

City of Richmond



DWIGHT C. JONES
MAYOR

March 13, 2015

The Honorable Council of
The City of Richmond Virginia

RE: FY2016 & FY2017 Biennial Fiscal Plan Transmittal Letter

Madam President and Members of Council:

It is my pleasure to present the Administration's Biennial Fiscal Plan for FY2016 and FY2017 and our five-year Capital Improvement Plan for 2016 – 2020. This submission represents the City's financial plan and was developed to reflect the core principles that guide my Administration including poverty mitigation, support for public education, public safety, economic development and job creation, and the provision of good government services.

My plan is balanced and all expenditures are in line with current revenue projections. The budget provides full funding for legal requirements and mandates, while also continuing to fund services and initiatives in strategic, priority areas of the City.

This fiscally prudent budget protects our citizens from major increases in the cost of services, funds programs and initiatives to provide for our city's most vulnerable, invests in our neighborhoods, rewards our workforce, and promotes efficiencies and savings by leveraging our existing resources.

Key items in my budget include:

- Providing a 2% salary increase for eligible general fund employees,
- Addressing police and fire pay range structure,
- Base salary increases for police and fire recruits and for those graduating from the academy, as well as step increases in FY17 for public safety employees,
- Restoration of career development funding for police and fire employees in FY16,

- Increased funding for Richmond Public Schools operating needs and meeting school maintenance needs,
- Additional support for the educational needs of city youth with the launch of a new Richmond Promise Scholarship providing a path for post-secondary educational needs and a tool to help mitigate poverty.

With respect to Richmond Public Schools, and their expressed additional needs, we are proposing record increased funding for RPS. An all-funds review will show that RPS is asking for an estimated total increase of \$60 million from the City. This budget proposes increased funding of \$37 million, including charting a course to achieve \$35 million to address schools capital needs that RPS has identified. Additionally, while it is neither generally a best practice nor our preferred budgeting approach, we are proposing the authorization of one-time bridge funding of \$10 million from our reserve funds to jump start Dr. Bedden's academic improvement plan, starting the next school year. We will earmark these reserves in a special *Schools Acceleration Fund* to be distributed in increments based upon mutually agreed upon performance measures and measureable progress on achieving facility efficiencies to address the low number of students per school in most schools.

We propose this evidence-based, accountability-driven approach in partnership with RPS based on their Academic Improvement Plan goals. RPS has acknowledged the need to address the 9,300 empty seats in school buildings, and the corresponding need to right-size in order to achieve facility efficiencies and reduce the significant waste. This administration supports, and all of Richmond can applaud, the willingness of RPS to acknowledge and resolve the burden the empty seats place on RPS's ability to deliver the full amount of citizens' dollars to each student occupying our classrooms.

While we have allocated funding for the needs already highlighted, this budget also maintains our commitment to progress on Riverfront development, East End transformation, public infrastructure investment, and maintaining fiscal discipline. Additionally, the city meets its obligation for advancement of the transformation of our public transportation system with the implementation of Bus Rapid Transit.

This fiscal plan reflects the constraints of limited resources. In last year's budget, several items that constitute ongoing expenses were funded with one-time funding sources. My budget today does not recommend continued funding in those instances. Also in the last Biennial Fiscal Plan, for FY2014 and FY2015, we noted that even though the City is doing well and has improved its bond rating six times under this Administration, there remain some fiscal issues to be addressed over the next several years. These issues include the need to decrease pension liabilities, increase the unassigned fund balance, and provide more cash funding towards our capital budget.

As you know, the leadership in the finance teams of the administration is virtually brand new. After filling the role of Deputy Chief Administrative Officer for Finance less than a year ago, we have recently filled the role of a permanent Finance Director. This was a position left on an interim basis for three years. My administration is also working hard to close other gaps and fix processes that had been left under previous direction. I can confidently say that my Administration has taken steps to address these and other issues over the past year and in this proposed budget.

BUDGET HIGHLIGHTS

The following are major expenditure and policy highlights in the Proposed Biennial Fiscal Plan for FY2016 and FY2017 as well as the Capital Improvement Plan for FY2016 - FY2020.

Total **General Fund** revenues are projected at \$689.2 million for FY16 and \$700.1 million in FY17. The Proposed Biennial Fiscal Plan for FY2016 and FY2017 does not include the use of the City's unassigned fund balance. FY2016 General Fund Revenues are projected to decrease by \$2,704,664 or -0.4 percent compared to the FY2015 Adopted Budget of \$691,965,597.

Total **Capital Improvement Plan** expenditures and revenues are projected at \$80.7 million in FY16 and \$41.6 million in FY17.

Education

Local governments play a key role in public education. From kindergarten through high school, localities, along with states, provide the primary funding for public schools with resources largely raised through state and local taxes. The needs of our schools demand a concerted response.

In this proposed budget, funding earmarked for Richmond Public Schools is the single largest expenditure in both the City's operating and capital budget. Proposed City operating funding (including State Shared Sales Tax) for schools represents about 23.4 percent of the FY16 proposed budget.

Education Spending Highlights include:

- School Maintenance capital funds of \$13.1 million are proposed in FY16, which is an \$8.1 million increase (or a 162% increase) from the amount approved in the FY16 budget, and \$22.8 million is proposed over five years. To supplement this increased funding in FY16, the Administration is working with RPS leadership to implement performance contracting, a model that can aid RPS in generating operational savings that

can in turn be used as supplemental funding for even more school maintenance needs. This approach gives RPS the capability to increase their total resources by as much as \$10 - \$20 million to address additional school maintenance needs;

- In FY16 and FY17 the City is proposing \$136.9 million in local funding to RPS to meet existing operating budget revenue needs. This is a \$2.1 million increase to RPS over the current year budget.
- Capital funding remains in place for a new Dove elementary school in the amount of \$18.3 million and is proposed in FY16. This funding will support the development of a high performing Science, Technology, Education and Math (STEM) School that will serve pre-K through 5th grade in the Dove Street revitalization area.
- We have included \$425,000 to launch a network of “Future Centers” to prepare for the launch of a Richmond Promise Scholarship program to benefit graduates of Richmond Public Schools. These Future Centers will serve as dedicated space within all City high schools to assist students and families secure the financial means for post-secondary educational and training opportunities. This is a key component of the City’s efforts to address poverty.

Anti-Poverty

Poverty continues to hold back a disproportionately high number of Richmond citizens. My administration has made it a top priority that all citizens benefit from a resurgent Richmond through strategies to mitigate poverty and its social, economic, and long-term implications on our citizenry and this City. The Maggie L. Walker Initiative for Expanding Opportunity and Fighting Poverty has been hard at work implementing targeted anti-poverty strategies. Highlights in this budget include:

- This budget recommends \$2.7 million to continue ongoing programs that were part of the FY15 Adopted Budget. This includes continuing the City’s contribution of \$975,000 to the affordable housing trust fund, \$350,000 for the Middle School Renaissance program, and \$436,000 for the Center for Workforce Innovation;
- Additional funding in the amount of \$156,390 and \$269,417 is recommended for a Water Assistance Program and for a Water Conservation Program, respectively. These Metrocare programs seek to reduce qualified customers’ water and wastewater costs by either providing financial assistance during a period of financial crisis or by providing loans or grants to repair plumbing or replace existing products with EPA WaterSense labeled products to conserve water and reduce wasteful consumption.

Community Safety & Well-Being

Throughout my administration and in this budget, public safety remains a priority. Highlights in this budget include:

- Additional funding in the amount of \$401,000 and \$561,000 for body cameras and related storage was added to the Police Department's budget in FY16 and FY17 respectively. Additionally, \$227,000 was added in FY17 for new police body armor;
- Additional funding of \$354,000 and \$215,000 was added to lease a new site for the Police Department's Property and Evidence function in FY16 and FY17 respectively;
- In the capital budget, \$46 million in city funds and \$4.9 million in Public Utilities funding are recommended to fund the 800 Megahertz radio communications system replacement. This will allow for enhanced regional communication. This project has a total proposed funding of \$51 million;
- \$500,000 in capital funds in FY16 and \$2.3 million over 5 years is earmarked for Fire Station renovations.
- Additional funding of \$280,000 was added to the Department of Fire and Emergency Services for new self-contained breathing apparatus upgrades in both fiscal years.

Economic & Community Development

Economic and community development has always been a cornerstone of my Administration. From attracting new businesses and retaining current businesses, to devising a vision for transforming neighborhoods and putting actionable plans in place to create jobs, making this vision a reality remains a priority. Highlights of this budget include:

- Capital funds in the amount of \$2.5 million in FY16 are proposed for public housing transformation. Funds will be utilized to partner with private developers to redevelop severely distressed public housing complexes – Whitcomb Court and Mosby Court in Eastview and Creighton Court and Fairfield Court in the East End;
- Capital funds in the amount of \$3.8 million are included in FY16 and FY17 as the City's local match for last year's awarded Bus Rapid Transit project. Funding from multiple sources are to construct a Bus Rapid Transit System along a 7.6 mile segment of Broad Street and Main Street, from Fulton to Willow Lawn;

- Capital funds to transform the East Riverfront community include improvements to the Intermediate Terminal Riverfront Access project, \$1.9 million in FY16 and \$2.9 million over five years; the Route 5 relocation project, \$300,000 in FY 16 and \$2 million in FY 17; and the East Riverfront transportation improvement project, \$800,000 in FY16 and \$7.9 million over 5 years is proposed. All of these projects have been in the pipeline for many years and also support recommendations stated in the Riverfront Master Plan for this section of the riverfront. A major catalyst to this community transformation is the development of the \$73.7 million Stone Brewing Company project. An \$ 8 million loan to the Economic Development Authority (EDA) for the development of the Stone Brewing Phase 2 Bistro if recommended in FY 18. Rental payments paid by Stone Brewing Company to the EDA will cover the debt and support expenses.

Well-Managed Government and the Workforce

A well-managed government delivers high-quality service to all constituents, thereby engendering confidence and preserving the public trust. It is a government that provides City services that are accessible, transparent, responsive, accountable, fair and creative, and maintain a high level of customer satisfaction.

For public organizations, 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 “AA+” bond rating from two rating agencies and a Aa2 from a third. This budget continues to invest in the path to becoming a Triple- A bond rated city. Highlights include:

- FY16 will be the third year in a row the City will absorb all health care premium increases on behalf of employees. This reflects a 6.8% rate increase, or a \$1.1 million increase over FY15. Employees will see an increase in their premiums if they do not complete their health assessments and applicable medical follow ups. This budget is compliant with the Affordable Care Act;
- In line with the State, which is giving its employees a 2% salary increase, this budget includes a 2% salary increase for all general fund employees with the exception of sworn positions and Constitutional Officers and their state supported employees, in FY16. The estimated cost of this increase is \$2.1 million. Employees of Constitutional Offices will receive their pay increase as part of the State approved budget;
- In the operating budget, \$2.1 million in FY16 and \$5.2 million in FY17 is provided to raise the salaries of recruits from \$36,500 to \$41,000 and to increase the salaries of

firefighters and police officers graduating from the academy from \$38,500 to \$41,500 in FY16 and from \$41,500 to \$42,000 in FY17. This funding also addresses compression issues within police and fire. Additionally, this funding provides career development advancement in FY16 and a step increase in FY17;

- A total of \$5.2 million is proposed for fleet replacement in FY15 in the proposed capital improvement plan;
- A reduction of \$5.3 million in the Department of Information Technology (DIT). One-time funding was budgeted in DIT in FY15 for the replacement of computer equipment and other related system upgrades.

Culture & Recreation

Richmond residents can express their individuality and enjoy the many educational and natural amenities that this City offers. I am proud to expand and renovate places where Richmond residents and visitors can enjoy our City. Highlights of this area include:

- \$990,000 in FY16 for Kanawha Plaza Park Improvements;
- \$650,000 in FY16 and a total of \$2.7 million over five years is included for Neighborhood Park renovations

Transportation

Transportation is another high priority of my administration as well as our residents. The 2014 citizen survey clearly showed that the maintenance of City streets, sidewalks, and (related) infrastructure was the area needing most improvement. Highlights of the transportation area include:

- In FY16 there is capital funding of \$4.5 million for paving projects. An additional \$4 million is anticipated in State revenue sharing funds for a total of \$8.5 million. Over \$9 million in City capital funds is recommended over five years;
- \$850,000 in city capital funds is provided for sidewalks in FY16. An additional \$850,000 is anticipated in State revenue sharing funds, for a total of \$1.7 million. Approximately \$2.3 million in City capital funds is recommended over five years;

City Facilities

The City has an aging infrastructure. Many of the City's buildings are well over 30 years old and will require funds for basic upkeep. Highlights of this area include:

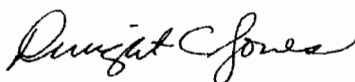
- Capital funding for major building renovations in the amount of \$1 million in FY16 and \$4.8 million over five years is recommended to provide structural and system replacements and improvements in over 100 City-owned buildings.

Water, Wastewater, Gas

- Two years ago, City Council approved a new rate structure known as the Conservation Rate; it provides a substantially lower base service charge and adds a utilization component. Those who used lower amounts of water saw marked decreases in their water and wastewater bills. Those who used moderate amounts of water saw relatively flat water and wastewater charges.
- This biennial fiscal plan includes a rate increase for water, waste water and natural gas. These increases are required to replace aging utility infrastructure while maintaining regulatory compliance. This budget proposes a 6% increase in the Water Utility and a 4% increase in the Waste Water Utility. Our Gas Utility rates are also proposed to increase by 4%. I am recommending keeping Stormwater Utility rates level. This means that the average monthly residential bill for a customer with gas, water and wastewater services will see a monthly increase of \$5.95.

We have much to be proud of as Richmonders and elected officials. There are positive improvements that are continually being made. I hope that you see this budget as a door to accomplishing the wide variety of the projects that we all see as priorities, while continuing to maintain strong fiscal health. We remain committed to becoming a Tier One City with a Triple-A bond rating. This rests on having a strong education system, demonstrating fiscal responsibility, serving all of our neighborhoods and residents, reducing poverty, recognizing and rewarding the significance of our employees and the contribution they make to running this organization. I look forward to working with you to continue to keep Richmond a great place to live, work and do business.

Sincerely,



Dwight C. Jones
Mayor