

City of Richmond



LEVAR M. STONEY
MAYOR

March 6, 2017

The Honorable Council of
The City of Richmond Virginia

RE: FY2018 Annual Fiscal Plan Transmittal Letter

Mr. President and Members of Richmond City Council:

It is my pleasure to present the Mayor's Annual Fiscal Plan for FY2018 and our five-year Capital Improvement Plan for 2018 – 2022. 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, fighting poverty and providing core services efficiently.

This is a fiscally responsible and lean budget, with targeted investments and increases for our 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 \$681,213,792 for FY18. This represents a 5% decline compared to the FY2017 Adopted Budget. This decline, however, is not due to a reduction in overall general taxes and fees. Rather, the City's general fund revenues are projected to increase. However, this fiscal plan includes the implementation of several best budgeting practices, one of which includes removing two dedicated state funding sources from the general fund into the special revenue fund. These best budget practices will be detailed further.

Total **Capital Improvement Plan** (not including utilities) expenditures and revenues are projected at \$60.2 million in FY18 and \$175.5 million over 5 years.

It is important to note that while commitments and obligations are growing at a faster rate than revenues, the Proposed Annual Fiscal Plan for FY2018 doesn't include the use of the City's unassigned fund balance.

The following are major expenditure and policy highlights in the Proposed Annual Fiscal Plan for FY2018 as well as the Proposed Capital Improvement Plan for FY2018 - FY2022.

EDUCATION

Operating Highlights

- This budget recommends earmarking the State Shared Sales Tax revenue for Education, approximately \$26.2 million, in a new special fund designated exclusively for Richmond Public Schools. Currently, and in the past, this State revenue was accounted for in the City's general fund budget and appropriated to Richmond Public Schools. This former practice artificially inflated the City's budget and suggested to some that the City's revenues are higher than they truly are. Instead, this revenue is a dedicated funding source Richmond Public Schools receives from the State that cannot be used for any other purpose. My budget recommends removing this funding from the general fund and appropriating it to Richmond Public Schools through the creation of a new special fund. With this recommendation the City's operating budget will now show a clearer picture of the revenue that can be used for general operations.
- In this proposed budget, funding earmarked for Richmond Public Schools is still the single, largest expenditure in the City's operating budget. This budget recommends increased funding of \$6.1 million over last year's budget -- to keep our valuable school teachers in Richmond Public Schools classrooms instructing our children. This investment represents one of the largest single year increases by any mayor for our schools.
- In addition, this budget recommends utilizing \$1.5 million in projected Richmond Public School surplus funding, as a partial funding source of the salary increases for teachers and associated staff.

Capital Highlights

In the FY2018 Proposed CIP Budget, the City is continuing its already significant investment by proposing:

- \$1.6 million in FY18 for School Maintenance and \$7.3 million through FY22.

PUBLIC SAFETY

Operating Highlights

Public safety is a priority and this budget reflects that priority. This budget recommends increased funding to begin addressing pay inequities among sworn police and firefighters. It also continues the prior year commitment of police recruit classes. Specifically:

- \$1.3 million and \$1.0 million in additional funding to address pay inequities for both the Police and Fire departments, respectively. This funding will help retain those we train, and makes progress toward our commitment to return the City's police ranks to full strength;
- Full funding of all sworn vacancies in the Police Department to: ensure committed funding of the previously approved 40 member recruit classes in FY2017 and to allow the Police Chief to initiate another recruit class in FY2018. This funding is critical to ensure that the Police Chief can get up to or as close to a full staffing complement of 750 uniformed police officers – who will be on the streets serving our communities; and
- Full funding of all sworn Fire vacancies to ensure committed funding of a previously approved recruit class in FY2017. This funding is also essential to ensure that we have appropriate staffing levels.

Capital Highlights

In the FY2018 Proposed CIP Budget, the City is continuing its already significant investment by proposing:

- \$7.1 million in FY18 and \$11.9 million over 5 years for the 800 MHz Radio System;
- \$500,000 in FY17 and \$1.7 million over 5 years is earmarked for Fire Station Renovations; and
- \$2.2 million for a new Police Property and Evidence facility.

ANTI-POVERTY/COMMUNITY WEALTH BUILDING

We have adopted the goal of moving 1000 residents out of poverty a year. Accomplishing this ambitious goal will require sustained investments in a long term strategy primarily focused on connecting residents to employment. This budget starts the process of building the needed capacity by investing in additional personnel and training dollars for the Office of Community Wealth Building to move more people out of poverty into steady employment. We project additional investments in this strategy in FY 19 and beyond in an ongoing process of capacity building. My goal is to build the capacity to move 1000 people out of poverty a year through employment and related supports, by the end of my first term.

Operating Highlights

Highlights in this budget include:

- Funding of approximately \$500,000 to hire six additional staff members and support training efforts in the area of workforce development; and
- The transfer of operating and personnel funding from the Office of the Deputy Chief Administrative Officer for Human Services to the Office of Community Wealth Building to lead and manage the Mayor's Youth Academy, which will become a critical component of the City's workforce development pipeline.

Well-Managed Government and Best Practice Measures

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.

Well-Managed Government and Best Practice Highlights include:

- The removal of \$26.2 million and \$26.7 million in State Shared Sales Tax and State Street Maintenance revenue, respectively, from the City's general fund to a new special fund. These restricted funds will be earmarked for specific purposes separate from the City's general operating budget;
- We have set a goal to increase our real estate tax collection rate from 96 percent to 97 percent in the coming year, increasing revenues by roughly \$2.4 million;
- We will be offering a tax amnesty period, during which those who owe taxes to the city will have the opportunity to pay up without facing additional fees and interest, a move that is expected to generate an additional \$2.4 million. Our tax revenues fund our schools, police, and city services. Everyone needs to do their part;
- We have committed to filing our annual CAFR for 2017 on time this year, for the first time in three years. This is a sign to the bond rating agencies, we recently visited in New York, that Richmond is serious about its finances and wants to achieve the AAA rating. This will lower our costs to borrow money and increase funds available for capital investment;
- A total of \$2.3 million, unchanged from the prior capital improvement plan, is proposed for fleet replacement in FY18 in the proposed capital improvement plan;

- This budget proposes the creation of two new internal service funds – Information Technology and Risk Management. The creation of these two new internal service funds calls for the Department of Public Utilities to pay for their fair portion of the costs for information technology and risk management. This, along with other factors, will result in slightly higher utility costs that will be passed on to rate payers -- particularly those living in the surrounding counties. The average monthly residential bill for all utilities -- gas, water, sewer and storm water – will increase by a total of \$6.75. The move from the general fund to an internal service fund provides greater transparency in the costs of services. All major funds are now contributing their fair share to these two internal service funds;
- Staff in our Human Resources department have worked hard to keep employee health insurance rate increases nominal. In FY18, it is projected that the City will be level compared to the 2017 plan year. As a result, the City's and employees' costs are not projected to increase (assuming they complete the applicable health assessments); and
- The creation of a Capitol City Opportunity Fund and seeding it with \$200,000 with a view toward being able to use the fund and available revenues from future efficiencies to retain and attract business to Richmond, because growing our economy is one of the best ways to increase our ability to pay for the City's needs.

Core Services

As I mentioned earlier, I will be recommending to City Council to utilize anticipated FY2017 surplus funding to fund critical, current needs within our Public Works department to focus on grass cutting and alley repairs now, within this current fiscal year. To that end, we will be recommending to Council in the early spring to utilize \$400,000 and \$700,000 in projected savings to address grass cutting and alley repair respectively.

Operating Highlights

- This budget proposes a solid waste fee increase of \$2.50 in order to provide enhanced bulk and brush services. This fee increase will allow for the purchase of 8 new trucks, 15 new positions, and additional equipment in order to ensure that bulk and brush throughout the City is collected consistently and regularly; and
- The City will be modifying its leaf collection program with the participation of its citizens bagging their leaves. The City will collect bags from residents in conjunction with its trash collection schedule.

Transportation

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

- In FY18 there is capital funding of \$3.3 million for paving projects. \$12.3 million in City capital funds is recommended over five years;
- \$200,000 in city capital funds is proposed to address hazardous sidewalks and to provide new sidewalks in FY18. Approximately \$4.2 million in City capital funds is recommended over five years; and
- \$2 million in FY17 and \$14 million over five years is proposed to improve the City's aging bridges.

City Facilities

The City has many aging facilities. Many of the City's buildings are well over 30 years old and 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 \$812,000 in FY18 and \$2.6 million over five years is recommended to provide structural and system replacements and improvements in over 100 City-owned buildings.

Water, Wastewater, Gas, Stormwater

- Rate changes approved in the annual fiscal plan are necessary to replace aging utility infrastructure while maintaining regulatory compliance,
- The creation of two new internal service funds calls for the Department of Public Utilities to pay for their fair portion of the costs for information technology and risk management - costs that have been previously borne mainly by the general fund. This, along with other factors, will result in slightly higher utility costs. The *average* monthly residential bill for:
 - Gas will increase by \$1.77
 - Water will increase by \$2.14
 - Waste-water will increase by \$2.65, and
 - Storm Water will increase by \$0.19.
- The proposed utility rate increases are:
 - Gas Utility – 3.5%
 - Water Utility – 5.75%
 - Wastewater Utility – 5.0%
 - Stormwater Utility – 5.0%

Richmonders should not pay more for utilities than the folks we sell our utility services to - and this change will ensure that the costs for these services are borne equitably by ratepayers living in surrounding counties.

I want us to get to the point where we are cutting ribbons rather than cutting services. Everyone plays a part in our future success and everyone needs to help. Let's commit to long term solutions to our long term problems, and resist the easy fixes that at best, make us look good in the moment, and at worst, forestall true progress and change.

Let's move forward with accountability and a clear vision of making the city better as a whole. This is not the job of one person, one neighborhood, or one district - it is a responsibility we all share.

There are no quick fixes, so whether it is this body 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 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

