

# Long-Term Planning in your Annual Budget



# Richmond California

- 111,785 Residents
- \$160 million annual operating budget
- 32 miles of shoreline
- 292.6 acres of parkland
- 34 miles of the SF bay trail
- 7 member City Council, including a directly elected Mayor – all elected at-large



# Issues Pushing Richmond to do Long-Term Planning

- Two downgrades by rating agencies
  - Default on interest rate swaps
- Years of structurally unbalanced budgets
- Liquidity concerns
- Steep rise in PERs rates
- Increasing cost of public safety
- Political leadership

# National Resource Network

- Federal grant to identify and provide technical assistance to tackle a critical City issues
- Public Financial Management provided technical assistance to develop five-year financial forecast which was identified as a key driver for the city's long-term success

# Presenting the Five-Year Model

- Extend the financial planning horizon
- Focus on two key goals over the planning horizon:
  - Structurally balance budgets
  - Increase in liquidity
- Stress the importance of true financial modeling

# Efforts to Balance Past Budgets

- Eliminated 177 positions (approximately 20% of workforce) since FY2008-09, largely by attrition;
- Implemented organizational restructuring in several departments
- Worked with bargaining units to discuss budget constraints and negotiate concessions, especially as they relate to OPEB
- Take aggressive steps to eliminate General Fund subsidies for revenue-based programs;
- Budget for “opportunity” cost savings during the fiscal year.

# Purpose of Long-Term Modeling

Allows sensitivity analysis of financial changes resulting from a changing economic environment

Helps evaluate long-term impacts of current decisions and policy proposals (e.g. tax and spending proposals)

Allows analysis of specific service level issues (e.g., infrastructure investment)

# Purpose of Long-Term Planning

Informs strategic policy decisions, such as establishment and maintenance of cash reserve levels and debt management

Introduces life-cycle and multi-year impacts into the budget decision-making process

Helps to provide operational stability in an organization



# PERS Rates – Misc.

	<b>Required Contribution</b>	<b>Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)</b>					
<b>Fiscal Year</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
<b>Normal Cost %</b>	12.511%	13.1%	14.2%	14.2%	14.2%	14.2%	14.2%
<b>UAL Payment</b>	7,664,256	9,414,000	10,595,000	12,120,000	13,457,000	14,364,000	15,139,000
<i>Total as a % of Payroll*</i>	<i>31.7%</i>	<i>36.0%</i>	<i>39.2%</i>	<i>42.0%</i>	<i>44.2%</i>	<i>45.3%</i>	<i>46.0%</i>
<i>Projected Payroll</i>	<i>39,934,167</i>	<i>41,132,193</i>	<i>42,366,158</i>	<i>43,637,143</i>	<i>44,946,257</i>	<i>46,294,645</i>	<i>47,683,484</i>

# PERS Rates - Sworn

	<b>Required Contribution</b>	<b>Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)</b>					
<b>Fiscal Year</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
<b>Normal Cost %</b>	20.484%	21.4%	23.2%	23.2%	23.2%	23.2%	23.2%
<b>UAL Payment</b>	10,213,652	12,836,000	14,737,000	16,989,000	18,920,000	20,194,000	21,285,000
<i>Total as a % of Payroll*</i>	<i>46.4%</i>	<i>52.9%</i>	<i>58.4%</i>	<i>62.6%</i>	<i>65.8%</i>	<i>67.3%</i>	<i>68.4%</i>
<i>Projected Payroll</i>	<i>39,475,180</i>	<i>40,659,435</i>	<i>41,879,218</i>	<i>43,135,595</i>	<i>44,429,662</i>	<i>45,762,552</i>	<i>47,135,429</i>

# Budget Planning

- Budget kick-off meeting/training held in February
  - City Manager, Finance Director, and Budget Team present budget message and direction
  - Distribute budget calendar and guidelines, a written document of budget processes and procedures
  - Hands-on training for staff responsible for entering budget in MUNIS

# Budget Calendar

RESPONSIBLE DEPARTMENT / STAFF	ACTION / ACTIVITY	DATE
Finance Department/ City Manager/City Council	FY2017-18 Mid-Year Budget Review	February 6, 2018
Finance Department/ All Departments	FY2018-19 BUDGET KICK OFF MEETING Budget Message from City Manager and Finance Director; Budget Guidelines and Procedures distributed	February 12, 2018 9AM – 10:30AM
Finance Department/ All Departments	FY2018-19 BUDGET INPUT TRAINING Workshop and training on the budget process, budget input and budget reports	February 12, 2018 10:45AM – 12PM
All Departments	Signed personnel list and org charts due to Finance Department	February 16, 2018
All Departments	FY2018-19 Budget Input Window	February 20, 2018- March 2, 2018
Finance Department/City Manager/All Departments	Budget Hearings	March 16, 2018 March 26-30, 2018 April 2-3, 2018
Finance Department/City Manager	Community Budget Meetings	April 2018
Finance Department/ City Manager/City Council	Study Session with City Manager and City Council Transmit to Council proposed Operating Budget for FY2018-19 and FY2018-19 to 2022-23 Capital Improvement Plan	May 1, 2018
Finance Department/ City Manager/City Council	Departmental Budget Presentations and Budget Checklist	May 15, 2018 May 22, 2018
Finance Department/ City Manager/City Council	City Council review and direction on Budget Checklist and changes to proposed budget	June 5, 2018 June 19, 2018
Finance Department/ City Manager/City Council	Council to adopt 2018-19 Operating Budget, FY2018-19 to FY2022-23 Capital Improvement Plan, and GANN Limit	June 26, 2018
Finance Department	Adopted FY2018-19 budget available in MUNIS	June 29, 2018

# Capital Projects

- Funding is limited to existing funding sources, including state gas tax, grants, impact fees, and bond proceeds
- Unfunded projects are prioritized and funded when funding becomes available

# Mid-Year Adjustments

Department	Fund	Funding Source Increase (Decrease)	Expense Increase (Decrease)	Net Impact
<b><u>General Fund Requests*</u></b>				
City Attorney	0001		50,000	(50,000)
City Clerk	0001	(17,000)		(17,000)
City Manager	0001	10,972		10,972
Community Services	0001	1,275	1,275	-
Police	0001	(778,451)	(161,549)	(616,902)
Fire	0001	105,440	126,934	(21,494)
Capital Improvement	0001		165,000	(165,000)
Infrastructure Maintenance and Operations	0001		35,000	35,000
Non-Departmental	0001	1,367,966	596,862	771,105
<b>General Fund Total</b>		<b>690,202</b>	<b>813,522</b>	<b>(123,320)</b>
<b><u>Non-General Fund Requests*</u></b>				
<b>Non-General Fund Total</b>		<b>3,851,703</b>	<b>3,774,612</b>	<b>77,091</b>



# Thank You

Belinda Warner

City of Richmond

Finance Director

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