

Questions and Comments from May 7, 2024, City Council Meeting

Jimenez:

I hope that I can get the fund balance sheet that I asked for, so I don't have to ask a lot of this again.

For the general Fund revenue assumptions, how much is Chevron paying now? And can you talk more about the expiration of the Chevron Agreement?

Response – All balance sheets were provided via email from Andrea Miller on May 13, 2024.

The fiscal year 2024-25 budget includes Chevron's final settlement agreement payment of \$4M. Settlement negotiations beyond FY2024-25 are pending. In addition, Chevron is subject to and pays its portion of Sales Tax, Property Tax, UUT, and business license tax which are confidential.

Attachment 1 and Attachment 2 are showing actuals as well for March 2024. How much revenue have we received up to date? Is it possible to see numbers through May?

Response – Finance department provides quarterly budget updates to the City Council. Q3 update is part of May 28, City Council Agenda (Item P.2.a.). The year-to-date actuals in the proposed budget reports (Item Q.1) are through March 2024. The month of May will be closed around Mid-June, hence, current financial data is incomplete and not prudent to publish.

What is the projected year-end revenue for FY 2024-25?

Response – The quarter 3 (Q3) budget update is on the May 28, 2024 agenda as a separate item (P.2.a), estimated year-end actuals for revenue and expenditures have been added. Since the City uses the modified accrual accounting method and there is a significant amount of accounting pending, these estimates are rough and subject to change.

For the surplus last time we didn't allocate \$4M. The staff recommended that it was prudent to have this \$4M, so where in the budget is the \$4M reflected?

Response - It's not. It's in the fund balance. The annual budget process doesn't include budget from the fund balance. Current year operating expenditures must be balanced by the same current year revenues. If the current year's revenue exceeds current year's expenditures, it remains in the fund balance until the City Council appropriates through an action item.

What are the additional funding requests that are part of the \$33.7 million?

Response – City departments annually submit during the budget process requests that may or may not be included in the budget based on resources available. The \$33.7 million unfunded General Fund requests submitted are not included in the proposed FY2024-25 balanced budget.

Willis:

I would like to know if there could be additional resources appropriated to the following line items:

- Traffic Calming
- Soccer Fields
- Various sports activities
- Parks maintenance
- Rental inspections
- Unhoused mitigation strategies

Response;

- Traffic Calming program receives citizen requests through the [Traffic Calming Program web portal](#). There will be an update about the current 18 Traffic Calming projects on May 28 Budget Presentation along with information on additional projects.
- Soccer Fields/Parks/Restrooms project is moving forward with \$7.7 million allocated from ARPA.
- Parks Maintenance proposed budget for FY2024-25 has \$7.3 from the General Fund programmed for the Parks and Landscaping Administration division, which is 3.8 percent higher than FY2023-24.
- Rental Inspection Program is currently recruiting two positions.
- Several initiatives are in progress around unhoused community:
 - City staff submitted Encampment Resolution Fund round 3 grant.
 - The Homekey grant application is currently under review and seeking responses to threshold and feasibility review questions. The Homekey grant is for the acquisition and conversion of Motel 6.
 - City staff has submitted for the National Housing Trust Fund to fund the same project.
 - Metrowalk is planned for 150 affordable units, which includes two manager units on site for a net 148, recently submitted for the first round of tax credits. We should hear back in August if that project is fully funded and anticipate construction start in early 2025. We are continuing to do what we can and hopefully with the expanded staff, we will submit additional grant applications and make increased efforts to create

affordable housing.. Metrowalk will also have supportive services, and the Motel 6 project is anticipated to be 48 units of permanent supportive housing.

Proposed set aside some funds for potential after hours and weekend operations to address issues that happen on the weekends such as loud music or disputes which are potentially things our crisis response counselors could deal with. Identify available resources to expand city services over the weekends and after hours.

Response – Your points are well taken and that is something that we have been meeting on. The City is implementing a Community Crises Response Program (CCRP) and recently hired a program manager. Additional information regarding the program will be forthcoming.

Bana:

Traffic safety is very important and should be a priority for the city. We need to look objectively and address it all over the city.

- **Response** – The Traffic Calming program receives citizen requests through the [Traffic Calming Program web portal](#). There will be an update about the current 18 Traffic Calming projects on May 28 Budget Presentation along with information on additional projects.

Can the City Attorney look into why Caltrans doesn't take responsibility for the traffic issues caused by On-Ramp and Off-Ramp traffic?

This question has been forwarded to the City Attorney's Office for response.

Please explain what Quantitative Tightening means?

Response – Quantitative tightening (QT) refers to monetary policies that contract or reduce the Federal Reserve System (Fed) balance sheet. Under QT, the Fed shrinks its monetary reserves by either selling Treasuries (government bonds) or letting them mature and removing them from its cash balances. This removes liquidity from financial markets. In theory, less demand means stabilization or lowering of prices and a check on inflation.

What time frame are we talking about regarding implementing QT? When are they going to happen? When do we see the impact on the economy?

Response - It is not certain exactly when QT will be used by the Feds.

What are the implications of QT for the city?

Response – If the economy slows down it would impact sales tax revenue for the city, fewer homes sold, decreased documentary transfer tax, property tax base growth may be slower.

How are you going to address the deficit of \$11 million dollars on slide 19?

Response –\$11 million is the one-time appropriations that were made to the capital projects from prior years unspent fund balances. There is a footnote at the bottom of the slide referencing that. Again, the council did adopt a balanced budget. Those were the one-time allocations in September, and then March of this year.

What are your suggestions in terms of preparation for the future in terms of the Financial Forecast, how do we make the graphs get closer to each other, any suggestions?

Response – Staff included revenue and expenditure forecast in FY 2024-25 proposed budget presented on May 7, 2024. Ideally, the revenue needs to be increased the City must be thoughtful about expenses. We have implemented several of the City Council suggestions, started the renegotiating our franchise agreements with Republic Services and PG&E, and also have successfully implemented Measure U. As the City Council suggests additional revenue ideas, staff will work collaboratively to research and implement those.

Robinson: Would love to see in this budget an investment in traffic safety - investing in our infrastructure and built environment.

I was wondering what the projected revenue was? And at this time last year? It would be helpful to see, how well have we did at projecting future revenue. It would help build trust in some of the assumptions.

Response - FY2023-24 Year end forecasted revenue and expenditures are included in the Q3 Budget Review as a separate agenda item (P.2.a.) for May 28, 2024, City Council meeting.

For the FY 2024-25 compiled budget, staff can include year-over-year comparison prior to adoption.

What's the \$33.7 million dollar of unfunded requests for various General Fund departments? Is this primarily staffing? Could you share that list with us so that we can focus on the needs that staff's telling us that we have before we open new things?

Response - To be determined.

On slide 22, why is there such a big difference as you go from category to category. There are 10 line items where there's just a huge swing from one tier to the next?

Response - Each revenue category has different driving factors and additional narrative around the assumptions has been included in the May 28, 2024 Budget agenda item (Q.2.).

What are the dollar amounts associated with the three cost pool categories?

Response - the amounts are as follows:

- Vehicle Replacement - \$6,722,245
- General Liability – \$13,096,940
- Civic Center Rent - \$4,88,412

Regarding the deficits in the Five-Year Forecast, has the city ever done an economic development planning project?

Response - Yes, an example of such planning is when the Bargaining units, along with the City Council leadership and staff prior to the successful voter approved implementation of the Measure U, conducted long term economic impact analysis of the new tax measure. Whenever there is a big measure like Measure U pass, it creates a lot of volatility until we really have a sense of what the revenue numbers are. But overall, the other issue was Covid. The City did really well in comparison to neighboring larger cities as Richmond didn't have a deficit like Oakland and San Francisco.

Is there an exercise that we can do that's around economic development for the city where we proactively and purposefully identify over time what we're going to need based on X amount of growth? Are there opportunities within the Richmond economy to realize based on that growth rate if it ultimately means increasing the tax base in various ways?

Response: We can certainly try to build that in. It may be helpful for staff to have some technical support and to have a facilitated conversation to get input from the Council. It could be collaborative, and in addition to finance staff, include community development, economic development and Port staff as well as the bargaining units. We can certainly take that under advisement and work to try to incorporate something next fiscal year prior to budget adoption. In terms of how, that will need to be determined based on what that might look like and include a placeholder for costs.

In terms of the capital improvement projects; they're really concerning to me. It doesn't feel like we're making any progress in completing. There are 5 different staff members, one with 14 projects, one with 10 projects, another with 10 projects, and another with 8 projects. Is this realistic?

Response - At a minimum, Public Works needs 3 more staff as a starting point. They are also getting the admin unit paired with the Project Managers to help facilitate the contract process because a lot of it is contract administration.

There are 11 different folks plus 2 consultants to handle the 86 projects. How many do we need?

Response – At this point, staff would like to reduce the time engineering staff spends trying to justify decisions and prioritization made 2 to 5 years ago and spend more time

in the management of projects. Public Works (PW) and Human Resources (HR) departments need to complete the recruitment of the Senior Engineer, Associate Engineer and Assistant Engineer the City Council has approved in the last 6 months. PW and HR need to work with the City Managers' Office to reclassify an existing position and recruit a Permit Technician that would free up the existing Junior Engineer in the Engineering Division to provide support to the CIP program. Public Works hopes to add these 4 engineers to the Engineering team within the next 3 months.

I was hoping to see a prioritized list of CIP projects instead of growing staff and each engineer should only be taking on X number, and the other ones have to wait until these are finished.

Response - More than 95% of all CIP projects have been on the books for over 2 years. Due to the lack of engineering staff in the Public Works Department, there was not much progress between 2020 and 2022 on these projects creating a backlog that current staff is working on cleaning up. Many of the projects in the CIP Program are grant funded or have environmental permits with specific time constraints, requiring their execution soon. Engineering staff is presenting the sequence we recommend to follow in order to complete all projects on time. There may be a need to request extensions to some projects, something engineering staff have been applying for the past year. However, strategically, you typically request extensions once you have made progress on the project.

My argument is that I wonder if we should be allocating all of these funds and capital improvement projects in these years when it's not realistic that they're going to move forward or put that funding elsewhere.

Response - All strategies are valid assuming any funding reduced from a CIP project to be used elsewhere is reallocated prior to the project moving to the next phase of execution. New engineering staff suspects this is a practice the City has used in the past. In 2024, PW is working on completing 14 CIP projects, and next year plans to complete 37 more. There are some projects that we don't have to deliver in the next 2 years, but they are in sequence.

Is CCRP already factored into the budget?

Response - That's correct.

And the 3 engineers for public works that you mentioned are factored into this fiscal year or next fiscal year? And then is it carried over?

Response - Yes, our goal is to try to fill those before the end of the current fiscal year. The positions are carried over (included) in the next fiscal year 2024-25 budget.

Quick question – Ms. Velasco raised it and I didn't quite get what she was saying about 150 units?

Response - Metrowalk was originally 99 units but we've increased the density because it's a transit oriented development that will include 150 affordable units. We received a \$48M Affordable Housing and Sustainable Communities (AHSC) grant so we're making progress and there will be onsite supportive services as well as operating reserves that were allocated to support unhoused individuals getting into some of the lower income units.

What type of surplus or how much unspent funds may we have at the end of the year? Is there some projections that Staff could make? I realize it would be an estimate that would give us an idea as to how much unspent funding we might have. Well, if there's going to be \$10M dollars of unspent we could apply it to the \$37M of requests.

Response - Preliminary FY 2023-24 year end estimated revenue and expenditures are included in the Q3 Budget Review as a separate agenda item for May 28, 2024 City Council meeting. Any unspent funds available at the end of FY 2023-24 after the audit is completed and the books are closed would be available to appropriate to one-time expenditures in FY 2024-25. The proposed FY 2024-25 budget is balanced meaning current year revenue equals current year expenditures.

The past few years the City has set aside the capital funding for the public bank in the amount of \$750,000. I just want to make sure that is continued to be set aside in the budget.

Response - Yes, \$750,000 is programmed in the proposed FY 2024-25 Budget.

Mayor Martinez: For FY 2025-26, wouldn't it be better expressed as negative 3.5 (-3.5) + X, with the X being whatever it is we might get from the monies that aren't counted?

Response - The revenue assumptions forecast only factors in the known/anticipated revenue. This reflects our best estimates known at the time.

Why do you have the negative 3.5% in FY 2025-26, and then in the following year you have 3.4%, which is about 6% increase? What do you base that 6% increase on from FY 2025-26 to FY 2026-27?

Response - The projected 3.5% decrease in FY 2025-26 UUT reflects the settlement agreement that expires June 30, 2025. UUT has averaged a 10% increase the last couple of years. The "Middle of the Road" forecast reflects a conservative projected 3.4% - 3.6% increase in fiscal years 2526-27 through 2028-29.

Looking at the license fees, revenues from taxes, we're not including grants are we?

Response - There are revenue projections to account for the anticipated grants that we're aware of that have already been awarded. However, most of the grants the city has are in separate funds. General Fund has very minimal grant revenue or grant expenditures.

I am curious about the 6% vacancy savings. I would like a better understanding of how that works. You can put that in the list of questions.

Response - The 6 percent vacancy savings is included in the budget to account for the estimated time a position remains vacant. Salary and benefits are included for vacant positions at the 100 percent fully funded amount in the respective departments budget, and then offset by an overall vacancy savings in the non-departmental division budget citywide to account for time it takes to recruit and fill vacant positions.