

## **Despite Tough Economic Times, Richmond Emerging Relatively Unscathed**

**By Katherine Tam - West County Times**

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Five years after a fiscal meltdown brought the city to the brink of bankruptcy, Richmond is on relatively stable ground despite the national recession.

While other Contra Costa cities are cutting services and weighing layoffs, Richmond leaders expect to survive this fiscal year without scaling back public services, tapping the reserve or laying off employees. Instead, they will trim \$1.9 million and balance the budget by freezing as many as 77 vacant positions.

"Some other cities are having to make some real drastic measures. We don't think we need to do that," City Manager Bill Lindsay said.

Officials credit that to practices put in place after the 2004 fiscal crisis, such as creating a \$10 million cash reserve and spending one-time money on one-time projects and use recurring revenue for ongoing expenses.

By contrast, Concord is pulling \$3.2 million from its reserve and cutting \$4 million in expenses. Antioch imposed a hiring freeze, cut \$546,000 in services and must tackle a \$5 million deficit. Walnut Creek has frozen several positions, negotiated lower employee benefits and is hunting for other ways to close a \$3.4 million gap; it anticipates a \$5.2 million deficit next fiscal year.

In Richmond, sales and property tax revenues are likely to drop next year, but Finance Director Jim Goins is hopeful the city will weather the recession without draconian cuts. A diverse economy ranging from retail and activity at the port to building permits and fees helps funnel money into city coffers, he said.

Five years ago, poor fiscal mismanagement and overspending left Richmond with a \$35 million deficit. Officials laid off 300 workers and slashed basic services. Richmond's credit rating — a barometer of the city's health that affects its ability to borrow money — plummeted.

That year, the City Council hired new leadership in Lindsay and Goins.

"It scared the City Council so bad that they got off the idea of building a city management team out of their buddies," Councilman Tom Butt said. "We ended up with a top-notch management team who have changed the culture of the city."

Officials renegotiated union contracts. They enhanced activity at the port and approved a deal that could bring a casino resort to Point Molate. Voters approved a half-cent sales tax increase that generates about \$6 million annually, Councilwoman Maria Viramontes said. City coffers and its credit rating rebounded.

Then the recession struck. Foreclosed homes multiplied. Property tax revenue fell. Developers, unable to make the numbers pencil out, halted projects. Even so, officials say conservative budgeting and the diverse economy should spare services and prevent layoffs.

Richmond expects some revenue to drop next fiscal year and is keeping an eye on whether a new wave of homeowners will sink into foreclosure. Officials must deal with a multimillion-dollar backlog in road repairs and sewer work.

They also anticipate cash from partial payments from a \$28 million settlement with Chevron to make up for underpaid utility taxes; at least \$4 million from Chevron through the community benefits agreement approved in the summer; and an estimated \$16 million from the voter-approved manufacturers' fee, if no lawsuit is filed.

"The things that could hurt us is if we end up in some massive recessive and depression and our sales tax really drops," Butt said. "Property tax, if that continues to plummet, that could hurt us. What the city manager did with the hiring freeze is prudent. We're buckling down."

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