



City of Richmond Draft Budget Fiscal Year 2023-2024

May 2, 2023

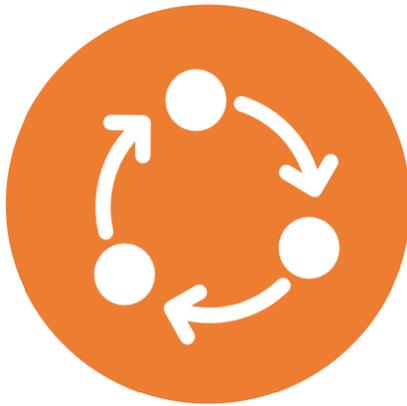
Shasa Curl, City Manager

Nickie Mastay, Deputy City Manager

Mubeen Qader, Deputy Director of Finance

Antonio Banuelos, Accounting Manager

Organizational Priorities



Day-to-Day Operations



Corrective Action Plan



New Council Requests



New Council Policy
Direction

Recommended Action

ACKNOWLEDGE receipt of the first draft of the Fiscal Year 2023-2024 Annual Operating Budget and Fiscal Year 2023-2028 Five-Year Capital Improvement Plan Budget; **ESTABLISH** the review process and schedule for their review and adoption; and **RECEIVE** Government Finance Officer Association (GFOA) General Fund Fund-Balance Guidelines as part of City's Corrective Action Plan

Questions?



Councilmembers may contact Lilia Corral at [510.620.6787](tel:510.620.6787) (lilia_corral@ci.richmond.ca.us) to schedule meetings with the City Manager and Finance staff to review and discuss inquiries pertaining to the budget

Overview

- Financial Headwinds
- FY2023-24 Budget Calendar
- General Fund Revenue Assumptions
- Draft General Fund Revenue Budget
- General Fund Expenditure Assumptions
- Draft General Fund Expenditure Budget
- Operating Transfers Out
- FY2022-23 Surplus Usage Priorities
- GFOA Fund Balance Best Practices
- Next Steps

Financial Headwinds

“The government needs to act in a way where the uninsured depositors get their money out in whole,” Lawrence Summers, a former Treasury secretary now at Harvard, said in an interview on Saturday, either through a takeover or by a government guarantee. Failing to do so “runs a substantial risk of setting off a wave of further withdrawals from all but the largest of institutions”

Regulators Prepare to Seize and Sell First Republic, New York Times, April 30, 2023

➤ Federal Reserve meeting on May 3, 2023

FY2023-2024 Budget Development And Key Milestones

ACTION / ACTIVITY	DATE
Budget kick off meeting	January 26
Budget Input Window	January 30 thru February 26
Budget Hearings: City Manager, Finance Director, and Budget division meet with departments	March 13 thru March 23
Community Budget Meetings	Community: April 17 & 20 RNCC: April 10
Union Budget Meeting	April 28
Study Session First Draft Budget	May 2
Economic Analysis (Beacon Economics & GovInvest)	April – June

FY2023-24 Budget Development Schedule



ACTION / ACTIVITY	DATE
FY 2022-23 Quarter 3 Budget Update	May 16
Revised Draft Budget & Capital Improvement Plan Presentation	June 6
Council to adopt FY 2023-24 Operating Budget, FY2024-25 to FY2026-28 Capital Improvement Plan, and GANN Limit	June 20
Adopted FY2023-24 budget available in MUNIS	July 1



Budget Envelope

	FISCAL YEAR 2022-23	FISCAL YEAR 2023-24	PCT
GENERAL FUND	REVISED BUDGET	DRAFT BUDGET	CHANGE
TOTAL REVENUES	(215,103,041)	(221,330,130)	2.89%
TOTAL EXPENDITURES	215,139,689	221,330,130	2.88%



General Fund Revenue Assumptions

Revenue Category	Assumptions
PROPERTY TAXES	Assessed Value (AV) Growth based on (1) most properties increasing by State posted CPI (usually 2% max, this year 0%), (2) plus, for the properties that sold in 2022, the new value minus the previous value, and (3) the value of the Chevron Refinery. Staff usually assumes the refinery will stay the same - zero AV growth for that component.
SALES & USE TAX	2.3 percent growth per the consultant; Vehicle License Fee tied to AV growth, same as Secured Property Taxes.
UTILITY USERS TAX (UUT)	Analysis in part provided by consultant. Growth rates applied to individual revenue streams with the UUT category - cable and Telecom historically have been going down due to industry changes. Settlement amount is set and due to go away after FY24-25. Cap amount paid by Chevron is based on Energy Services CPI for the Bay Area which through the posted rates through February is extremely high.
OTHER TAXES	Each revenue stream within Other Taxes changes year-to-year based on independent influences; both garbage fees are up by 5% based on historical changes; Hotel Tax up 10% based on rebounding industry; Transfer Tax budgeted amount based on formula in Guiding Fiscal Policy that mandates we use the mean since implementation of the voter approved tiered structure; gas and electricity franchise changes stem from using same growth factor as UUT.
LICENSES, PERMITS & FEES	Main item is Business Tax and are using growth factor of 5% as a CPI.
FINES & FORFEITURES	Parking citations and Muni Court Fines are flat. Proposed amounts are lower than currently budgeted and tie to current year actuals and trends.
USE OF MONEY & PROPERTY	Flat - zero growth
CHARGES FOR SERVICES	Most items entered by corresponding departments based on their estimated level of service. Proposed amounts are lower than currently budgeted and tie to current year actuals and trends.
OTHER REVENUE	Very unpredictable. Usually very little budgeted here and items are added as received.
RENTAL INCOME	Proposed amounts are lower than currently budgeted and tie to current year actuals and leases.
INTERGOV STATE TAXES	Flat - zero growth
INTERGOV OTHER GRANT	Only known grants budgeted
PROCEED FROM SALE PROPERTY	Pending budget, based on historic trend
OPERATING TRANSFERS IN	Based on Analysis of the Pension Tax Override fund, estimated AV growth, minus scheduled uses. Left over funds are transferred to the GF.

General Fund Revenues

	FISCAL YEAR 2022-23	FISCAL YEAR 2023-24	PCT
GENERAL FUND	REVISED BUDGET	DRAFT BUDGET	CHANGE
PROPERTY TAXES	(48,608,929)	(48,608,929)	0.00%
SALES & USE TAX	(55,554,137)	(56,408,015)	1.50%
UTILITY USERS TAX	(50,861,279)	(56,765,473)	11.60%
OTHER TAXES	(22,452,187)	(23,237,723)	3.50%
LICENSES,PRMITS&FEES	(11,080,956)	(11,214,095)	1.20%
FINES & FORFEITURES	(465,275)	(331,144)	-28.80%
USE OF MONEY&PROPRTY	(1,021,047)	(1,011,535)	-0.90%
CHARGES FOR SERVICES	(3,568,792)	(2,561,992)	-28.20%
OTHER REVENUE	(192,545)	(238,480)	23.90%
RENTAL INCOME	(874,506)	(777,028)	-11.10%
INTERGOV STATE TAXES	(125,000)	(125,000)	0.00%
INTERGOV STATE GRANT	(175,000)	(110,000)	-37.10%
INTERGOV OTHER GRANT	(263,569)	(250,000)	-5.10%
PROC FR SLE PROP	(100,000)	-	-100.00%
LOAN/BOND PROCEEDS	(39,400)	(40,400)	2.50%
OPER XFERS IN	(19,720,418)	(19,650,316)	-0.40%
TOTAL REVENUES	(215,103,041)	(221,330,130)	2.89%

General Fund Expenditure Assumptions

Expenditures Category	Assumptions
SALARIES AND WAGES	IFF, RFMA, RPMA pending MOUs, Executive, Local 21 and Local 1021, and RPOA increases per MOUs, other pays based on existing MOUs and current enrollments. Class and Comp implementation costs pending and position count is same as approved Mid-year 2022-23
PYRLL/FRINGE BENEFIT	Healthcare, OPEB, Retirement costs @ of FY2023, pending new rates. Worker's Comp per Risk Management's calculation to gain confidence level at 80 percent over 5 years
PROF & ADMIN	Baseline budget
OTHER OPERATING	Baseline budget
UTILITIES	Baseline budget
EQPT & CONTRACT SVCS	Baseline Budget
PROVISN FOR INS LOSS	Insurance Premiums
COST POOL	Vehicles, per Equipment Services provided list
	General Liability, rates provided by Risk Mgmt. to achieve 80 percent confidence over 5 years
	Civic Center Allocation, amount driven from the debt service, cash balance, and square footage used by programs
ASSET/CAPITAL OUTLAY	Based on Capital Improvement Plan
DEBT SVC EXPENDITURE	Debt Service Schedule, maintained by Treasury
A87 COST PLAN REIMBS	Based on current Admin Cost Allocation Plan pending new plan
GRANT EXPENDITURES	Based on the awarded grants
OPERATING TRANSFERS OUT	Recurring and onetime subsidies to Non-GF programs. Reimagining Public Safety allocations same as current year.

General Fund Expenditures

	FISCAL YEAR 2022-23	FISCAL YEAR 2023-24	PCT
GENERAL FUND	REVISED BUDGET	DRAFT BUDGET	CHANGE
SALARIES AND WAGES	76,715,696	82,416,397	7.40%
PYROLLFRINGE BENEFIT	66,846,458	64,739,266	-3.20%
PROF & ADMIN	20,043,782	18,553,164	-7.40%
OTHER OPERATING	6,954,201	6,521,885	-6.20%
UTILITIES	5,387,756	5,029,869	-6.60%
EQPT & CONTRACT SVCS	2,718,982	2,723,954	0.20%
PROVISN FOR INS LOSS	29,641	32,200	8.60%
COST POOL	15,277,766	24,777,297	62.20%
ASSET/CAPITAL OUTLAY	5,756,590	1,642,500	-71.50%
DEBT SVC EXPENDITURE	1,037,009	841,353	-18.90%
A87 COST PLAN REIMBS	(3,531,610)	(3,531,611)	0.00%
GRANT EXPENDITURES	117,990	19,155	-83.80%
OPER XFERS OUT	17,785,428	17,564,702	-1.20%
TOTAL EXPENDITURES	215,139,689	221,330,130	2.88%

General Fund Operating Transfers Out

OPERATING TRANSFERS OUT	AMOUNT
Equipment Services	326,018
Debt Service-2007 Lease Rev	1,463,868
Hilltop LMD	235,988
Marina Bay LMD	476,309
Employment and Training	736,201
IT Equipment Replacement	100,000
Department of Children and Youth	6,453,091
Richmond Housing Authority (Place Holder)	1,261,082
Reimagine Public Safety (Unhoused)	1,320,000
Reimagine Public Safety (Youthworks)	1,980,000
General Pension	152,077
Debt Service - 2022 POB	3,060,068
TOTAL	17,564,703

General Fund FY 2023-24 Budget

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NET (-SURPLUS)/+DEFICIT	36,648	-	-100.00%

GFOA – Fund-Balance Best Practices State Audit – Corrective Action Plan

On April 4, 2022, the City of Richmond was notified by the California State Auditor that they will be conducting an audit of the City as approved by the Joint Legislative Audit Committee on June 30, 2021. Richmond's risk assessment was conducted in February 2021 based upon the City's June 2020 financial statements.

At the conclusion of the audit, the State Auditors formalized 11 recommendations. The first recommendation regarding the Review/Update Fund Balance Reserve Policy was described as follows:

“To help ensure that Richmond maintains appropriate reserves for times of fiscal uncertainty, City staff should, by June 2023, review Richmond's reserve policy to determine whether a higher reserve target is appropriate. As part of the review, staff should consider all the factors the Government Finance Officers' Association (GFOA) recommends for setting a reserve target. Once that review is complete, City staff should present proposals to the City Council for modifying the City's policy.”

GFOA – Fund-Balance Best Practices

State Audit – Corrective Action Plan

The adequacy of unrestricted fund balance in the general fund should consider each government's own unique circumstances. In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

1. The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
2. Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
3. The potential drain upon general fund resources from other funds, as well as the availability of resources in other funds;
4. The potential impact on the entity's bond ratings and the corresponding increased cost of borrowed funds;
5. Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose). Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance, rather than on unrestricted fund balance.

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THANK YOU
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QUESTIONS