

## **City Manager's Weekly Report**

This is the weekly report for the week ending June 19<sup>th</sup>, 2009.

### **1. Meeting Notes**

The next City Council meeting will be on Tuesday, June 23<sup>rd</sup>, beginning with a Closed Session at 5:00 PM, followed by Redevelopment items at 6:45 PM prior to the City Council agenda at 7:00 PM.

### **2. Winters Building Project**

On June 16<sup>th</sup>, the East Bay Center for the Performing Arts, with the participation of its non-profit tax-exempt affiliate the Iron Triangle Cultural Center, closed and funded \$14,016,000 in new markets tax credit financing for the renovation of the Winters Building. This financing, which aggregates funding from substantially all of the committed project sources, completes funding for the project's \$14,125,716 renovation budget.

The new markets tax credit financing, which brings additional federal funding for qualified projects to deserving communities, involved the mutual agreement and execution of over 50 documents involving JP Morgan Chase as the tax credit investor; Local Initiatives Support Corporation providing an allocation of tax credit authority; the Hewlett Foundation; the Northern California Community Loan Fund; the Haas Fund and the Irvine Foundation as grant funders; the City of Richmond; and the Richmond Community Redevelopment Agency providing both a \$3,200,000 grant of development funds and a \$2,500,000 bridge loan.

The City and Agency funding was critical to making the tax credit financing succeed and to assuring that the Winters Building project proceeds on a timely basis. Construction will commence July 1<sup>st</sup> of this year and is anticipated to be complete by the beginning of the 2010 school year in September 2010.

### **3. Kick-Off Meeting for The California Endowment (TCE) Healthy Richmond Initiative**

As you will recall, the City of Richmond was one of 14 communities selected from among the State of California to be a part of The California Endowment's Building Healthy Communities Initiative. The 10-year initiative is intended to create lasting changes in the health and well being of Richmond residents, with the primary indicator being that children are healthy, safe, and ready to learn. The local version of this TCE initiative is known simply as *Healthy Richmond*.

This past Thursday, June 18<sup>th</sup>, a community meeting was held in the Nevin Center to kick-off a nine-month planning process to develop a detailed plan for achieving a set of outcomes identified by TCE, and to provide background information to interested community members.

Information regarding the Healthy Richmond initiative can be found online at [www.healthyrichmond.net](http://www.healthyrichmond.net). We will keep you informed as this project moves forward.

#### 4. **State Budget Woes Being Transferred to Cities**

The League of California Cities continues to report the disastrous impacts of the state transferring its \$24.3 billion budget deficit woes to local governments. The proposed take of local gas tax funds, which total a combined \$2.750 billion over the next two fiscal years, are of paramount concern to cities.

Budget Update: The budget produced by the Budget Conference Committee this past week includes \$10.4 billion in cuts and savings, \$5 billion in revenue accelerations and fee increases, \$2.6 billion in fund shifts, \$2 billion in tax increases including an oil severance tax, a \$1.50 per pack increase in cigarette tax, and the repeal of certain business net operating loss tax deductions, and \$2.2 billion in other proposals that include partial sale of the State Compensation Insurance Fund. Other proposals include measures to increase collection of “use tax” which is owed to state and local governments from internet and other out-of-state sales. Instead of approving the 5 percent pay cut for state employees as proposed by the Governor, the Committee approved an accounting maneuver that allows the state to move \$800 million of costs from the June 30, 2010 state payroll into FY 2010-11.

State Seizure of Gas Tax Funds: The Budget Conference Committee approved a Department of Finance (DOF) proposal to seize \$986.3 million of city and county shares of the Highway User’s Tax Account (HUTA), or gas tax, for FY 2009-10, and an additional \$750 million per year ongoing to pay for transportation debt services. This provision would devastate local street and road maintenance programs, cost thousands of local jobs, and create public safety hazards. The above proposal represents an approximate \$1.35 million cut to the City of Richmond. The City has, in recent years, used gas tax funds for its pavement management programs, and the state’s take of these funds will directly manifest itself on the condition of our streets.

Redevelopment Funds at Risk for Three-Year Hit: Even though the Sacramento Superior Court declared unconstitutional the seizure of \$350 million in redevelopment funds for the FY 2008-09 budget, the Conference Committee adopted trailer bill language from DOF that attempts to work around the decision. The committee also approved taking an additional \$350 million in both FY 2009-10 and FY 2010-11 from redevelopment agencies.

This massive hit on local redevelopment agencies totals \$1.050 billion and would mothball many planned local redevelopment projects that provide economic development and jobs that are desperately needed in this economy. Given that the courts have already deemed this action unconstitutional, if approved, it will trigger additional litigation.

The effect of this proposal on the Richmond Redevelopment Agency is significant – in excess of \$3 million dollars annually. The State action last year has already delayed some critical projects to rebuild Richmond’s downtown.

Borrowing Property Taxes under Prop 1A: DOF proposed borrowing local property taxes under Proposition 1A through an 8 percent across-the-board approach. The Budget Conference Committee unanimously rejected the proposal to borrow \$1.9 billion in local property taxes. While the local property taxes are not currently included in the budget package, the proposal could come back on the table.

5. **City of Richmond Acknowledged by the Contra Costa County Tobacco Prevention Coalition**

The City of Richmond is being recognized for its “significant contribution to the goals of tobacco prevention in the County” at a 25th Anniversary Celebration of the Tobacco Prevention Coalition next Wednesday, June 24<sup>th</sup>. As you may recall, this past month, Richmond adopted a comprehensive secondhand smoke protection ordinance, increasing protections in indoor areas, including childcare residences; and prohibiting smoking in many outdoor areas including outdoor dining, within 20 feet of building doorways and common areas of multi-unit housing residences. The City Council also re-committed to tobacco retailer licensing through adoption of a strengthened ordinance and is the first in the county to prohibit tobacco sampling.

Shannon Moore, Deputy City Attorney for the City of Richmond, was the lead city attorney in drafting five tobacco prevention ordinances for consideration by the Richmond City Council. She is being specifically recognized by the Tobacco Prevention Coalition for her efforts.

6. **Chevron to Pay Under Utility Users Tax Cap Agreement**

Section 13.52.100 of the Richmond Municipal Code allows utility users to elect to pay a “maximum tax payable” for their annual Utility Users Tax. The Finance Department has received a letter confirming that Chevron will be paying their Utility Users Tax under this “cap.” The “cap” formula will yield an additional approximate \$600,000 to the City as compared to Chevron’s payments in the current (2008-09) fiscal year.

7. **Decline in Sales Tax Revenues**

The Finance Department recently received final sales tax data for the fourth quarter of 2008 (October 2008 – December 2008), which had cash receipts for the City of Richmond down by 11.3%. This corresponds to a decrease of over \$589,000 in sales tax revenue compared to the same quarter in 2007. Because of the sluggish economy, most sectors, including transportation, food products and construction are at the lowest point for all the years analyzed dating back to 2006. General retail for the City was the lone highlight. Because of the additions of both Wal-Mart and Target, the City saw growth in general retail when most other cities saw a significant decline. Going forward, consumer spending appears to be very weak, and generally below what the analysts had conservatively predicted.

## 8. **Completion of the FY 2007-08 Single Audit**

The City of Richmond is required to perform an annual compliance audit of all federal grant expenditures, usually referred to as the "Single Audit". The Single Audit is presented in the following four sections:

- The Summary of Auditor's Results, which provides information on internal controls, and identifies any material weaknesses that may have been found.
- The Financial Statement Findings section describes any material weaknesses or significant deficiencies that may affect the city's financial statements.
- The Federal Award Findings and Questioned Costs section identifies any programs where the grant requirements were not complied with. Areas of noncompliance may be as small as a missing signature on a time-card, to poor overall cash management and untimely filing of reports. Management must provide a response to every finding under this section, which includes a resolution to the current finding, as well as what steps have been taken to ensure that it does not occur again.
- The final section is the Status of Prior Year Findings, and indicates the results of the plans for correcting prior years' findings.

Being over 90% grant funded, the Employment and Training Department has historically been the focus of a significant portion of the City of Richmond's annual Single Audit. Fiscal Year 2007-08 was no exception, with the department operating 11 federal grant programs funded through the U.S. Department of Labor; Housing and Urban Development; and Health and Human Services. This year, the Employment and Training Department had no findings in the Single Audit.

The most recent Single Audit report completed for the City is for the year ended June 30, 2008, and contains information on nine audited grant programs, and carries an unqualified opinion from the auditors. Of the \$11.4 million total grant expenditures; eleven findings were identified and addressed by staff. The Single Audit report will be presented to the Finance Committee at their July 10<sup>th</sup> meeting.

## 9. **Recreation Highlights**

- **Youth Tennis:** The Recreation Department Youth Tennis team (singles age 14) will be participating in the 2009 Summer Team Tennis League, beginning July 2<sup>nd</sup> and extending through August 6<sup>th</sup>. The players will compete in matches with teams from other clubs such as Orinda Country Club, Crow Canyon, St. Mary's, Blackhawk Country Club and the Claremont Resort & Spa.
- **Movie Nites:** The Recreation Department will host a free admission screening of the movie "Night at the Museum" on Friday, June 19<sup>th</sup> (tonight) from 7:00 PM to 9:00 PM at the Richmond Memorial Auditorium. This will be the first in a series of three "Summer Family Movie Nites." On Friday, July 31<sup>st</sup>, the feature will be "Harry Potter" and on Friday, August 21<sup>st</sup>, "Hotel for Dogs." The series is open to all ages, and light refreshments will be sold.
- **Summer Programs:** The Recreation Department's Kids 'N Motion summer camps, along with the many other summer programs, activities and excursions

officially begin June 22<sup>nd</sup>. Further information and a copy of the Activities Guide can be found in the Recreation section of the City of Richmond web site.

10. **Public Works**

During the past two weeks, the Public Works Department completed the resurfacing of Civic Center Plaza and 27<sup>th</sup> Street between Barrett and Macdonald Avenues, and 37<sup>th</sup> Street from Barrett Avenue to the BART tracks. Next week, Public Works will be resurfacing Jacuzzi Avenue within the City limits and 40<sup>th</sup> Street from Barrett Avenue to Macdonald Avenue.

The Public Works staff continued to clean, sanitize and replace carpet and repair electrical systems damaged by the faulty water valve flooding incident at the MLK Community Center last Sunday, June 14<sup>th</sup>.

11. **Craneway Pavilion Patriotic Invitation**

On Friday, July 3rd, beginning at 7:00 PM, **The Craneway Pavilion**, inside the historic Ford Point Building at the base of Harbour Way on the waterfront in Richmond, will host **a patriotic celebration for the whole family** featuring live music, food and fireworks. The event is free to the public and will include a special performance by the **Oakland East Bay Symphony**, conducted by Michael Morgan. At 8:00 PM, the Symphony will begin a ninety-minute concert that will include Disney classics and a medley of works by American composer John Philip Sousa, among others.

The “artistic” invitation to this event with additional details is available online at <http://www.craneway.com/oebs/>.

12. **Juneteenth Celebration**

Don't forget about the Juneteenth celebration tomorrow, beginning with the parade down Cutting, across South 37<sup>th</sup>, and ending at Nichol Park. The parade begins at 10:00 AM.