



AGENDA REPORT

Finance Department

DATE:	June 17, 2025
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 Andrea Miller, Director of Finance Mubeen Qader, Deputy Director of Finance Antonio Banuelos, Accounting Manager Jerry Gurule, Accounting Manager
SUBJECT:	Review and Provide Direction on Fiscal Year (FY) 2025-26 Proposed Budget and Fiscal Year 2025-30 Five Year Capital Improvement Plan
FINANCIAL IMPACT:	There is no financial impact to receiving this report.
PREVIOUS COUNCIL ACTION:	May 6, 2025 June 3, 2025
STATEMENT OF THE ISSUE:	On June 3, 2025, the City Council received the Fiscal Year (FY) 2025-26 proposed operating budget and FY 2025-30 Capital Improvement Plan budget. The purpose of this item is to review the Proposed Budget, the Five-Year Forecast, Five-Year Capital Improvement Plan Budget, and receive direction from the City Council prior to final budget adoption.
RECOMMENDED ACTION:	REVIEW proposed Fiscal Year 2025-26 Budget, Five-Year Forecast, Five-Year Capital Improvement Plan Budget for Fiscal Years 2025-26 through 2029-30; and PROVIDE DIRECTION to staff prior to final budget adoption – City Manager's Office/Finance Department (Shasa Curl 510-620-6512/ Nickie Mastay 510-620-6609/ Andrea Miller 510-620-6790/ Mubeen Qader 510-412-2077).

Budget Development Process

On May 6, 2025, in accordance with Richmond Municipal Code Section 2.61.010, the City Manager submitted the first draft of the Fiscal Year (FY) 2025-26 Operating budget, and the draft FY 2025-30 Five-Year Capital Improvement Plan budget. On June 3, 2025, the City Council received the proposed budget presentation during the Budget Study Session. The purpose of this item is to follow up on any questions received from City Council on or subsequent to June 3, 2025. In addition, City staff will provide an update to the proposed FY 2025-26 Budget and Five-Year Capital Improvement Plan Budget and present the General Fund Five-Year Forecast prior to final budget adoption on June 24, 2025.

The City of Richmond's FY 2025-26 Budget has been developed in alignment with the City's fiscal policies, reflecting a commitment to long-term financial sustainability and responsible stewardship of public funds. The budget adheres to the best practices outlined by the Government Finance Officers' Association (GFOA), including principles of transparency, accountability, and structurally balanced budgeting. Additionally, it incorporates key recommendations per the State Audit. This approach ensures that the City's financial plan supports both immediate service needs and long-term community priorities.

SUMMARY

The proposed FY 2025-26 Operating and Capital expenditure budgets total \$653,693,803, of which \$260,053,519 is from the General Fund and \$393,640,284 is from non-General Funds.

General Fund: The proposed FY 2025-26 budget comprises revenue amounting to \$308,553,519, which includes \$48,500,000 in limited-term revenue. The proposed expenditures total \$260,053,519, not including the \$48,500,000 allocated under Option A, B, or C, as outlined later in this staff report.

As shown in Table 1, the total budget for revenue and expenditure increased from June 3, 2025, by \$2,342,344 due to projected increases in the Sales and Use Tax category.

Table 1: General Fund Budget

GENERAL FUND	FY 2024-25 REVISED BUDGET	FY 2025-26 PROPOSED BUDGET May 6, 2025	FY 2025-26 PROPOSED BUDGET June 3, 2025	FY 2025-26 PROPOSED BUDGET June 17, 2025	DOLLAR CHANGE June 3, 2025, VS. June 17, 2025
TOTAL REVENUES	250,327,835	306,211,175	306,211,175	308,553,519	2,342,344
TOTAL EXPENDITURES	266,672,389	257,711,175	257,711,175	260,053,519	2,342,344
GENERAL FUND NET +SURPLUS/(-DEFICIT)	(16,344,554)	48,500,000	48,500,000	48,500,000	-

*Includes \$16.3 Million One-Time Transfer Out for Several Capital Projects and Legal Costs. FY 2024-25 Revised Budget includes one-time appropriations from prior fiscal year unspent fund balance approved on October 1, 2024, and March 25, 2025

General Fund Revenue: The proposed FY 2025-26 revenue budget is \$308,553,519, which is an additional \$58.2 million in General Fund revenue in comparison to the current FY 2024-25 revised General Fund Budget revenue. Utility Users Tax and Other Taxes are the revenue streams with the largest increases. The General Fund Revenue is summarized below and is available in Attachment 1 - Draft Summary of Revenues and Expenditures, by Fund, by Type:

- Property Taxes (\$58.3 million)
- Sales & Use Tax (\$60.1 million)
- Utility Users Tax (\$64.9 million)
- Other Taxes (\$28.4 million)
- Licenses Permits & Fees (\$17.3 million)
- Operating Transfer-In (\$20.9 million)
- Other Revenues (\$50.2 million)
- Miscellaneous Revenue (\$8.4 million)

General Fund Expenditures: The proposed FY 2025-26 expenditure budget is \$260,053,519. The major expenditure categories are listed below, and additional information can be found in Attachment 1 - Draft Summary of Revenues and Expenditures, by Fund, by Type:

- Salary/Wages and Fringe Benefits (\$170.9 million)
- Cost Pool (\$22.7 million)
- Professional and Administrative (\$24.9 million)
- Transfers Out (\$18.8 million)
- Other Operating (\$9.5 million)
- Utilities (\$7.3 million)
- Other Categories (\$5.9 million)

Multi-Year Position Listing: Currently, the draft budget includes 800 Full-Time Equivalent (FTE) positions, and a 9.7 percent vacancy rate City-wide, (due to adding 55 positions in FY 2023-24), which can be adjusted if the economy stabilizes in the coming months (Attachment 4).

Non-General Funds: The total non-General Fund budget is proposed at \$393,640,284 and primarily includes funds dedicated to housing, debt service, enterprise funds, and other City operations. The Non-General Fund by Category summary of budget is included in Attachment 1 - Draft Summary of Revenues and Expenditures, by Fund, by Type.

Capital Improvement Plan (CIP): The proposed budget of \$178,083,701 spreads across several funds (Attachment 3 – Capital Improvement Program Budget). The CIP lists several projects that span over a five-year planning period, some of which are unfunded. The first year of the Capital Improvement Plan is the proposed budget for FY 2025-26; funded projects are budgeted on an annual basis.

GENERAL FUND

The proposed FY 2025-26 budget includes revenue totaling \$308,553,519, including \$48,500,000 in limited-term revenue. The proposed expenditure budget is \$260,053,519, excluding the limited-term revenue of \$48,500,000 allocated under Option A, B, or C as discussed later in this staff report.

Table 2: General Fund FY 2025-26 Proposed Revenue & Expenditures

GENERAL FUND	FY 2025-26 PROPOSED BUDGET
TOTAL REVENUE	(308,553,519)
TOTAL EXPENDITURES	260,053,519
LIMITED-TERM REVENUE	48,500,000
NET (-SURPLUS)/+DEFICIT	-

Proposed Budget Adjustments

Overall, there is no net impact from proposed budget adjustments.

Proposed Revenue Adjustments

Due to projected increases in the Sales and Use Tax category, City staff is proposing to increase the revenue budget from June 3, 2025, by \$2,342,344. Revenue changes are reflected in Table 3 and described below.

Table 3: General Fund FY 2025-26 Proposed Budget Adjustments – Revenues

GENERAL FUND	FY 2024-25 REVISED BUDGET	FY 2025-26 PROPOSED BUDGET June 3, 2025	FY 2025-26 PROPOSED BUDGET June 17, 2025	DOLLAR CHANGE
PROPERTY TAXES	57,597,487	58,329,291	58,329,291	-
SALES & USE TAX	60,901,150	57,821,463	60,163,807	2,342,344
UTILITY USERS TAX	62,092,359	64,943,670	64,943,670	-
OTHER TAXES	23,405,397	28,399,659	28,399,659	-
LICENSES, PERMITS & FEES	16,352,770	17,274,036	17,274,036	-
FINES & FORFEITURES	176,438	200,000	200,000	-
INTEREST INCOME	1,796,421	3,030,545	3,030,545	-
CHARGES FOR SERVICES	3,255,703	3,724,495	3,724,495	-
OTHER REVENUE	142,830	50,167,500	50,167,500	-
RENTAL INCOME	777,478	791,157	791,157	-
INTERGOVERNMENT STATE TAXES	125,000	150,000	150,000	-
STATE GRANT	130,000	180,000	180,000	-
OTHER GRANT	250,000	290,000	290,000	-
PROCEEDS FROM SALE OF PROPERTY	15,000	15,000	15,000	-
LOAN/BOND PROCEEDS	40,400	40,400	40,400	-
OPERATING TRANSFERS IN	23,269,402	20,853,959	20,853,959	-
TOTAL REVENUES	250,327,835	306,211,175	308,553,519	2,342,344

Sales & Use Tax – An increase of \$2,342,344: The City's Sales Tax consultant, Avenu, has presented a more optimistic outlook based on the figures from Quarter 4 of 2024, compared to those from Quarter 3 of the same year. This is largely attributed to an

overcorrection applied in Quarter 3 in response to recent negative statewide sales tax trends. Additionally, some revenues initially expected in Quarter 3 were received late and carried over into Quarter 4. Richmond's local performance has also slightly surpassed initial expectations. Furthermore, the continued outperformance of local businesses has exceeded projections.

Proposed Expenditure Adjustments

Additional appropriation requests resulted in an expenditure increase of \$2,342,344. Reductions have been identified in the amount of \$2,342,344 to account for the additional appropriation requests. Expenditure changes are described below in Table 4.

Table 4: General Fund FY 2025-26 Proposed Budget Adjustments – Expenditures

GENERAL FUND	FY 2024-25 REVISED BUDGET	FY 2025-26 PROPOSED BUDGET June 3, 2025	FY 2025-26 PROPOSED BUDGET June 17, 2025	DOLLAR CHANGE
SALARIES AND WAGES	95,303,620	95,368,985	96,762,515	1,393,530
PAYROLL/FRINGE BENEFIT	70,548,062	73,083,339	74,157,128	1,073,789
PROFESSIONAL & ADMINISTRATIVE	23,163,189	24,428,046	24,975,481	547,435
OTHER OPERATING	8,623,649	9,513,865	9,539,865	26,000
UTILITIES	5,626,060	7,265,830	7,265,830	-
EQUIPMENT & CONTRACT SERVICES	4,495,781	4,610,266	5,513,366	903,100
PROVISION FOR INSURANCE LOSS	37,042	46,500	46,500	-
COST POOL	24,750,598	24,297,321	22,745,184	(1,552,137)
ASSET/CAPITAL OUTLAY	3,284,099	2,842,986	2,842,986	-
DEBT SERVICE EXPENDITURES	850,905	775,647	775,647	-
A87 COST PLAN REIMBURSEMENT	(3,514,373)	(3,362,171)	(3,362,171)	-
GRANT EXPENDITURES	52,246	34,497	34,497	-
OPERATING TRANSFERS OUT	33,451,511	18,806,063	18,756,690	(49,373)
TOTAL EXPENDITURES	266,672,389	257,711,175	260,053,519	2,342,344

Vacancy Savings – As a result of the increase in revenues in the Sales & Use Tax category, the vacancy savings rate has been reduced from 11 percent (\$19 million) to 9.7 percent (\$16.7 million). This is a reduction from the vacancy rate proposed on June 3, 2025.

Salaries and Wages – An increase of \$1,393,530: Due to the reduction in Vacancy Savings Rate from 11 percent to 9.7 percent, salaries are increasing by \$1,171,300 plus an additional appropriation of \$225,480 has been included for part-time staff

Payroll/Fringe Benefit – An Increase of \$1,073,789: Due to the reduction in Vacancy Savings Rate from 11 percent to 9.7 percent, Fringe Benefits are increasing by \$1,073,789.

Professional & Administrative – An increase of \$547,435: Additional appropriations include Police Commission Training, East Bay Wildfire Coalition (Fire), Contract Compliance (Employment & Training), FasTrak charges (Public Works), Public Works-Parks staff training, and Bay Area Air Quality Management District Permit Fees for City-

wide generators.

Other Operating – An increase of \$26,000: Additional appropriations include safety shoes, supplies, protective equipment for Parks and janitorial staff. Reductions were made in the Police Department for clothing and operating supplies budget.

Equipment & Contract Services – An increase of \$903,100: Additional appropriations include \$55,000 for cleaning services for City-wide window cleaning, and deep cleaning for the Auditorium and City Hall restrooms. In addition, \$83,100 was allocated for additional contract services for City-wide electrical repairs, \$645,000 for Parks materials, fencing, landscaping services and goat grazing, and \$120,000 for Parks restroom security services.

Cost Pool – A decrease of \$1,552,137: General Liability charges are reduced by \$987,557 with an estimated confidence level at 64 percent for FY 2025-26. The Vehicle Replacement Program net change is \$564,580. Additional vehicles include Advance Life Support Vehicles for the Fire department in the amount of \$800,000. Several non-public safety vehicles were deferred for future fiscal years resulting in a decrease in the cost pool budget in the amount of \$1,364,580. Deferred vehicles are being reviewed and identified to be converted into electric or hybrid fleet funded by Environmental and Community Investment Agreement (ECIA) or other funding sources.

Operating Transfers Out – A decrease of \$49,373: It is proposed to fund an additional appropriation of \$250,000 for the Canal Boulevard Traffic Safety Project. In addition, the to the Rent Program subsidy impacts the Risk Management fund in the amount of \$299,373.

Federal Funding Uncertainty – Richmond Housing Authority

Federal funding remains a major concern for the City and its supportive housing programs could be impacted. Project-Based Federal Funding from the U.S. Department of Housing and Urban Development (HUD) could be at risk impacting the operational costs of the Richmond Housing Authority (RHA). The estimated amount of funding from the Operating and Capital Funds from HUD totals approximately \$2.5 million. The estimated costs for Fiscal Year 2025-26 for RHA total approximately \$3.9 million.

Other funding sources outside of the federal funding are generated through Tenant Rents from Nystrom Village, as well as possible management oversight fees from previously owned properties. RHA also currently holds approximately \$1 million in unrestricted funds, mainly from the Hacienda property sale proceeds, which have been used to cover any unforeseen maintenance costs and related staff time at Hacienda.

Considering the FY 2025-26 estimated costs, RHA may require a subsidy from the City's General Fund of approximately \$3.5 million if there was a potential loss of federal funding. As additional information becomes available, City staff will provide updates on

this matter.

Options Regarding Limited-Term Revenue:

The General Fund projects limited-term revenue of approximately \$48.5 million. To effectively utilize these revenues, City staff propose that the City Council consider the three options listed below to help the City meet the Strategic Goals and Priorities City Council approved on September 27, 2023, in a fiscally responsible manner and to maintain essential City programs and services during times of economic and political uncertainty.

Option A – Hold and Wait (~6-18 months given economic uncertainties):

- \$48.5 million – Wait until after the City Council recess and for economic uncertainties to settle, and to fully see the overall impact on the City. City staff will evaluate various options for investing the principal of the new limited-term revenue to optimize interest earnings.

Option B – To Be Determined (TBD) by Mayor and City Council:

- \$48.5 million – May include CIP unfunded needs. The City staff has identified approximately \$900 million in unfunded CIP projects over the next 10 years (See Attachment 3). City staff can provide recommendations based on City Council priorities and direction.

Option C – TBD Mayor and City Council

May include Federal Contingency, CIP, Unfunded Actuarial Liability (UAL):

- \$19.5 million – Contingency for federal funding uncertainty. On April 28, 2025, President Trump issued an executive order with the objective of identifying and potentially withholding federal funds from sanctuary jurisdictions. The order instructs the Department of Justice and the Department of Homeland Security to identify and compile a list of jurisdictions that impede the enforcement of federal immigration laws. Jurisdictions designated as sanctuary areas on this list may face repercussions, including the suspension or termination of federal grants and contracts. The City of Richmond has several federal grants and two major programs, Employment and Training, and Richmond Housing Authority, relying mainly on federal funds. Richmond residents are well deserving of these programs and all the grant-funded projects. City staff recommend creating a contingency to preserve these programs if Federal Funds are taken away.
- \$19.5 million – Strategic Goal Area No. 3 - Improve the Quality of Life and Community Health/Improve Social Determinants of Health Built Environment. City staff recommend appropriating this amount towards the City Council Goal 3.1 - Improve maintenance of the built environment, parks, and new recreation infrastructure and 3.2 - Create new infrastructure. Currently, Public Works is facilitating a process to select a vendor to complete a Facilities Conditions

Assessment which will help identify City facility and infrastructure needs and serve as a guide for future strategic investment decisions.

- \$9.5 million – Strategic Goal Area No. 5 - Strengthen the City's internal infrastructure and processes. The City has \$396 million in unfunded actuarial liabilities for pensions and \$63 million in Other Post Employment Benefits unfunded actuarial liabilities. These liabilities are forecasted to significantly increase over the next few years, given the worsening stock market performance. City staff recommend transferring \$9.5 million into the Pension and Other Post Employment Benefits section 115 Trust accounts to proactively mitigate the budgetary pressures. This recommendation aligns with the Council Goal No. 5.2 – Improve fiscal responsibility.

Capital Improvement Projects Anticipated to be Completed in the Near Future

Over the next three fiscal years, several capital projects related to public facilities, parks, and transportation infrastructure are anticipated to be completed. A landmark project, the Revitalization of the Historic Richmond Main Library, is scheduled for completion in the summer of 2027. Several City parks' revitalization and improvement projects are planned for completion between the fall of 2025 and the summer of 2026. Some of these projects include Boorman Park, Shields-Reid Park, Wendell Park and Martin Luther King Jr. Park. Transportation upgrades are a major component, featuring a multi-faceted approach to safety and access. For cyclists and pedestrians, key projects planned for completion in the summer of 2025 include the Yellow Brick Road and the Lincoln Safe Routes to School projects. These will be followed by the Bayview to BART and McBryde Safe Routes to Parks projects, enhancing bicycle and pedestrian accessibility between Del Norte BART station to the San Francisco Bay Trail and Wildcat Canyon Regional Park, which are planned for completion between fall 2026 and spring 2027.

Complementing these efforts are several Complete Streets projects designed to improve safety for all modes of travel. These include the 13th Street Complete Streets Project, which will connect to the recently completed Rumrill Boulevard project by the City of San Pablo; Phase II of the Richmond Wellness Trail along Marina Way South; and the Neighborhood Complete Streets project along Harbour Way South. All of these projects are scheduled for completion by summer 2027.

City Council Strategic Goals and Priorities

As part of ongoing efforts to ensure alignment between City operations, policy objectives, and public transparency, City Council adopted at their meeting on September 27, 2023, the City Council's Goals and Priorities. The Goals and Priorities outlines key initiatives and strategic objectives that guide the City's growth and improve the quality of life for all residents. The City Council's vision focuses on creating a thriving, inclusive community through transparency and targeted actions that address

immediate and long-term needs. These priorities shape decisions, ensuring that progress benefits everyone in the City.

The City Council's priorities fall into six overarching goal areas:

1. Improve the quantity and quality of housing, especially low-income housing, and reduce homelessness
2. Increase revenue and improve economic development
3. Improve the quality of life, community health, and social determinants of health
4. Improve public safety
5. Strengthen the City's internal infrastructure and processes
6. Address shoreline issues and ecological sustainability

These ongoing programs, planned initiatives, and guiding principles are to align with the City's broader policy and budgetary goals.

Community Services Department Accomplishments

Over the past few years, the City Council has invested and supported the growth of the Community Services Department (CSD), which includes Recreation, Library and Adult Literacy services, Office of Neighborhood Safety (ONS), Community Crisis Response Program (CCRP), and Employment and Training (E&T). These divisions provide essential components of Richmond's efforts to support safe, healthy, and thriving communities. These programs collectively provide critical access to safe spaces, positive youth and adult engagement, violence prevention and intervention, job readiness, and crisis intervention. In a city where some residents face systemic challenges, these services promote equity, resilience, and opportunity. Together, these programs are vital to Richmond's public safety, economic recovery, and long-term community well-being. With the support of the City Council, the CSD team has achieved numerous accomplishments in the past few years, a few of which are listed below:

- ONS received additional Neighborhood Changes Agents and moved into prevention services in West Contra County Unified School District and for the unhoused, LatinX, and women/girls population
- CCRP, a new City program, was started in 2023, with 8 new CIS positions coming onboard in 2025
- E&T received \$1.9 million in additional annual funding to expand the YouthWorks program
- Increased attendance at all our programs and Special Events such as Spring Egg Hunt, Park Rx Day, 3rd of July Fireworks, Fall Festival, and Tree Lighting
- Celebrated the opening of the City of Richmond's first mobile Tool Lending Library
- Increased opportunities for the community to interact with CSD through increased and additional programs, services and special events. Examples include reinstituting the Literacy Fair, hosting youth job fairs, and activating the

Mobile Recreation Unit Trailer to serve the Richmond community at parks and special events, including the Marina Farmers Market and the Civic Center Farmers.

- Engaged over 50 volunteers, in collaboration with two nonprofit organizations and other city departments in the renovation and beautification of Booker T. Anderson Community Center
- Established Saturday program hours at the Richmond Recreation Complex for youth activities
- Awarded \$700,000 for Youth Outdoors Richmond Grant from the State of California, Department of Parks and Recreation's Office of Grants and Local Services to offer youth and family outdoor experiences.
- Recreation was awarded \$750,000 Neighbor-to-Neighbor Grant from the State of California, Governor's Office of Planning and Research to support neighborhood engagement.
- In FY 2022-23, the Library received additional staffing and restored Saturday hours to the Main Library, for a total of 46 service hours/week at the Main Library, exceeding the pre-pandemic 40 hours.
- As a result of increased hours and increased programming by staff, FY 2023-24 visits to library locations increased by 43 percent over FY 2022-23, to 60,979 visitors
- More people borrowed items: materials checkouts in FY 2023-24 increased by 10 percent over FY 2022-23
- Updated all adult public use computers for a total of 20 new machines.
- Began creation and distribution of a library e-mail newsletter with an average open rate of 26 percent
- Established RFCY-funded afterschool homework help in all library locations and two community centers (expanded to three community centers in FY 2024-25).
- In FY 2023-24, the Library hosted 889 programs and events
- Partnered with Tech Exchange to host digital literacy classes in Spanish and English in FY 2023-24 and FY 2024-25, distributing almost 100 computers to the community
- Established a Library of Things collection to loan chess sets, parks passes, science kits, hiking backpacks, and more
- E-book checkouts have increased - through May 2025, Libby ebook checkouts average 1363/month, an increase of 14 percent over FY 2023-24. Hoopla e-materials checkouts are up 58 percent over FY 2023-24, with an average of 107/month
- LEAP has enrolled more than 150 new learners since July 2024, providing basic literacy, GED and ESL help

CSD services support youth development, promote lifelong learning, encourage healthy lifestyles, and foster social connections across diverse populations. Continued support and future investment in these services helps strengthen neighborhoods, build community resilience, and ensure that all residents have the opportunity to thrive.

General Fund Five-Year Forecast:

As part of the Fiscal Year 2025-26 Budget development process, City staff is providing an annual update to the General Fund Five-Year Forecast to the City Council. The Five-Year Forecast with multiple projection scenarios is a recommendation via the State Audit. Moreover, it is recommended that the City include multiple scenarios in its financial projections, including scenarios that account for potential additional risks such as economic downturns or recessions. This approach helps us understand how the City would continue to fund its operations under such circumstances. By doing so, the City can better identify future revenue and expenditure trends that may have an immediate or long-term influence on government policies, strategic goals, or community services.

The forecast is an integral part of our annual budget process and contributes significantly to improved decision-making. It ensures that we maintain fiscal discipline while continuing to deliver essential community services. The text below discusses the revenue and expenditure assumptions that were used to develop the forecast.

Revenue Forecast Scenarios & Assumptions

The General Fund Revenue Forecast Scenarios stem from a detailed review of all the General Fund Revenue categories and streams. Even within each category, many of the main revenue streams change year-to-year based on different criteria. A great example is the Utility Users Tax, where the amounts are increasing for some of the items and decreasing for the others. City staff reviewed historical trends, actual year-to-date figures for FY 2024–25, and projected year-end totals, which in some cases differ from the Mid-Year Budget estimates. These were then combined with the proposed FY 2025–26 budget figures and any known variables. The detailed description below of the revenue assumptions focuses on the middle-of-the-road scenario revenue forecast. Generally, the pessimistic scenario assumes some of the more volatile revenue streams will grow at a much lower pace, while in the optimistic scenario, those same revenue streams will grow at a higher pace.

Property Tax – Increase of 1.3 percent in FY 2025-26 and increases averaging 2.7 percent in the subsequent years. Over the last five years, Property Taxes have increased by 4.4 percent. The valuation changes in this category can have significant impacts year-to-year, caused by items such as the valuation changes of the Chevron Refinery or a significant increase in large sales. Additionally, a significant component is the Successor Agency Surplus funds that roll into the General Fund if there are any excess funds after the corresponding expenditures have been processed. This revenue stream is based on incremental growth.

Sales Tax – Decrease of 1.2 percent in FY 2025-26 and an average increase of 1.8 percent in the subsequent years. The forecast for the regular Sales Tax and the two voter-approved half-cent sales tax measures is provided by the City's sales tax consultant, Avenu. The consultants are adjusting for some temporary increases that will go away and modest growth going forward. A slower growth model is used for the next few years as the level of uncertainty surrounding tariffs and federal spending dampens

the national, regional, and local economy after experiencing several years of solid growth. Within this category, there is also the Vehicle License Fee Backfill Swap (VLF), which is directly tied to the City's yearly AV growth. For the VLF, staff used the same assumptions as for the Secured Property Taxes.

Utility Users Tax (UUT) – Average increase of 4.8 percent. As mentioned above, this revenue category has individual revenue streams going in very distinct directions. For all years in the forecast, UUT on cable, telecommunications, and prepaid wireless is forecasted to decrease, while UUT on Gas and Electricity and the Cap Amount are both forecasted to increase. This revenue category also includes the Chevron Tax Settlement (Settlement) amount. This agreement between the City of Richmond and the Chevron Refinery was reached in 2010 and stemmed from a couple of issues including Measure T approved by voters in 2008 which imposed a manufacturer's tax as part of the Business License Tax, subsequent judgment and appeal, and competing Utility User Tax (UUT) initiatives that would have either increased or decreased the UUT assessed and collected. As part of the Settlement, Chevron agreed to pay \$114 million in new revenue to the City of Richmond over the next 15 years.

Other Taxes – Increase of 21.3 percent in FY 2025-26 is anticipated compared to the FY 2024-25 budgeted amount. This increase primarily stems from the application of the Guiding Fiscal Policy's formula to the Documentary Transfer Tax budget amount. Like other revenue streams, this category includes various items that fluctuate independently. Besides the Transfer Tax, this category also includes revenues from the Hotel Tax and Franchise Fees. The average growth rate beyond FY 2025-26 is projected to be 1.7 percent.

Licenses, Permits & Fees – Increase of 5.6 percent for FY 2025-26 and average growth of 2.9 percent after that. The main item in this category is the Business License Tax. Now, after a few years since the passage of Measure U, the Business Tax using gross receipts is more predictable. The forecast looks at the amounts paid in previous years by all business in Richmond and adds a small inflation factor. The City has contracted with BRI Consulting Group, Inc. to conduct audits of Richmond businesses. The goal of these services is to ensure businesses are paying what is required per Measure U.

Other Revenues (Includes Fines & Forfeitures, Use of Money and Property, Charges for Services, Other Revenues, Rental Income, Intergovernmental State Taxes & Grants, Proceeds from Sale of Property, and Loan & Bond Proceeds) – These various revenues are expected to remain relatively flat. For these revenue categories, City staff budgets only the amounts that are confirmed and expected to be received by the City. For FY 2025-26, City staff is proposing a net increase of \$300,000 or 3.6 percent and expects the corresponding revenues to remain virtually flat thereafter.

Operating Transfers In – Nearly all the revenue that gets transferred into the General Fund comes from the Override Pension Tax Fund. This revenue stream is expected to decrease in FY 2025-26 by 10.9 percent. Although the revenue that flows into this fund

is based on the Assessed Valuation, which is expected to continue to grow, the corresponding expenditures are also scheduled to increase. In FY 2025-26, the increase in expenditures will be higher than the increase in revenues, resulting in less revenue available to be transferred to the General Fund. These expenditures were scheduled during the 2022 Pension Obligation Bond Refunding. After FY 2025-26, the revenues and expenditures will stabilize, and staff expect a steady growth of 2.7 percent in the subsequent years.

Limited-Term Revenue – \$50 million limited-term revenue under which the City will receive \$50 million annually for five years starting in FY 2025-26, followed by \$60 million annually for another five years beginning in FY 2030-31.

The projected General Fund revenue assumptions for FYs 2025-26 through 2029-30 are listed in Table 5.

Table 5: Five-Year Revenue Forecast Scenario Assumptions

Category	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
30 - PROPERTY TAXES	1.3%	2.7%	2.7%	2.7%	2.7%
31 - SALES & USE TAX	-1.2%	0.9%	2.4%	2.2%	1.9%
32 - UTILITY USERS TAX	4.6%	5.2%	4.7%	5.1%	4.6%
33 - OTHER TAXES	21.3%	1.1%	1.8%	1.9%	1.9%
34 - LICENSES, PERMITS, & FEES	5.6%	2.9%	2.9%	2.9%	2.9%
35 - FINES & FORFEITURES	13.4%	5.0%	5.0%	5.0%	5.0%
36 - USE OF MONEY&PROPRTY	68.7%	0.0%	0.0%	0.0%	0.0%
37 - CHARGES FOR SERVICES	14.4%	3.0%	3.0%	3.0%	3.0%
38 - OTHER REVENUE (includes Limite-Term Revenue of \$50M)	35,023.9%	0.0%	0.0%	0.0%	0.0%
39 - RENTAL INCOME	1.8%	2.0%	2.0%	2.0%	2.0%
3A - INTERGOV STATE TAXES	20.0%	0.0%	0.0%	0.0%	0.0%
3B - INTERGOV FED GRANT	0.0%	0.0%	0.0%	0.0%	0.0%
3C - INTERGOV STATE GRANT	38.5%	-55.6%	0.0%	0.0%	0.0%
3D - INTERGOV OTHER GRANT	16.0%	-13.8%	0.0%	0.0%	0.0%
60 - PROC FR SLE PROP	0.0%	0.0%	0.0%	0.0%	0.0%
61 - LOAN/BOND PROCEEDS	0.0%	0.0%	0.0%	0.0%	0.0%
90 - OPER XFERS IN	-10.4%	2.5%	2.9%	2.8%	2.9%
TOTALS	23.3%	2.7%	3.0%	3.1%	3.0%

Expenditure Forecast Scenarios & Assumptions

Salaries and Benefits – three scenarios are prepared based on the current expenditures without any cost-of-living increases in the future years. In 2023, the City implemented a class and compensation study. A significant number of staff are not at the top of their respective salary ranges and are eligible to receive an annual step/merit increase. The salaries and wages forecast assumes approximately a 9.7 percent vacancy saving factor in all the future years. Since City-wide total compensation is anticipated to increase by ~\$50 million from FY 2020-21 through FY 2025-26.

Retirement Costs – the forecast uses assumptions provided in the most recent actuarial valuation report published by CalPERS in July 2024. Per the report, the City’s Normal cost is expected to continue to decline over time as new employees are hired into lower cost benefit tiers. However, the City’s Unfunded Accrued Liability (UAL) with PERS will increase over the next few years mainly due to lower-than-expected return on investment in recent years. The CalPERS projection of the pension costs is based on comprehensive actuarial assumptions and actual experience can be significantly different than these assumptions.

“The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. In particular, the investment return beginning with FY 2023-24 is assumed to be 6.80% per year, net of investment and administrative expenses. The projected normal cost percentages below reflect that the normal cost is expected to continue to decline over time as new employees are hired into lower cost benefit tiers. Future contribution requirements may differ significantly from those shown below. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.”

- *Miscellaneous Plan of the City of Richmond (CalPERS Annual Actuarial Valuation Report as of June 30, 2023).*

Table 6: Miscellaneous Plan, Projected Employer Contributions Per CalPERS Actuarial Valuation - June 30, 2023

	Required Contribution	(Assumes 6.80% Return)				
Fiscal Year	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Normal Cost %	12.6%	12.2%	11.8%	11.5%	11.1%	10.8%
UAL Payment	\$12,200,719	\$13,310,000	\$14,202,000	\$16,245,000	\$16,722,000	\$17,135,000

Table 7: Safety Plan, Projected Employer Contributions Per CalPERS Actuarial Valuation - June 30, 2022

	Required Contribution	(Assumes 6.80% Return)				
Fiscal Year	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Normal Cost %	22.0%	21.5%	20.9%	20.4%	19.8%	19.2%
UAL Payment	\$21,090,447	\$22,648,000	\$23,933,000	\$26,599,000	\$27,291,000	\$27,908,000

The UAL is the present value of future employer contributions for services that have already been earned (retirees) and is in addition to future normal cost contributions for active members.

Headcount – the forecast assumes no change in the headcount in future years. As of June 3, 2025, the proposed draft budget for FY 2025-26 includes 800 Full Time Equivalent (FTE) positions in all funds. Including the partially funded positions, the General Fund budget includes ~668 FTE.

Healthcare and Other benefits – some of the benefit costs are taxes that are derived based on the going tax deduction rates, whereas healthcare costs are based on the current rate sheet from the healthcare providers. The City of Richmond provides healthcare costs that are negotiated through CalPERS. Healthcare costs have been increasing around 10 percent on an annual basis and for FY 2025-26 the cost to the City is expected to increase by approximately 13 percent. For FY 2026-27 and beyond, increases are assumed per the inflation rates in the respective scenario (see Table 8):

Non-Personnel Costs - The three scenarios use a range of inflation rates from 3 percent to 5 percent as listed in Table 8 below.

Table 8: Expenditure Assumptions

Scenario		FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Pessimistic	Personnel Costs	Proposed Budget	No Increase	No Increase	No Increase	No Increase
	Inflation Rate	Proposed Budget	5%	5%	5%	5%
Middle of the Road	Personnel Costs	Proposed Budget	No Increase	No Increase	No Increase	No Increase
	Inflation Rate	Proposed Budget	4%	4%	4%	4%
Optimistic	Personnel Costs	Proposed Budget	No Increase	No Increase	No Increase	No Increase
	Inflation Rate	Proposed Budget	3%	3%	3%	3%

The forecast assumes no allocation of the limited-term revenue (Resolution 98-24 Agreement) in FY 2025-26. However, City staff have identified Capital Improvement Projects (CIP) that have funding gaps or are unfunded over future years. Table 9 shows the identified CIP amounts for the next five years. City Council may allocate all or a portion of the limited-term revenue towards these capital needs in the coming years.

Table 9: CIP Shortfall Plus Unfunded Projects

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
CIP Shortfall	49,080,000	36,090,000	4,928,520	51,480	-
CIP Unfunded	55,774,000	75,583,700	99,048,000	80,736,300	72,064,000
Total	104,854,000	111,673,700	103,976,520	80,787,780	72,064,000

Table 10: Five-Year Forecast, Pessimistic Scenario

	Forecast	Forecast	Forecast	Forecast	Forecast
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Total Revenue	308,553,519	312,283,005	320,144,480	328,673,397	337,011,925
Total Expenditures	260,053,519	272,291,405	283,273,437	297,330,800	308,145,552
Net Deficit (-)/Surplus(+)	48,500,000	39,991,600	36,871,043	31,342,598	28,866,373

Figure 1: Five-Year Forecast, Pessimistic Scenario, Net Deficit (-)/Surplus (+)

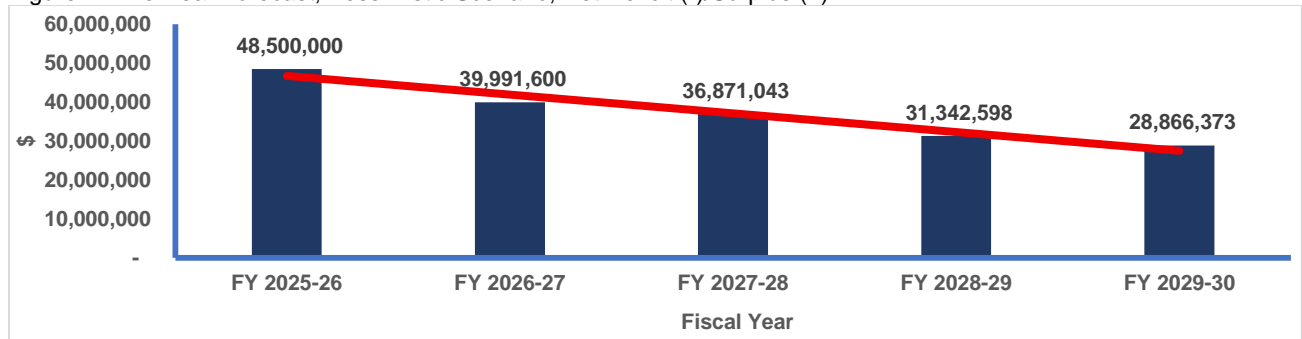


Table 11: Five-Year Forecast, Middle of the Road Scenario, Net Deficit (-)/Surplus (+)

	Forecast	Forecast	Forecast	Forecast	Forecast
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Total Revenue	308,553,519	316,277,163	324,258,355	332,917,155	341,382,665
Total Expenditures	260,053,519	271,165,154	280,948,933	293,702,601	303,101,122
Net Deficit (-)/Surplus(+)	48,500,000	45,112,009	43,309,422	39,214,554	38,281,543

Figure 2: Five-Year Forecast, Middle of the Road Scenario, Net Deficit (-)/Surplus (+)

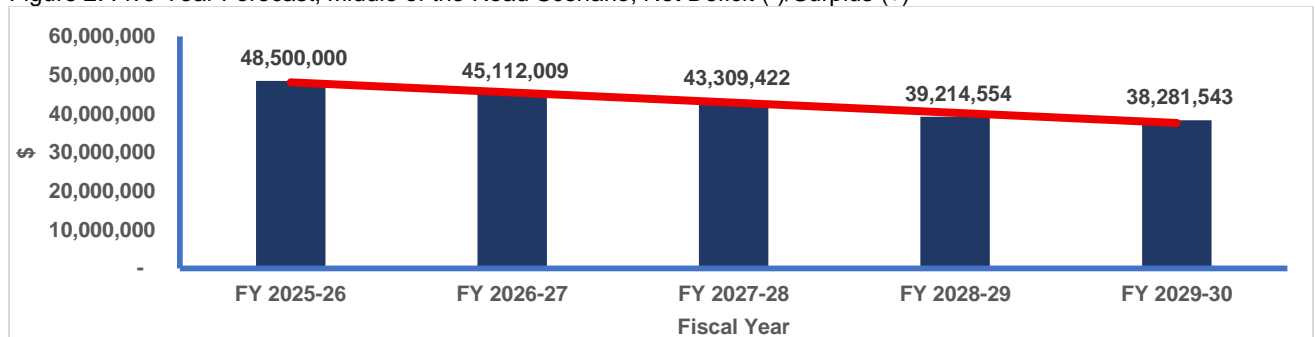
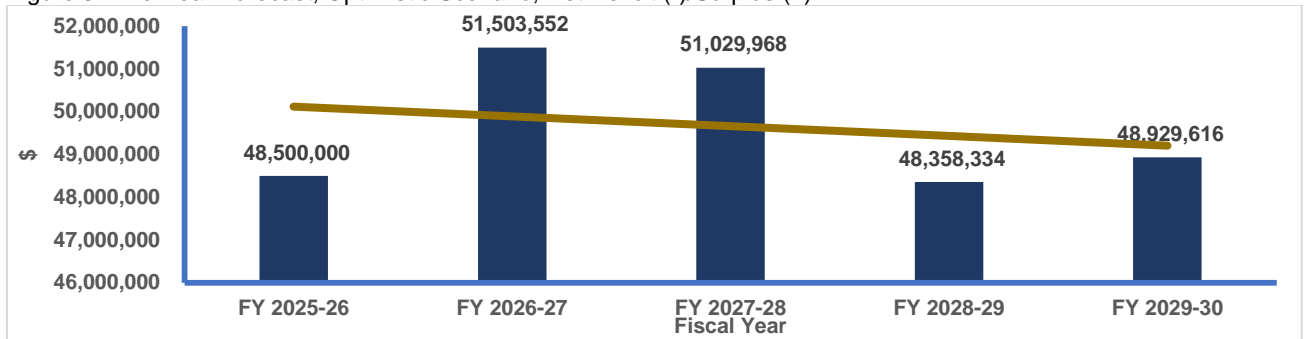


Table 12: Five-Year Forecast, Optimistic Scenario

	Forecast	Forecast	Forecast	Forecast	Forecast
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Total Revenue	308,553,519	321,602,706	329,743,522	338,575,498	347,210,318
Total Expenditures	260,053,519	270,099,154	278,713,554	290,217,163	298,280,702
Net Deficit (-)/Surplus(+)	48,500,000	51,503,552	51,029,968	48,358,334	48,929,616

Figure 3: Five-Year Forecast, Optimistic Scenario, Net Deficit (-)/Surplus (+)



NEXT STEPS

City staff will incorporate City Council directives and feedback and bring back FY 2025-26 Operating Budget and FYs 2025-26 through 2029-30 Five-Year Capital Improvement Plan for adoption on June 24, 2025.

DOCUMENTS ATTACHED:

- Attachment 1 – Draft Summary of Revenues and Expenditures, by Fund, by Type
- Attachment 2 – Draft Summary of Expenditures, by Fund, by Department
- Attachment 3 – Draft Capital Improvement Program Budget & Forecast Summaries
- Attachment 4 – Draft Multi-Year Comparative Position Listing