11.0%	13,440,396	1,221,854
Cap Provision	Calculation is based on 10% and changes year to year based on Energy Services CPI	26,330,964	Calculation will be updated but will likely not go into effect until 2026	26,330,964	-
Prepaid Wireless	9.0%	200,000	10.0%	222,222	22,222
Tax Settlement (flat dollar amount per agreement)	\$4M/fiscal year	4,000,000		-	-
TOTAL		44,121,592		46,185,618	2,064,026

Increase of 1% would generate approximately \$2.0 million in the subsequent full year. Cap amount paid by Chevron will not be impacted until after FY2024-2025 once the Tax Settlement Agreement has expired.

1/2 Cent Sales Tax Measure

Current Rates:

- Richmond Rate 9.75%
 - El Cerrito 10.25%
 - San Pablo 9.25%
 - Pinole 9.75%
 - Albany 10.75%
 - Berkeley 10.25%
 - Oakland 10.25%
 - Alameda 10.75%
- Increase of 1/2 cent would increase the Richmond Sales Tax Rate to 10.25% and would generate approximately \$10.3 million per year.
 - Approximately 40% of the tax is paid by Richmond residents, while 60% is paid by non-Richmond residents and businesses; however, 100% of the new revenue would go to Richmond's General Fund.

Key November 2022 Election Dates

November 8, 2022 General Election

Filing Period	
August 12 <i>E-88</i>	Last day to place a measure on the ballot
August 18 <i>E-82</i>	Local measure letter assigned
August 24 <i>E-76</i>	Deadline for Primary Arguments For/Against
August 29 <i>E-71</i>	Deadline for Rebuttal Arguments
September 8 <i>E-61</i>	Last day to file Writ of Mandate
September 29 <i>E-40</i>	Estimated Voter Information Guide mailing

Next Steps

Next Steps

Review and provide feedback on revenue enhancement options; identify other strategies for analysis

Submit feedback to Management Partners to incorporate into a draft Fiscal Sustainability Plan (Plan)

Management Partners to present draft Plan to City Council for review and input prior to finalization

Finalize Fiscal Sustainability Plan

Direct staff to develop and implement revenue enhancement strategies

Recommendation

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Questions? Feedback?

THANK YOU!