



AGENDA REPORT

Finance Department

DATE:	June 20, 2023
TO:	Mayor Martinez and Members of the City Council
FROM:	Shasa Curl, City Manager Nickie Mastay, Deputy City Manager, Internal Services LaShonda White, Deputy City Manager, Community Services Mubeen Qader, Deputy Director of Finance Antonio Banuelos, Accounting Manager
Subject:	ADOPT Fiscal Year (FY) 2023-2024 Proposed Operating Budget and Fiscal Year 2023-2024 through 2027-2028 Capital Improvement Projects (CIP) Program Budget.
FINANCIAL IMPACT:	There is no financial impact associated with adopting the FY 2022-2023 Annual Operating Budget and FY 2022-2023 through FY 2026-2027 Five-Year Capital Improvement Program. At this point, the General Fund budget is structurally balanced with revenue and expenditures equal to \$225,374,607.
PREVIOUS COUNCIL ACTION:	May 2, 2023; May 16, 2023; May 23, 2023; June 6, 2023
STATEMENT OF THE ISSUE:	City staff is submitting the Fiscal Year (FY) 2023-2024 Annual Operating Budget and the FY 2023-2024 to FY 2027-2028 Five-Year Capital Improvement Projects Program Budget to City Council for adoption.
RECOMMENDED ACTION:	ADOPT resolutions approving: (1) Fiscal Year (FY) 2023-2024 Annual Operating Budget, and (2) Fiscal Years 2023-2024 to 2027-2028 Five-Year Capital Improvement Plan Budget – City Manager’s Office/Finance Department (Shasa Curl 510-620-6512/ Nickie Mastay 510-620-6609/ Mubeen Qader 510-412-2077).

DISCUSSION:

On April 20, 2021, the Richmond City Council adopted fiscal guidelines to enhance transparency, fiscal responsibility, and sustainability, and provided a set of budgeting principles to navigate through economic challenges. The guidelines were developed to help City staff, City Council, and the community at-large address community needs and services throughout the budget process. The guidelines were developed to maximize public participation and require City staff to engage with the City Council and the public to reflect community aspirations in the budget.

During the budget development process, per the City of Richmond Charter, the City Manager met with the Mayor several times, the City staff facilitated four community budget meetings, and one meeting with the labor unions to receive input from various stakeholders. The City Council also held Goal Setting public sessions, facilitated by Henry Gardner on May 22, 2023, May 31, 2023, and June 15, 2023, to determine City Council priorities. City staff also met with several City Councilmembers to address specific questions regarding various aspects of the budget development process.

In accordance with Richmond Municipal Code Section 2.61.010, on May 2, 2023, the City Manager submitted the first draft of the FY 2023-2024 operating budget that was balanced with General Fund Revenue and Expenditure at \$221,330,130, and FYs 2023-2024 through 2027-2028 Five-Year Capital Improvement Plan.

On June 6, 2023, the City staff presented a second draft of the FY 2023-2024 budget with revised revenue and expenditure balanced at \$225,374,607. The proposed budget incorporated several new appropriations encompassing several Community Services, Public Safety and Public Works areas. This agenda item presents a balanced General Fund budget for FY 2023-2024, and requests that City Council adopts resolutions approving: (1) FY 2023-2024 Annual Operating Budget, and (2) FYs 2023-2024 to 2027-2028 Five-Year Capital Improvement Program Budget (Attachment 1 and Attachment 2, respectively).

GENERAL FUND

The updated draft FY 2023-24 budget is balanced with revenue and expenditures equal at \$225,374,607.

Figure 1: Updated General Fund Draft Budget FY 2023-2024 Revenue & Expenditures

GENERAL FUND		FY 2023-2024 DRAFT BUDGET
TOTAL REVENUE		225,374,607
TOTAL EXPENSE		225,374,607
Net (-Gap)/+Surplus		-

General Fund Revenues

The total proposed General Fund revenue for the FY 2023-2024 budget is unchanged from the June 6, 2023, presentation (see Attachment 3 for a detailed explanation). Figure 2 below shows the revenue and expenditure budget.

Figurer 2: General Fund Revenue Draft Budget

GENERAL FUND	REVISED BUDGET FY 2022-23	PROPOSED BUDGET FY 2023-24	PCT CHANGE
Property Taxes	(48,608,929)	(50,567,173)	4.03%
Sales & Use Tax	(55,554,137)	(56,752,495)	2.16%
Utility Users Tax	(50,861,279)	(55,775,083)	9.66%
Other Taxes	(22,452,187)	(23,237,723)	3.50%
Licenses, Permits & Fees	(11,080,956)	(13,286,195)	19.90%
Fines & Forfeitures	(465,275)	(331,144)	-28.83%
Use Of Money & Property	(1,021,047)	(1,011,535)	-0.93%
Charges For Services	(3,568,792)	(2,561,992)	-28.21%
Other Revenue	(192,545)	(238,480)	23.86%
Rental Income	(874,506)	(777,028)	-11.15%
Intergovernmental State Taxes	(125,000)	(125,000)	0.00%
Intergovernmental State Grant	(175,000)	(110,000)	-37.14%
Intergovernmental Other Grant	(263,569)	(250,000)	-5.15%
Proceeds From Sale of Property	(100,000)	-	-100.00%
Loan/Bond Proceeds	(39,400)	(40,400)	2.54%
Operating Transfers-In	(19,720,418)	(20,310,358)	2.99%
Total Revenues	(215,103,041)	(225,374,607)	4.78%

General Fund Expenditures

FY 2023-2024 total proposed expenditures are unchanged from the June 6, 2023, presentation (see Attachment 3 for the detailed assumptions). Figure 3 below details the summary of expenditures.

Figure 3: General Fund Expenditures

GENERAL FUND	REVISED BUDGET FY 2022-23	PROPOSED BUDGET FY 2023-24	PCT CHANGE
Salaries and Wages	76,715,696	83,176,695	8.42%
Payroll/Fringe Benefits	66,846,458	63,042,611	-5.69%
Professional and Administrative	20,043,782	20,045,191	0.01%
Other Operating	6,954,201	9,180,842	32.02%
Utilities	5,387,756	5,295,865	-1.71%
Equipment and Contract Services	2,718,982	6,018,370	121.35%
Provision for Insurance Loss	29,641	34,200	15.38%
Cost Pool	15,277,766	21,593,734	41.34%
Asset/Capital Outlay	5,756,590	1,893,500	-67.11%
Debt Services Expenditure	1,037,009	841,353	-18.87%
A87 Cost Plan Reimbursement	(3,531,610)	(3,531,611)	0.00%
Grant Expenditures	117,990	19,155	-83.77%
Operating Transfers Out	17,785,428	17,764,702	-0.12%
TOTAL EXPENDITURES	215,139,689	225,374,607	4.76%

Operating Transfers Out – There are two changes to this expenditure item when compared to the June 6, 2023, draft budget.

1. There is a \$300,000 Climate Resiliency Contingency item.
2. The contract compliance function is now budgeted in the Finance Department for FY2023-24; therefore, the Employment & Training subsidy was reduced by \$250,000.

The remaining Operating Transfers Out items remain unchanged. See Figure 4 for the details of the General Fund Operating Transfers Out.

Figure 4: General Fund Operating Transfers Out Draft Budget FY 2023-2024

Operating Transfers Out	Draft Budget FY 2023-2024
Debt Service	4,849,954
Hilltop Lighting and Landscaping District	235,988
Marina Bay Lighting and Landscaping District	476,309
Employment and Training	486,201
Information Technology Equipment Replacement	100,000
Department of Children and Youth	6,453,091
Richmond Housing Authority	1,261,082
Pension Fund	152,077
Reimagining Public Safety - Unhoused Intervention	1,320,000

Reimagining Public Safety - Youthworks	1,980,000
Rent Program General Liability Subsidy	150,000
Climate Resiliency Contingency	300,000
Total	17,764,702

General Fund Additional Appropriations

The June 6, 2023 draft budget staff report detailed several additional appropriations. Upon further review and analysis of the proposed budget, additional modifications were made. Figure 5 details the items that were incorporated into the proposed budget in addition to the appropriations detailed in the June 6, 2023, staff report.

Figure 5: General Fund Additional Appropriations

Department	Appropriation	Description
Public Works	25,000	City Council Chairs Upholstery
Community Services	100,000	Administrative Costs and Community Stewards
Non-Departmental	100,000	User Fee Study
Non-Departmental	100,000	Special Events & Fee Subsidy
Non-Departmental	750,000	Public Bank
Non-Departmental	300,000	Climate Resiliency Contingency/Built Environment Mitigations
Fire/Public Works	500,000	Climate Resiliency Contingency/Wildfire Safety
Police	200,000	Flock Pan Tilt Cameras
Total	2,075,000	

NON-GENERAL FUND/OTHER FUNDS

Non-General Fund Revenue

The total Non-General Fund proposed revenue budget is \$229,254,599. Figure 6 below shows total revenue by each fund type.

Figure 6: Non-General Fund Proposed Revenue Budget FY 2023-24

FUND	PROPOSED BUDGET FY 2023-24 REVENUE
Total Capital Improvement Fund	(44,435,732)
Total Debt Service Fund	(19,551,216)
Total Enterprise Fund	(41,443,141)
Total Housing Funds	(1,911,772)
Total Housing Authority Funds	(5,563,388)

Total Internal Service Funds	(30,919,340)
Total Other Operations Funds	(32,931,748)
Total Pension Funds	(152,897)
Total Special Revenue Funds	(52,345,364)
Total Trust Funds	-
	-
Total All Funds	(229,254,599)

Capital Improvement Funds (\$44,435,732)

Major sources of revenue in this fund type include Fund 1006-Outside Funded services at \$22 million and Fund 1054-Engineering Grants at \$12 million.

Debt Service Funds (\$19,551,216)

Major sources of revenue in this fund type include; fund 3001-Pension Obligation Bonds, \$11 million, transfer in from General Fund and Pension Tax Override allocation. The 2016 JPFA Lease Revenue Bonds track the Civic Center debt service - \$8 million, receives transfer in from the General Fund and other Non-General Funds.

Enterprise Fund (\$41,443,141)

This fund type includes revenues in the Wastewater Fund at \$28 million, and the Port Fund at \$11.5 million.

Housing Funds (\$1,911,772)

Major funds in this category are Fund 1200-Housing Administration Fund at \$647,000, Fund 2125-Housing In Lieu Fee Developer Fee fund at \$496,000, and the Fund 2125-Iron Triangle/EPA Program fund at \$277,000.

Internal Service Funds (\$30,919,340)

This category includes Fund 5001-Insurance Reserves at \$22 million, Fund 5003-Equipment Services at \$6 million, and Fund 5008-Compensate Absences fund at \$2.6 million.

Other Operations (\$32,931,748)

Major funds in this category include 1050-CR Planning & Building at \$17.6 million, 1012-Employment & Training Fund at \$8.5 million, and 4006-Stormwater Fund at \$3.4 million.

Special Revenue (\$52,345,364)

Major funds in this category are Fund 1001-Secured Pension Override at \$26.4 million, Fund 1005-Library Fund at \$10.2 million, Fund 1303-Kids First Initiative at \$6.5 million, Fund 1017-Chevron Community Benefits fund at \$4 million, and Fund 1018-Rent Control Fund at \$3.1 million.

Non-General Fund Expenditure

Total Non-General Fund expenditures for the proposed FY 2023-2024 budget are \$326,104,928. Figure 7 below shows totals by each fund type and the detailed budget report for each fund is available in Attachment 4.

Figure 7: Non-General Fund Expenditure

FUND	PROPOSED BUDGET FY 2023-24
Total Capital Improvement	70,620,921
Total Debt Service	19,174,878
Total Enterprise Fund	86,084,855
Total Housing Funds	6,249,305
Total Housing Authority	5,570,438
Total Internal Service Funds	36,799,838
Total Other Operations	33,182,604
Total Pension Funds	0
Total Special Revenue Funds	68,422,088
Total All Funds	326,104,928

Capital Improvement Funds (\$70,620,921)

Major sources of the expenditures in this fund type are Fund 1006-Outside Funded services at \$22 million, Fund 1054-Engineering Grants at \$12 million, Fund 2001-General Capital at \$22 million, Fund 2002-Measure J at \$6.1 million, and Fund 1002-State Gas Tax at \$3 million.

Debt Service Funds (\$19,174,878)

Fund 3001-Pension Obligation Bonds debt service payments, \$11 million and 2016 JPFA Lease Revenue Bonds Civic Center debt service, \$8 million.

Enterprise Fund (\$86,084,855)

This fund type includes revenues in the Wastewater Fund at \$71 million, and Port Fund at \$12.6 million.

Housing Funds (\$6,249,305)

Major funds in this category are Fund 1200-Housing Administration at \$636,000, Fund 2125-Housing In Lieu Fee Developer Fee at \$2.6 million, Fund 1208-COR Successor Housing at \$1.2 million, and Fund 1201-Community Development Block Grant at \$972,000 thousand.

Internal Service Funds (\$36,799,838)

Funds in this category include Fund 5001-Insurance Reserves at \$24.5 million, Fund 5003-Equipment Services at \$9.7 million, and Fund 5008-Compensate Absences fund at \$2.6 million.

Other Operations (\$33,182,604)

Major funds in this category include Fund 1050-CR Planning & Building at \$17.8 million, Fund 1205-Employment & Training Fund at \$8.3 million, and Fund 4006-Stormwater at \$3.3 million.

Special Revenue (\$68,422,088)

Major funds in this category are Fund 1001-Secured Pension Override at \$28.6 million, Fund 1005-Library at \$10.2 million, Fund 1303-Kids First Initiative at \$6.1 million, Fund 1017-Chevron Community Benefits fund at \$9.7 million, and Fund 1018-Rent Control Fund at \$3.2 million.

Non-General Additional Appropriations

The budget presentation on June 6, 2023, included several Non-General Fund appropriations with explanations. In addition to those appropriations, the proposed budget includes a \$250,000 professional services budget for the Port's Strategic Planning.

Focus on Enhanced Service Levels

FY 2023-24 proposed budget focuses on enhanced service levels around the City Council priority areas. Two new promotional Accounting Manager Positions included, and one Contract Compliance position has been added to the Finance department for enhanced support, and to focus on strengthened financial and contract management.

Three new positions have been added to the Community Development Department. One (1) Housing Program Analyst will support providing services to the unhoused community members within the City. Two new positions, one Project Coordinator, and an Associate Administrative Analyst position have been added to administer the \$35 million Transformative Climate Communities (TCC) grant.

The Community Services Department is recommending the addition of the following positions within different divisions to support the development and implementation of current and existing programs:

- Community Services-Library received several new positions during FY 2022-23 Mid-Year Budget Review for expanded operations at the Main Library. In addition to the previously approved positions, Library requested the addition of a Head-of References position in the proposed FY 2023-2024 Budget. This position will allow for appropriate support and supervision of Library staff and will serve as an additional Library staff person to assist with staffing for expanded hours, outreach and programming.
- Community Services-Recreation is requesting the addition of four (4) new full-time positions. Two (2) positions will allow for the expansion of the mobile tool lending library to access other areas outside of North Richmond, and support the expansion of hours at the tool lending library located at the Recreation Complex. The two (2) Recreation Program Coordinators, one of which was a reclassification of a permanent part-time position, will support enhanced sports programs and extension of weeknight and Saturday hours at the Recreation Complex. These new full-time positions are in addition to the 60-80 part-time temporary positions that support existing and expanded services to the community. The Administrative Services Analyst will support the administrative functions of the Recreation Division, including but not limited to support of the

registration office, budget development and oversight, program implementation, policy development, and outreach.

- A new Project Manager position within the Community Services Department is requested to support Social Services, coordination with the Contra Costa County, and the implementation of a future Community Crisis Response Program and any other Council-directed social service-related programs. The individual hired to fill this position will have the expertise needed to successfully manage, oversee, and implement programs that will benefit the Richmond community.
- The Transportation Division is requesting one (1) Associate Administrative Analyst, which shall be completely grant-funded and a term position, to support the acquisition, development, implementation and reporting of various transportation grant and greenhouse gas reduction-related programs.

See Attachment 5 for complete list of City-wide position listing by department.

Capital Improvement Projects Program

The City has Capital Improvement type funds to track the Capital Improvement Projects (CIP); however, several capital projects are tracked in their respective operating funds such as Wastewater, Stormwater, and the Port of Richmond fund. Below are some of the major projects that are proposed in the FY 2023-2024 CIP Budget.

Community Services, Library, Revitalizing the Main Library, \$29,569,469: The project is funded by several funding sources, such as Grants, Developer Impact Fee, and the General Fund. The scope of the project is to address critical maintenance and life-safety issues throughout the building and recreate interior spaces for enhanced library experience for the community.

Community Services, Recreation, Auditorium Convention Center Upgrades, \$500,000: This project includes several upgrades to the main floor lighting and electrical switchboards along with removing the fire curtains from the stage area.

Economic Development, Port, Terminal 4 Wharf Removal, \$6,102,815: The scope of this project is to remove the wharf, warehouse, and piles to restore the Point Molate Shoreline. Completion of the project will allow for eelgrass to expand along the shoreline improving water quality and enhance the marine ecological system.

Economic Development, Terminals 7 & 8 Berth Electrification, \$1,700,000: The scope of this project is to install a shore power system that is consistent with the California Air Resources Board requirements.

Public Works, Water Resource Recovery, Wastewater Treatment Plant, \$34,314,184:

This project rehabilitates or replaces treatment plant process equipment and structures that have reached the end of their useful life and require upgrades. Project elements include grit and screening, aeration system for the biological secondary treatment process, sludge thickening, dechlorinating, and protecting plant assets and property from rockslides.

Fleet Analysis

FY 2023-2024 budget includes a placeholder budget of \$9.7 million for vehicles and large equipment. The Fleet division of Public Works will work collaboratively with the City Manager's Office and the Finance department to draft a long-term plan for fleet procurement and present it to the City Council for approval in the coming months. This is in addition to the Zero-Emission Fleet and Infrastructure Ten-Year transition Plan.

NEXT STEPS

City staff recommends ADOPTING resolutions approving: (1) Fiscal Year (FY) 2023-2024 Annual Operating Budget, and (2) FYs 2023-2024 to 2027-2028 Five-Year Capital Improvement Program Budget. The City Council is currently working with Henry Gardner on developing City Council Priorities and Goals and upon conclusion of the process, the City Council may amend the Budget in September/October 2023.

DOCUMENTS ATTACHED:

Attachment 1– Resolution Adopting the Fiscal Year 2023-2024 Operating Budget

Attachment 2– Resolution Approving Capital Improvement Plan for Fiscal Years 2023-2024 through 2027-2028

Attachment 3– June 6, 2023, Draft Budget Staff Report

Attachment 4– Fiscal Year 2023-2024 Comprehensive Budget by Fund

Attachment 5– Fiscal Year 2023-2024 Proposed Position Listing

Attachment 6– General Fund Revenue and Expenditure Assumptions

Attachment 7– General Fund Revenue and Expenditures Summary

Attachment 8– List of Capital Projects

Attachment 9- Council Checklist from May 23-2023-Draft