

# City of Richmond



March 6, 2018

The Honorable Council of  
The City of Richmond Virginia

**RE: FY2019 – FY2020 Biennial Fiscal Plan Transmittal Letter**

Mr. President and Members of Richmond City Council:

It is my pleasure to present the Mayor's Biennial Fiscal Plan for FY2019 and FY2020 and our five-year Capital Improvement Plan for FY2019 – FY2023. This submission represents the City's financial plan and was developed to reflect the core priorities and values that guide my Administration including education, public safety, housing, youth services, poverty reduction, efficient service delivery, and perhaps our most prized asset, our employees.

This is a fiscally responsible and a very lean budget, with targeted investments and increases for the most pressing priorities. In addition, this fiscal plan is balanced and all expenditures are in line with current revenue projections. The budget provides full funding for legal requirements, known contractual obligations and mandates, while also continuing to fund services and strategic priorities.

Total **General Fund** revenues are projected at \$715,272,219 for FY2019 and \$710,678,894 for FY2020. The FY2019 proposal represents a 3.4% increase compared to the FY2018 Adopted Budget. The increase is primarily due to an increase in the meals tax rate effective July 1, 2018 approved by City Council on February 12, 2018, as well as the use of one-time resources to balance the budget. However, this budget reflects declines in other sources of revenues, to include a reduction in the Department of Public Utilities Federal Income Tax payment to the City's general fund. The normal inflationary increases in general revenues has been offset by this as well as other sources of revenues that are projected to decline in the upcoming biennium. Likewise, the use of the one-time resources will not be available in the second year of the biennium, presenting more challenges to the City's general operating budget. Yet, this budget, although lean in many areas, continues to invest in my key priorities that I articulated at the onset of my tenure as Mayor.

Total proposed **Capital Improvement Plan** expenditures (not including utilities) and revenues are projected at \$187.3 million in FY2019 and \$362.1 million over 5 years.

It is important to note that while commitments and obligations are growing at a faster rate than revenues, the Proposed Biennial Fiscal Plan for FY2019 and FY2020 does not include any use of the City's unassigned fund balance. It does, however, include the use of one-time resources in FY2019 that are not projected in FY2020. One-time revenue sources include previously unspent, local funding from Richmond Public Schools (RPS), recommended to be appropriated back to Schools, and a one-time contribution from the City's Electric Utility of \$3 million. These revenue sources are not available in the FY2020 budget. As a result, additional reductions were made in FY2020. Although FY2020 is an "approved" budget, and will be amended in the coming 12 months, this short term outlook compels us to start thinking now of the strategies that we can implement to mitigate the escalating costs in expenditures and declines in particular revenue sources.

In the FY2019 and FY2020 Biennial Fiscal Plan, I propose:

- Increased funding of \$12.5 million to Richmond Public Schools in FY2019;
- Allocating the additional revenue associated with the meals tax increase, \$9.1 million and \$9.2 million in FY2019 and FY2020 respectively, to a special reserve for Richmond Public Schools capital construction. This can be found in the City's Non-Departmental budget;
- A 1% salary increase for all general employees – excluding sworns and constitutional employees. This salary increase is recommended to be effective on January 1, 2019;
- Funding to start implementation of the City's classification and compensation study. This funding will bring select employees up to the "new" minimum pay range and increase wages of select staff up to the living wage. This is recommended to be implemented on January 1 2019;
- Continuance of the step based salary increases for sworn staff in both FY2019 and FY2020 in the amount of \$3.4 million and \$7.9 million respectively. This commitment, shared by myself and City Council, will continue to address retention **and** ease salary incongruities within our Police and Fire departments. The \$7.9 million in FY2020 will also raise the salaries of recruits up to \$43,000, thus making our fine Police and Fire departments more attractive and competitive with surrounding employers; and
- Expanding facility hours at six Parks, Recreation, and Community Center Facilities. This will help support after school activities for youth.

The Proposed FY2019 and FY2020 Biennial Fiscal Plan reflects the constraints of limited resources. There are simply not enough resources to address all of the needs and challenges this city faces or all

of the requests asked of me. As such, a long term plan must be undertaken to fully articulate the key needs and develop strategies to address them. I am committed to investing in a long term plan. However, in order to balance the anticipated operating resources, expenditure reductions were also recommended throughout this proposal. This reflects my continued commitment to find efficiencies and to actively review departmental spending patterns.

## **BUDGET HIGHLIGHTS**

The following are major expenditure and policy highlights in the Proposed Biennial Fiscal Plan for FY2019 and FY2020 as well as the Proposed Capital Improvement Plan for FY2019 - FY2023.

### **EDUCATION**

#### Operating Highlights

- In this proposed budget, funding earmarked for Richmond Public Schools is still the **single, largest** expenditure in the City's operating budget. This budget reflects an unprecedented increase in funding to RPS. I recommend that RPS receive \$169.1 million in City funding, an increase of \$12.5 million in local funding over the FY2018 adopted budget. This \$12.5 million increase represents previously unspent city funds that are recommended to be re-appropriated (or given) back to RPS. Doing so gives the Superintendent and the School Board the resources needed to set their priorities. It is important to note that these unused local dollars, are required by law to be given back to the City. The City can decide whether to keep or re-appropriate those funds back to the school division. Again, it is my recommendation to return those funds to RPS;
- As discussed in depth in the past month, I am committed to being transparent. This is something that I demand of myself and my administration and is a request of City Council. To that end, this budget clearly isolates and earmarks the increase in meals tax revenue, associated with the tax rate increase, to a special reserve fund for school capital construction. This funding will support the payoff over time of the \$150 million appropriation for school construction recommended in my Proposed FY2019 – FY2023 Capital Improvement Plan.

#### Capital Highlights

In the FY2019 Proposed Capital Improvement Plan the City is continuing its already significant investment by proposing:

- \$150 million in FY2019 for school construction; and
- \$1.5 million for school maintenance in FY2019 and \$12.98 million through FY2023.

## **PUBLIC SAFETY**

### Operating Highlights

Public safety has always been a priority and this budget continues to reflect that priority. This budget recommends continued funding to address pay inequities among sworn police and firefighters. Specifically:

- \$3.4 million in FY2019 and \$7.9 million in FY2020 to continue step increases to address pay inequities for both the Police and Fire department;
- Increase of four new sworn positions within the Richmond Police Department in FY2019. These four new sworn positions will be strategically focused within our most challenging public housing communities and will focus on enhancing community relations and ensuring healthy and safe neighborhoods;
- Increase of five new, civilian positions within the Richmond Police Department in FY2020; these five positions (one supervisor and four coordinators) will be part of the Richmond Police Department's Community Care Unit and will be responsible for all outreach programs in the department. Staff will assist in solving problems with the community on proactive and innovative crime reduction solutions;
- Increased funding of nearly \$600,000 to the Richmond Ambulance Authority in both FY2019 and FY2020; and
- Increased funding of \$733,000 to the Richmond Behavioral and Health Authority in both FY2019 and FY2020. This funding will assist RBHA in dealing with the exigent opioid and other substance abuse epidemic and other areas of critical need.

### Capital Highlights

In the Proposed FY2019 – FY2023 Capital Improvement Plan the City is continuing its already significant investment by proposing:

- \$4.8 million in FY2019 as the final appropriation for the 800 MHz Radio System;
- \$1.0 million over 5 years for (maintenance of) Fire Station Buildings;
- \$1.0 million in FY2021 to purchase land in the pursuit of building a new Fire Station in the out years of the CIP;
- \$4.6 million for renovations and improvements for the Courts (John Marshall, Manchester, and Oliver Hill); and
- \$716,838 for a new Police Equestrian Center.

## **HOUSING**

### Operating Highlights

Adequate and affordable housing is a continued challenge in this City. This challenge will only swell in the future without a concentrated, collaborative focus on housing needs and issues within our beautiful City. Progress toward my goal of improving housing options and conditions in Richmond must be intensified. This budget begins this by:

- Creating a new Department of Housing and Community Development. This Department is created by separating core housing related functions from the Department of Economic and Community Development. This Department will be tasked with:
  - Developing and leading implementation of a citywide housing strategy;
  - Leading the relationship with RRHA concerning public housing;
  - Overseeing the Affordable Housing Trust Fund as well as federal funds pertaining to community development (and overall relationship with HUD);
  - Providing financial services (through Section 108, CARE, revolving loan fund);
  - Supporting and facilitating non-HUD residential development; and
  - Playing a lead role in designing a “housing delivery system” to allow projects to be completed in a timely manner.
- This budget recommends the creation of a new Director of Housing position – someone I will hold accountable to my vision that fair and affordable housing is achieved; and
- Increasing funding to the Affordable Housing Trust Special fund. I recommend an FY2019 and FY2020 appropriation of \$1 million. This proposed recommendation returns funding back to its original, desired levels.

## **YOUTH SERVICES**

### Operating Highlights

I have never shied away from sharing my thoughts on having appropriate and available activities for our City's youth. Such activities provide a positive, nurturing environment for all youth to engage and grow - safely. This budget focuses on after school related programming to help provide positive outlets for our youth. Specifically, this budget recommends:

- The expansion of facility hours at six Parks, Recreation, and Community Facility sites throughout the City. This includes additional full time and temporary staffing as well as operating dollars to help ensure that our community facilities are open during extended hours during the week and on weekends. The expanded hours at the six sites will serve as a pilot, led by the Department of Parks Recreation and Community Facilities, with the hopes of possible expansion of additional sites beyond the upcoming biennium;
- Funding for key Non-Departmental organizations that will provide after school related activities for youth. These include NextUp RVA, the YMCA, Higher Achievement, Peter Paul Development Center, Virginia Cooperative Extension, and the Neighborhood Resource Center.

### **Well-Managed Government, Best Practice Measures, Re-organizations**

I will continue to stress that the highest financial benchmark for a well-managed government is to achieve a Triple-A bond rating from all three major rating agencies, which indicates that an investment in the organization is safe and there is little risk of default. Currently, Richmond has a very strong "AA+" bond rating from two rating agencies and an Aa2 from a third. This budget continues to invest in becoming a Triple-A bond rated city by continuing to engage in best practices, streamlining operations, and generating efficiencies – many of which I am proud to publicly acknowledge.

#### Well-Managed Government Highlights:

- This proposed budget recommends the creation of a New Department of Citizen Service and Response – a more focused build out of the current 311 Call Center. The purpose of creating this new department is to increase transparency and responsiveness of city government. This new Department will support and augment citizen services and response strategies and programs within City agencies – with the goal of improving citizen satisfaction and ensuring that problems brought to us get addressed - quickly and professionally. A new director position is recommended in FY2019 and two additional positions are recommended in FY2020;
- Following through my commitment to improving every facet of City Hall operations by creating a Performance Management Office. Housed in the Budget Department, the Office will work with the Mayor's Office and the Office of the CAO, to track implementation of key

priorities, to identify citywide efficiencies, and to implement the recommendations of the VCU Performance Review. This recommendation will also spur my desire to continue the steps already taken to implement a performance-based budget, which I understand is a shared goal of City Council;

- We are continuing my commitment to filing our annual CAFR, for 2018, on time this year. This is a sign to the bond rating agencies that Richmond is serious about its finances and wants to achieve the AAA rating. This will lower our costs to borrow money – a feat achieved several times already - and increase funds available for capital investment;
- A total of \$3.4 million, an increase from the prior Capital Improvement Plan, is proposed for fleet replacement in FY2019. This represents an increase of \$1 million. Funding will be earmarked to purchase much needed vehicles in Public Works, Police, and Fire; and
- A total of \$3.1 million is recommended to replace the City’s MUNIS revenue administration system in FY2020, in addition to \$900,000 that is earmarked in the Finance Department for implementation costs.

#### Efficiency Highlights:

Existing organizational efficiencies in FY2018 include:

- Information Technology - New Citywide “Xerox” Managed Print Services (MPS)
  - Simplified organizational processes, removed unnecessary resources, reduced waste
- Parks – Trails Management
  - Maximize volunteer labor on park trails and received a three year grant valued at \$450,000, saving tax payer dollars
- Police – Homeless Outreach Partnerships Enforcement unit and Camera System
  - Re-instituted the HOPE unit to provide increased services to the City’s homeless population and implemented a public housing camera system (in two communities) thus improving service delivery and reducing investigative times
- Finance – Comprehensive Annual Financial Report, Delinquent Collections, and Financial Reporting
  - Completed the 2017 CAFR on time (ahead of schedule) which facilitated millions in debt service savings through advanced refunding
  - Collected additional delinquent taxes through the 2017 Tax Amnesty Program resulting in \$2.8 million in commitments
  - Developed additional financial reports for citizens including the Popular Annual Financial Report and Citizen Centric Report
- Public Works – GPS tracking and Mobile Application
  - Purchase of GPS tracking devices on department vehicles to increase accountability and enhance monitoring of resources. Also will aid in “geo locating” items that are illegally placed

- Outfitted key operational staff with smart phones that allow instant data updates. This saves time and allows staff to spend more time in the field rather than doing paperwork
- Budget – Implementation of Budget Development and Financial Reporting Software
  - A new, multi-faceted budget and financial reporting software was procured to help streamline the budget development process as well as budget and financial reporting, which:
    - Provides capabilities to construct, manage, and monitor the City’s budget while supporting a more comprehensive, collaborative, efficient, and integrated process
    - Helps promote fiscal and performance accountability
    - Includes the implementation of performance measurement to drive data drive decision making to ensure successful outcomes.
    - Significantly reduces reliance on internally developed time-consuming Microsoft Excel templates to track, construct, modify and publish reports

## **Transportation**

Transportation is another high priority of my administration as well as our residents. Highlights include:

- In FY2019 there is capital funding of \$2.5 million for paving projects. \$15.3 million in City capital funds is recommended over five years; and
- \$500,000 in city capital funds is proposed to address hazardous sidewalks and to provide new sidewalks in FY2019. Approximately \$6.5 million in City capital funds is recommended over five years.

## **City Facilities**

The City has many aging facilities. The average age of City buildings is 43 years old. This will require funds for basic upkeep and to minimize threats to citizen safety.

Highlights of this area include:

- Capital funding for major building renovations in the amount of \$871,000 in FY2019 and \$4 million over five years is recommended to provide structural and system replacements and improvements in over 100 City-owned buildings; and
- Additional funding of \$650,000 for the 730 East Broad Building. This funding is for the replacement of the building’s roof. This funding will help extend the life of this asset and ensure suitable facilities for tenants.



## **Water, Wastewater, Gas, Stormwater**

Due to the increasing cost of maintaining infrastructure and compliance with regulatory requirements for system safety and reliability, DPU has also proposed a rate increase of 3.25% in the natural gas distribution and service charge, effective July 1. The monthly service charge for natural gas customers would go from \$12.98 to \$13.40.

However, the Department of Public Utilities is also recommending a reduction in the water rate for all single family residential customers for the first four hundred cubic feet of water they use.

DPU estimates that the average residential customer will see a \$3.70 cent **decrease** in their water bill. So, for the first time in many years, the average household will see a decrease in their utility bills.

### **Conclusion**

This has been an extremely challenging budget development process. If you recall my staff presented a five year forecast in January that depicted a very bleak picture for FY2019 and FY2020. My administration has met that challenge. It was not easy. Reductions were made throughout this proposed budget but not at the detriment of core services. As move into the next stage of the budget process with City Council and begin closing out FY2018, we will be working towards a strategy to re-evaluate FY2020.

There are no quick fixes, so whether it is City Council or the School Board, we must have a shared commitment in making the hard choices, the right choices that will put us on track to make a real difference in the lives of city residents.

My team and I look forward to working together with you in the coming weeks on this proposed budget.

This is a solid and fiscally responsible plan that meets our obligations and leverages our limited additional resources into our shared priorities. It is a first step on the road to One Richmond, and many more will be necessary in the coming years.

I am excited to get to work. Together, we can, and will accomplish our goals.

Sincerely,



Levar M. Stoney  
Mayor

In accordance with Ordinance No. 2015-161-227, below is a table for each department that sets out the total operating expenditures, capital budget expenditures, and the per capita calculation per department.