

**Remarks as Prepared for Delivery  
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**Mayor Levar M. Stoney**

**Budget Speech – Tuesday March 6, 2018**

President Hilbert, Vice President Newbille, honorable members of City Council and members of the School Board, dedicated fellow city employees and residents of the great City of Richmond, good afternoon.

Just over a month ago, I stood before you at Martin Luther King Jr. Middle School to report on the strong State of our City, on the great progress we made over the last year, and on our vision for how we continue to move forward in 2018 to realizing the promise of One Richmond, a city that works for all of its residents.

I am happy to report that we are already off to a fast start.

Thanks to the support of Council, we made the largest single investment in the educational future of our children in more than a decade, creating a dedicated special reserve that will provide \$150 million toward building new schools where they are desperately needed.

I want to thank you, again, for your commitment to our children and to the residents of our city for supporting this important investment.

Today, that work continues with the presentation of the city's biennial budget for fiscal years 2019 and 2020.

Before I begin, I'd like to acknowledge the incredible hard work and dedication of our team -- Chief Administrative Officer Selena Cuffee-Glenn, Deputy CAO for Finance and Administration Lenora Reid, Budget Director Jay Brown, Finance Director John Wack and their teams, as well as my chief of staff, Lincoln Saunders and senior policy adviser Dr. Thad Williamson -- all of whom who worked diligently and conscientiously to prepare the plan I present to you today.

Budgets are never easy and they are never perfect. They are exercises in compromise -- attempts to match the dreams of what we want to do with the reality of what we can do, given what we have to work with. This budget is no exception.

While we have seen growth in some revenue sources we have also seen declines in others, and increases in mandated expenditures including retirement, health care and debt service. Difficult choices had to be made.

Many agencies have a reduction in their proposed operating budgets compared to their current budget, and there many organizations providing vital services that we were not able to support in our non-departmental budget.

Nevertheless, I am pleased to inform you that our proposed, **\$715.2 million** budget for the coming year is fully balanced, and all expenses are in line with our current revenue projections.

This budget meets all of our legal requirements and mandates, while continuing to fund city services and our core priorities essential to improving the quality of life for our residents.

This is a fiscally responsible and lean budget, but this plan still manages to continue to invest, and even improve and expand upon our support for targeted priorities in Core Services, Public Safety, Poverty Mitigation, and Education.

## **REVENUES and EXPENSES**

First, on the revenue side. While we anticipate growth of about 5.5 percent -- or \$17.6 million-- in revenue from real estate taxes, we also are looking at significant projected revenue reductions in Machinery and Tools, Penalties and Interest, Personal Property, Bank Stock franchise tax and Business licenses.

### **DPU**

We expect an increase of \$2.5 million in the dividend payment from our Department of Public Utilities, but also a \$4.4 million reduction in the utility's Payment in Lieu of Taxes -- specifically from Federal Income Tax revenue.

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 percent 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 utility 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.

This is called a "Lifeline" water rate -- a rate that considers equity as well as conservation, where customers are charged a lower rate on the average water usage rate, and a higher rate on water consumed in excess of that usage.

Simply put, a lifeline rate puts the control of the customer's utility bill in their hands. Beyond fixed costs, customers will pay for the amount of water they use.

DPU estimates that the average residential customer will see a \$3.70 **DECREASE** in their bill.

Overall, the average household will see a **decrease of one percent** in their utility bills the first decrease in many years.

On the mandated expenditure side, we are looking at:

An increased cost of \$2.2 million to finance our debt for previously approved projects.

An increased cost of over \$1 million to cover increased costs for Health Insurance for city workers.

An increased cost to our local match contribution under the Comprehensive Services Act for mandated services for at-risk children.

A \$200,000 increase in Risk Management costs, and increases of more than \$400,000 in contractual obligations for the City jail.

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While the 2020 budget will be revisited this fall, the Department of Budget and Strategic Planning projects there to be less revenue flexibility to cover requests and even greater required expenditures.

## **EFFICIENCY**

There are those who question whether our city can and should run more efficiently.

The answer is almost always yes, which is why I conducted a performance review last year and encouraged a redoubling of our efforts as a city workforce to improve our productivity, competency and service delivery.

While we still have a long way to go, I believe our city departments have responded to the challenge.

As promised, our Finance Department has righted a ship that has been listing for many years, and submitted our 2017 Comprehensive Annual Financial Report, or CAFR, not only on time, but two weeks early!

And as promised, we held a tax amnesty period that exceeded projections and netted \$2.8 million.

And thanks to our CAFR being done on time, we were also able to refinance some of our bond issues, which will save the city nearly \$13 million over the next 15 years.

Our Department of Public Works shattered previous productivity goals filling 25,000 potholes and repairing 1,600 alleys – the equivalent of 100 lane miles.

Our permit office is being revamped and modernized, improving service and turnaround time to make doing business with the city easier.

Even our understaffed and under-resourced Richmond Animal Care and Control, which takes all creatures great and small, regardless of circumstance, is raising the bar.

Last year, RACC improved its save rate from an impressive 89 percent in 2016 to an incredible 91 percent in 2017. Congratulations to the entire team at RACC - and keep up the good work!

The reality of our revenues and expenses force us to exercise fiscal discipline and make tough choices in our budget, and as I said earlier, many departments are facing a cut from last year's budget, but we are making choices that reflect our priorities.

If we don't think ambitiously, and creatively, about how investments today can pay big dividends tomorrow then we are little more than caretakers of the way things are, de facto defenders of the status quo. That is not good enough for me.

## **VACANCIES**

We are doing more with less - and while no one appreciates the value of pursuing efficiencies more than me - at a certain point running an efficient and responsive government requires us to have the people to do the work.

Last year we funded \$13.3 million to reinvest in a portion of the job vacancies throughout our city administration. This year our budget recommends a slight decrease in vacancy funding of \$12 million, still less than one third of our vacancies.

## **EMPLOYEE COMPENSATION**

The recently completed Gallagher Class and Compensation study shows that we need to invest not just in our positions, but in the talent we have today.

We have much work to do in terms of compensating our rank and file city employees to remain competitive in the marketplace for talent.

That is why my budget includes a **1 percent salary increase** for non-sworn, non-constitutional officer employees. This increase would take effect in January of 2019.

My goal is to increase that another 1 percent in 2020, if the resources are available.

We also should not be talking about the importance of our residents being paid a living wage in the private sector if we are not prepared to back up our words with action in City government.

So this budget also includes money to fund the recommendations of the Gallagher study to pay all city employees a living wage, and to bring those city employees who are being paid below the minimum standard salary for their job up to that minimum. This proposal would also take effect halfway through the fiscal year, in January, 2019.

## **MATERNITY LEAVE/PARENTAL LEAVE POLICY**

In the first quarter of the 2019 fiscal year, I will also propose a new administrative regulation that will work in conjunction with the Family Medical Leave Act to provide financial assistance to eligible city employees who must balance the demands of work and family.

This new policy will provide for:

**four weeks of paid maternity leave for birth mothers and 4 weeks of paid parental bonding leave for the birth of a child,**

I will also be proposing two weeks of paid parental leave to take care of a sick parent with an FMLA-qualifying condition.

## **RETIREEES**

We also cannot forget our former employees who served our city and now depend on us for their retirement.

That is why I am pledging that if we end fiscal year 2018 with a budget surplus, I will propose a budget amendment to use a portion of that surplus to fund a **1% Cost of Living Adjustment for our retirees**. They have waited long enough!

## **POLICE**

We have also included **\$3.3 million** in funding to continue the salary decompression and step pay increases we instituted last year for both our police and firefighters, so our salaries remain competitive with surrounding jurisdictions and we can continue to retain those we train.

While we all should be encouraged by the early signs of a reduction in violent crime so far this year, we need to be mindful of the need to not retreat from our investment in public safety.

That is why my budget for 2019 proposes **four new positions for the Richmond Police Department – four officers dedicated to serving the needs of our public housing communities**.

In Fiscal Year 2020, we also propose funding for five new positions for civilian community outreach coordinators to further build the important and necessary relationships between law enforcement and our residents – not just when there is trouble and trauma, but when there is time to build a community of understanding and trust.

## **REORGANIZATION/CORE CITY SERVICES**

Greater focus on Housing and community engagement is also a priority for me and my administration.

SO, acting on the recommendations of our performance review, this budget calls for reallocating some of the resources from the Office of Economic and Community Development (ECD) and **creating a new Department of Housing and Community Development**.

The budget calls for funding the position of a Housing Director and for a transfer of operating dollars from ECD to support the new office.

My budget also proposes a substantial **increase in our investment in the Affordable Housing Trust Fund, from \$731,000 in 2018 to \$1 million per year in fiscal years 2019 and 2020**.

We are ALSO prioritizing customer service in this budget by creating a **new Department of Citizen Service and Response that will oversee our 311 Call Center**.

We recommend funding five previously vacant and unfunded Customer Care Specialist positions to increase our effectiveness and response time to meet the needs of our residents, and we have budgeted for a director for this new department in FY 2019, and for an additional customer supervisor and an analyst in Fiscal Year 2020.

This structure will elevate the responsiveness of city government as a whole by improving citizen response, community engagement, internal and external communication; internal communication and data driven decision making.

We also are following through on my commitment to improve every facet of City Hall by creating a **Performance Management Office** that will work directly with the Chief Administrative Officer, Budget and Strategic Planning, and the Mayor's Office both to track the implementation of key priorities but also help grow a culture of accountability and success.

Realizing One Richmond requires a better functioning city government, and this means establishing a culture and practice of continuously raising expectations, improving processes and performance, and rigorously evaluating progress.

I will not tolerate mediocrity as Mayor, but I also recognize that many of the issues our agencies wrestle with are complex and challenging. The Performance Management Office will play a critical role in pushing our City to become the high-performing organization our citizens need and expect.

Customer service is really where the rubber meets the road. And that is literally the job of the Department of Public Works.

As I mentioned earlier, I'm proud of what we were able to accomplish last year focusing on trash, alleys, grass cutting and potholes.

This year we will continue to focus on these areas, and broaden our scope to meet one of the basic infrastructure needs of our city – its roadways.

The existing, five-year budget plan allocated \$1.5 million for the paving program in Fiscal Year 2019. I am placing **an additional \$1 million** toward this program so that DPW Director Bobby Vincent will be able to pave an additional 20 lane miles for the improvement of our neighborhood streets.

## **POVERTY MITIGATION**

Smooth roads, clean streets and cut grass help keep our city looking good. But our goal is greater than that.

We want our residents to feel like they have an opportunity to thrive and be healthy, to feel that their communities are safe, and most importantly, to feel that their children have the opportunity to succeed to the fullest extent of their God-given talents.

This is why we have spent so much time and resources on the important work of our Office of Community Wealth Building and on the components of our RVA Education Compact, which is designed to focus on the "whole child."

Our challenge as a community is balancing the immediate human needs created by our high poverty rate while making the longer-term investments required to reduce poverty in the first place. This budget takes important steps in both directions.

My proposal increases funding for Richmond Behavioral Health Authority by some \$733,000. This funding will increase RBHA's treatment capacity and its ability to provide services to residents with substance abuse and other emergency treatment needs.

After speaking with Sheriff Antoinette Irving, I am also proposing that we eliminate the \$2 a day fee we charge inmates for being housed in the city justice center. If we expect people incarcerated for minor offenses to have a chance to get back on their feet and be productive to support themselves and their families, we should, where possible, remove obstacles to their opportunity that punish them after they have paid their debt, done their time and return to our community.

We also will continue to back the Office of Community Wealth Building, through including support of its workforce development efforts and the Mayor's Youth Academy.

Increased local support in the current fiscal year has leveraged an ongoing state grant for workforce activities of nearly \$2 million, allowing the Office to expand its workforce efforts to three fully staffed centers Citywide.

A good, well-paying job is the best solution to so many of our problems, and we will continue to invest in this effort until we reach our goal of creating a pathway out of poverty for 1,000 residents a year.

The creation of a Department of Housing and Community Development, already noted, also will strengthen our efforts to fight poverty and build stronger communities. We need affordable housing that can be a bedrock of stability for our families, and we need to develop and execute a long-term plan to provide that housing.

To create One Richmond, we must think holistically as a city about our investments in basic human services, employment, housing and transportation. But we also know the ultimate long-term investment, and the ultimate barometer of our success, is our children.

## **EDUCATION**

In our community nearly four of every 10 of our children live in poverty – a rate nearly three times the state average. And the majority of kids attending our school system come from households that are struggling financially.

It is everybody's job to wrap our arms around our children to ensure they have the opportunities they need to break this cycle and move into economic security. The fight against poverty and to improve our children's education are two sides of the same coin.

You already know I have spent time in recent months in recruiting teachers to come to RPS and our city.

And last year we invested more money in our teachers and school system as we try to close the gap between our students' needs and diminishing support from the Commonwealth of Virginia, which has not increased funding to Richmond Public schools since 2008.

I don't have to tell you all here that this is simply unacceptable. But we will not let it deter us from our mission and our responsibility to our children.

As you know, this year we will make a \$150 million investment in a special reserve for school construction.

Last year we provided \$6.2 million in new funding to address teacher salary compression, the single largest increase in proposed school funding made by any previous mayor. And that increased funding is reflected in this year's budget as well.

To help fund the priorities of the School Board and Superintendent, in my budget I propose appropriating that additional \$11 million in assigned balances and \$1.5 million in unassigned balances from the school system's 2017 CAFR back into Richmond Public Schools.

This will amount to a nearly \$12.5 million, one-time contribution in Fiscal Year 2019 toward RPS' local funding request for 2019.

This funding will help jump start implementation of the Superintendent's Strategic Plan, to be developed in the next several months.

It is our expectation that this plan will not only set ambitious goals but also identify specific targets for academic improvement, and will spell out the action steps needed to hit those targets.

I can't wait to see the plan, and I am confident Superintendent Kamras will use this investment creatively to make the positive impact our children needs.

To further support our students and their families, I am also pleased to announce that **part of our contribution to the Greater Richmond Transit Corporation, or GRTC will include funding so that EVERY Richmond Public high school student will be able to ride the system for FREE, on an unlimited basis, for an entire year.**

By removing the cost barrier for our students, this partnership will help set our high school students up for greater success now and in the future.

Students will have the freedom to connect not just with school, but also with internships, jobs, arts, parks and community centers all over our city.

Free access to these activities will help make our youth well-rounded contributors to our larger community.

Now, I've talked about my commitment to supporting resources for the classroom, but as Mayor I have responsibility for the whole child -- not just for when they are in school, but 24/7. So as I have gone to every one of our schools, and attended meetings and events in every corner of our city, I've also been listening to what our communities have told me about our needs outside of the school day.

Residents also told me that our kids need something to do after school. And they're right. Our kids spend more than 80 percent of their waking hours outside of the classroom.

When I campaigned for Mayor, I pledged to significantly increase access to high quality afterschool programs in our city because keeping our kids safe, healthy, and engaged in

positive experiences motivates them to be in school, to do well when they are there, and to strive for excellence beyond graduation.

So we know the hours outside the school day are also critical to closing the achievement gap. It is not an either/or. It is a both/and.

My budget also includes a substantial investment in our annual contribution to nonprofit partners like the YMCA and YWCA, the Peter Paul Development Center, Podium Foundation, Neighborhood Resource Center, Next Up and Higher Achievement.

This budget also makes an investment of more than **\$630,000 in a pilot program with our Department of Parks and Recreation to extend hours at six of our recreation sites...** so that the centers we already invest in can play a larger role in providing a safe haven to learn and play.

While we have been working through this budget to make critical investments in high quality afterschool programs, to achieve a sustainable, lasting impact on our children, the city can't do it alone.

At least 77 of the 275 largest cities in the United States have already realized they must work across public and private sectors to build a coordinated system that can fill the gaps before and after our kids are in the classroom.

To that end, I am working with the funding community to braid these public investments with private resources to move us toward a coordinated Out of School Time system that can reach every child in need.

I'm excited by the recent effort by several of our city's major philanthropies to build upon the Out of School Time investments that I propose in this budget with additional resources. Resources that will enable us to ensure that **EVERY** elementary and middle school is paired with at least one high-quality full-service Out-Of-School time provider.

With these city investments and the support of the philanthropic community over the next two year, we can provide more than 1,000 more school kids daily access to a great after school experience.

This is what motivates me – it's what gets me up in the morning every day excited about what we can accomplish together.

As a city, we are always going to have to make tough choices. To prioritize and strive for efficiency. But even when resources are tight, and public dollars have to be stretched, I believe there is still an opportunity to move past the either/or choice, and find the both/and solution.

Building One Richmond is going to require that our public, private and non-profit communities work as one and leverage our investments for maximum impact.

So while I will remain vigilant and focused on ensuring that we spend every tax dollar to achieve the maximum positive impact for our citizens, I will continue to look for more ways to build new partnerships and strategies that help us achieve more than we can on our own.

I believe the spending plan before you meets this challenge and I look forward to working with you in the coming weeks.

This is a challenge we cannot turn down, and this is a test we must pass -- not just to be fiscally balanced and check boxes -- all the boxes -- to meet our financial obligations -- but to be creative and ambitious and invest in our shared priorities:

A well-run city. A safer city. A healthy city. And a city of opportunity – **ONE RICHMOND** -- committed to the promise of a brighter future for all of its residents.

Thank you very much.