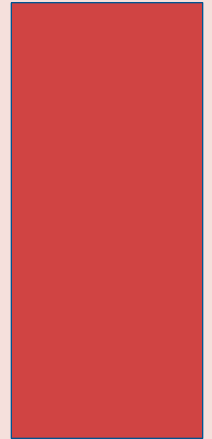


CITY OF RICHMOND
FY2016-17 MID-YEAR BUDGET REVIEW

FEBRUARY 28, 2017



Revenue/Expense Update:

- FY2015-16
 - Period 12 – June 2016 (Year-end)
- FY2016-17
 - Period 6 – December 2016

Revenues – June 2016

0001-GENERAL FUND	ORIGINAL BUDGET	REVENUE ADJ.	REVISED ESTIMATED REVENUES	ACTUAL YTD REVENUE	REMAINING REVENUE	100%Threshold PCT COLLECTED
30 PROPERTY TAXES	33,572,926	-116,049	33,456,877	33,232,037.67	224,839	99.3
31 SALES & USE TAX	42,321,811	-843,218	41,478,593	40,877,124.43	601,469	98.5
32 UTILITY USERS TAX	43,883,499	122,661	44,006,160	43,365,249.09	640,911	98.5
33 OTHER TAXES	9,493,433	1,562,042	11,055,475	11,628,518.25	-573,043	105.2
34 LICENSES,PRMTS & FEES	4,726,275	140,000	4,866,275	4,699,664.58	166,610	96.6
35 FINES & FORFEITURES	341,445	158,555	500,000	398,097.63	101,902	79.6
37 CHARGES FOR SRVCS	3,567,509	468,526	4,036,035	4,259,654.53	-223,620	105.5
OTHER REVENUE	1,256,205	-831,266	424,939	440,373	-15,434	103.6
39 RENTAL INCOME	751,909	7,200	759,109	765,751.37	-6,643	100.9
GRANTS	1,546,748	237,890	1,784,639	1,906,018	-121,379	106.8
90 OPER XFERS IN	2,924,831	0	2,924,831	2,560,666.73	364,164	87.5
TOTAL	144,386,591	906,341	145,292,932	144,133,155	1,159,778	99.2

Expenditures – June 2016

0001-GENERAL FUND	REVISED BUDGET	YTD EXPENDED	ENCUMBS	AVAILABLE BUDGET	100% Threshold PCT USED	100%Threshold PCT USED w/ ENCUMBS
40 SALARIES AND WAGES	69,028,512	69,418,362	-	(389,850)	100.6%	100.6%
41 PYRL/FRINGE BENEFIT	38,157,115	39,649,824	-	(1,492,710)	103.9%	103.9%
42 PROF & ADMIN	9,110,619	8,167,186	865	942,568	89.6%	89.7%
43 OTHER OPERATING	5,861,672	5,655,846	3,595	202,231	96.5%	96.5%
44 UTILITIES	3,310,724	3,050,801		259,922	92.1%	92.1%
45 EQPT & CONTRACT SVCS	1,649,314	1,641,295		8,019	99.5%	99.5%
46 PROVISN FOR INS LOSS	12,000	12,000	-	-	100.0%	100.0%
47 COST POOL	13,010,340	12,882,601	-	127,739	99.0%	99.0%
48 ASSET/CAPITAL OUTLAY	817,040	587,913	-	229,127	72.0%	72.0%
49 DEBT SVC EXPENDITURE	1,305,642	1,355,590	-	(49,948)	103.8%	103.8%
4A A87 COST PLAN REIMBS	(6,571,114)	(6,655,066)	-	83,952	101.3%	101.3%
50 GRANT EXPENDITURES	232,315	156,766	-	75,549	67.5%	67.5%
91 OPER XFERS OUT	8,365,608	7,494,379	-	871,229	89.6%	89.6%
<i>Targeted Operating Savings</i>	(550,000)	-	-	(550,000)	0.0%	0.0%
TOTAL	143,739,786	143,417,497	4,460	317,829	99.8%	99.8%

Revenue and Expenditure Summary

	FY2015-16 Adopted Budget	FY2015-16 Revised Budget	FY2015-16 Audited Actuals
Total Revenue	\$144,386,591	\$145,292,932	\$144,133,155
Total Expenditures	\$144,386,494	\$143,739,786	\$143,417,497
Net Operating Surplus/(Deficit)	\$98	\$1,553,146	\$715,658

General Fund - Three-Year Summary

	FY2013-14 Audited Actuals	FY2014-15 Audited Actuals	FY2015-16 Audited Actuals
Total Revenue	\$132,819,680	\$141,580,607	\$144,133,155
Total Expenditures	\$141,911,720	\$140,354,865	\$143,417,497
Surplus/(Deficit)	(\$9,092,040)	\$1,215,742	\$715,658

General Fund Balance Sheet

Impact of One-time Liquidity Items

	GENERAL FUND	ONE-TIME LIQUIDITY EVENTS					GENERAL FUND
	as of 6/30/16	RHA Escrow	RHA RAD Rypmt	Terminal 1 Sale	Sale of Properties	Total	as of 6/30/16
ASSETS							
Cash and investments	5,900,610	2,500,000	700,000	9,500,000	3,000,000	15,700,000	21,600,610
Receivables:						-	-
Accounts, net	11,873,993					-	11,873,993
Interest	5,384					-	5,384
Grants	518,314					-	518,314
Loans	3,829,481	(2,500,000)	(700,000)			(3,200,000)	629,481
Due from other funds	119,442					-	119,442
Advances to other funds	14,480,730			(9,500,000)		(9,500,000)	4,980,730
Prepays, supplies and other assets	577,477					-	577,477
Total Assets	37,305,431	-	-	-	3,000,000	3,000,000	40,305,431
LIABILITIES							
Accounts payable and accrued liabilities	2,775,748					-	2,775,748
Refundable deposits	75,023					-	75,023
Unearned revenue	4,299,386					-	4,299,386
Total Liabilities	7,150,157						7,150,157

Revenues – December 2016

0001-GENERAL FUND	REVISED BUDGET	REVENUE ADJ.	PROPOSED MID-YEAR BUDGET	ACTUAL YTD REVENUE	REMAINING REVENUE	50%Threshold PCT COLLECTED
30 PROPERTY TAXES	37,296,608	-	37,296,608	18,867,214	18,429,394	50.6%
31 SALES & USE TAX	40,906,608	-	40,906,608	10,431,311	30,475,297	25.5%
32 UTILITY USERS TAX	44,657,538	-	44,657,538	25,624,095	19,033,443	57.4%
33 OTHER TAXES	10,802,864	-	10,802,864	4,307,611	6,495,253	39.9%
34 LICENSES,PRMITS&FEES	5,663,753	-	5,663,753	3,147,616	2,516,137	55.6%
35 FINES & FORFEITURES	1,063,088	-	1,063,088	421,091	641,997	39.6%
37 CHARGES FOR SERVICES	3,442,278	(96,983)	3,345,295	1,605,437	1,739,858	48.0%
OTHER REVENUE	481,839	76,665	558,504	240,648	317,856	43.1%
39 RENTAL INCOME	731,472	-	731,472	391,761	339,711	53.6%
GRANTS	3,162,320	63,401	3,225,721	3,403,707	(177,986)	105.5%
90 OPER XFERS IN	4,068,506	-	4,068,506	1,358,799	2,709,707	33.4%
GF REVENUE TOTAL	152,276,874	43,083	152,319,957	69,799,290	82,520,667	45.8%
FY2015-16 – Dec 2015	144,429,903	2,449,496	146,879,399	61,577,702	85,301,697	41.2%

Expenditures – December 2016

0001-GENERAL FUND	REVISED BUDGET	EXPENSE ADJ.	PROPOSED MID-YEAR BUDGET	YTD EXPENDED	ENCUMBS.	AVAILABLE BUDGET	50% Threshold PCT USED	50%Threshold PCT USED w/ ENCUMBS
40 SALARIES AND WAGES	71,310,025		71,310,025	35,439,223	-	35,870,802	49.7%	49.7%
41 PYROLLFRINGE BENEFIT	44,969,222		44,969,222	23,410,925	-	21,558,298	52.1%	52.1%
42 PROF & ADMIN	8,293,620	120,335	8,413,955	3,358,097	2,105,083	2,950,776	39.9%	64.9%
43 OTHER OPERATING	5,667,254		5,667,254	2,443,177	2,098,470	1,125,607	43.1%	80.1%
44 UTILITIES	3,208,747		3,208,747	1,704,686	358,253	1,145,809	53.1%	64.3%
45 EQPT & CONTRACT SVCS	1,417,579		1,417,579	747,641	305,873	364,065	52.7%	74.3%
46 PROVISN FOR INS LOSS	8,163		8,163	3,178	-	4,985	38.9%	38.9%
47 COST POOL	15,671,586	186,000	15,857,586	7,726,423	-	8,131,163	48.7%	48.7%
48 ASSET/CAPITAL OUTLAY	172,979		172,979	27,891	-	145,088	16.1%	16.1%
49 DEBT SVC EXPENDITURE	1,213,080		1,213,080	647,856	75,152	490,073	53.4%	59.6%
4A A87 COST PLAN REIMBS	(5,895,770)		(5,895,770)	(2,991,940)	-	(2,903,830)	50.7%	50.7%
50 GRANT EXPENDITURES	247,613		247,613	69,756	-	177,857	28.2%	28.2%
91 OPER XFERS OUT	6,277,632		6,277,632	3,187,732	-	3,089,900	50.8%	50.8%
<i>Targeted Operating Savings</i>	(550,000)		(550,000)		-	(550,000)	0.0%	0.0%
TOTAL	152,011,730	306,335	152,318,065	75,774,643	4,942,831	71,600,591	49.7%	53.0%
FY2015-16 – Dec 2015	143,279,808	559,343	143,839,151	71,426,032	5,553,538	66,859,581	49.7%	53.2%

Revenue and Expenditure Summary

	FY2016-17 Adopted Budget	FY2016-17 Revised Budget	FY2016-17 Mid-Year Budget
Total Revenue	\$151,923,022	\$152,276,873	\$152,319,956
Total Expenditures	\$151,923,081	\$152,011,731	\$152,318,066
Net Operating Surplus/(Deficit)	(\$59)	\$265,143	\$1,890

Proposed Mid-Year Adjustments

Department	Fund	Funding Source Increase (Decrease)	Expense Increase (Decrease)	Net Impact	Justification for Adjustment
General Fund Requests					
City Manager's Office	0001		50,000	(50,000)	Contract with Federal Advocates (lobbyist)
City Manager's Office	0001	27,335	27,335		- Grant from Resources Recycling and Recovery revenue & expenditures were not budgeted.
Finance	0001		43,000	(43,000)	Additional professional services: actuarial report for GASB 68 pension disclosures \$10,000; additional invoices from PRAG Financial Advisors \$18,000; pension actuarial reports \$15,000
Fire	0001	(96,983)		(96,983)	Reduction in revenue resulting from reduced annual reimbursements from County under Auto Aid Agreement
Fire	0001		60,000	(60,000)	Increase in CAD Dispatch allocation
Police	0001		126,000	(126,000)	Increase in CAD Dispatch allocation
Police	0001	65,392		65,392	Family Justice Center reimbursement and restitution reimbursement from the Judicial Council of CA
Police	0001	11,273		11,273	Peace Officers Standards & Training (POST) mandated trainings received to date
Police	0001	36,066		36,066	Supplemental Law Enforcement Special Fund received to date
General Fund Total		\$ 43,083	\$ 306,335	\$ (263,252)	
Non-General Fund Requests					
Non-General Fund Total		\$ 5,447,905	\$ 3,536,319	\$ 1,911,586	<i>Refer to pages C-2 and C-3 in the mid-year binder for details on non-general fund requests</i>

A87 Cost Plan Reimbursement

- Indirect costs are charged to City departments for services provided by administrative departments (Office of the Mayor, City Council, City Manager, City Clerk, City Attorney, Finance, Human Resources, Information Technology, Infrastructure Maintenance & Operations).
- Administrative departments receive reimbursements from other City departments in the form of a credit to expenditures in the General Fund.

Challenges

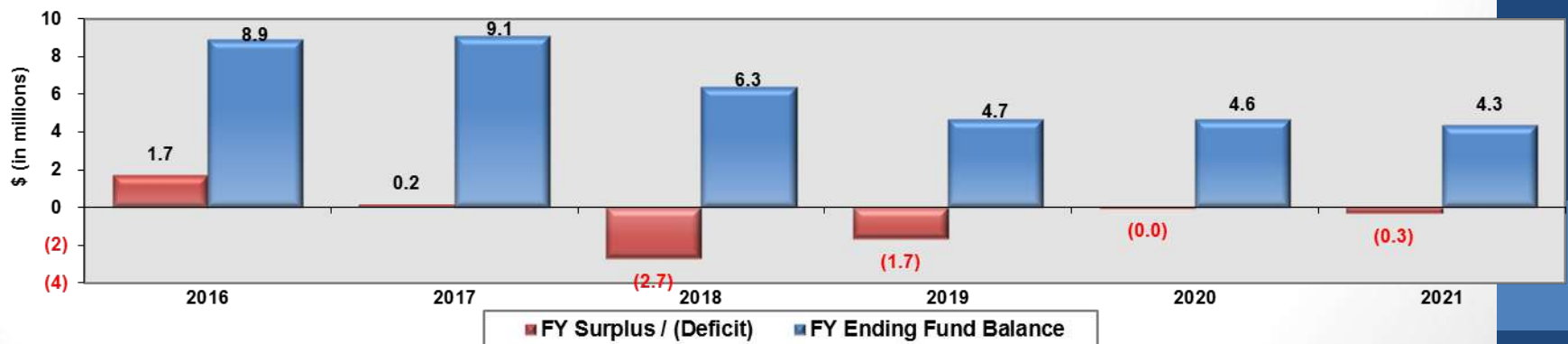
- Paratransit - Staff is preparing an analysis of options for discussion at the March 21st City Council meeting.

	FY2016-17 Adopted Budget	FY2016-17 YTD Actuals	FY2016-17 Remaining Budget
Total Revenue	\$1,445,733	\$495,028	\$950,705
Total Expenditures	\$1,445,733	\$963,223	\$486,379
Operating Surplus/(Deficit)	\$0	(\$466,825)	

Baseline Model Projection -July 2016

- The last budget model presented to Council was for the adopted FY17 budget
- These assumptions included the then latest PERS projections provided to the City in the Fall of 2015, and based on the City's actuarial values as of June 30, 2014
- At this time, PERS included both the pension "normal" cost and unfunded liability rolled up into a single percent of salary
- The chart below shows the expected budget forecast at that time

**FY16 –FY21 Budget Projections
2014 PERS Projections
(provided Fall 2015)**

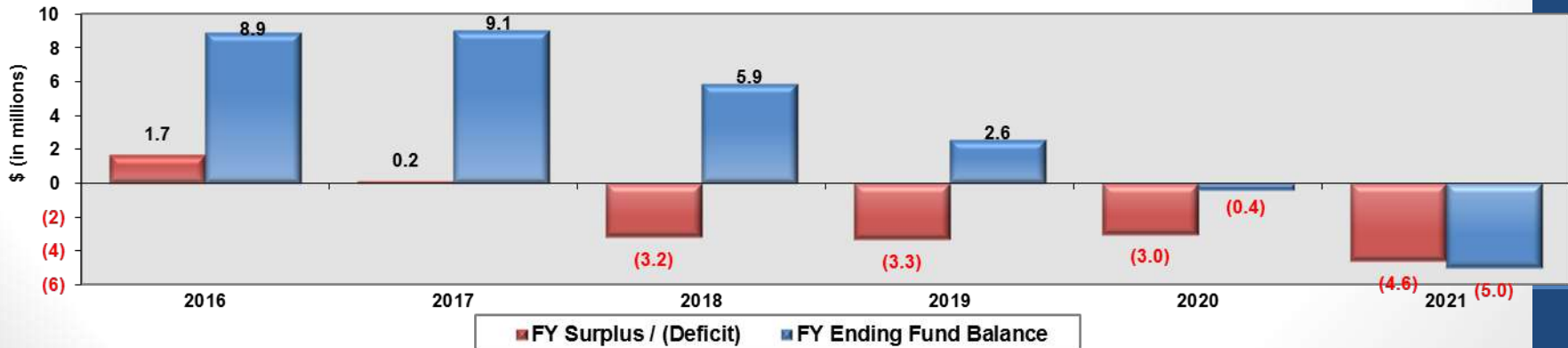


Updated Projection – Fall of 2016

PERS Projections

- PERS updates its pension cost projections annually
- In the Fall of 2016, the PERS actuarial changed methodology to a percent of salary for “normal” costs and a dollar amount for unfunded liabilities
- This change resulted in a projected increase in total PERS costs through FY21 (and beyond)
- The chart below shows an updated budget model result with the changes in PERS costing, resulting in growing budget deficits through FY21

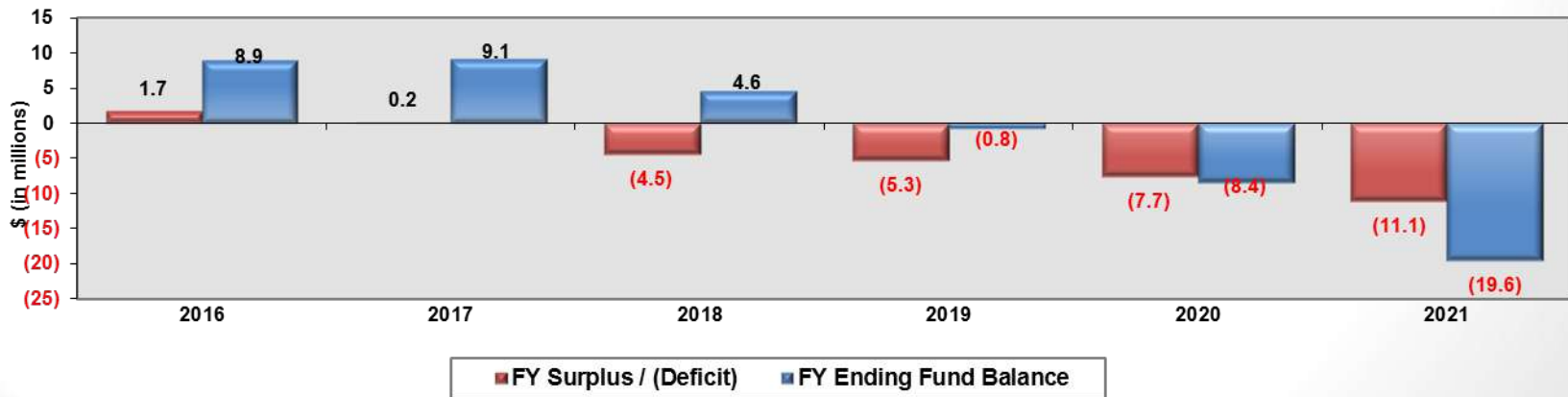
FY16 –FY21 Budget Projections
2015 PERS Projections
(provided Fall 2016)



Lower Discount Rate Projection - January 2017

- In December of 2016, the PERS Board voted to reduce the long-term rate of return on investments (the “discount rate”) from 7.5% to 7.0% over the next four years
- This change results in an increase in both the “normal” cost and unfunded liabilities with significantly increasing budget deficits
- The rates included in the chart below assume the average of expected increases published by PERS. PERS will provide new rate projections to the City in July 2017

**FY16 –FY21 Budget Projections
2015 PERS Projections AND
Estimated Impact of Discount Rate Reduction**



Conclusion

- Continue to adopt a balanced budget
- Restore City's cash reserves
- Continue to monitor pension and other retirement costs