

# MAYOR'S MESSAGE

March 31, 2011

The Honorable City Council of Richmond, Virginia

Dear Colleagues:

I respectfully submit to you the City of Richmond's 2012-2013 Biennial Fiscal Plan and Capital Improvement Plan. The responsibility of preparing a fair and balanced budget during these lean economic times is no less significant today than it was when I presented my first biennial budget just two years ago at the start of this administration. The enormous costs of the country's financial crisis and lagging economy has continued to force hard choices and this Plan reflects our priorities as well as those focused efforts that are positioning us to become a Tier One City.

With each budget submittal of this administration, and the accompanying economic challenges of this time, our philosophy has been clear and consistent; it would be fiscally irresponsible to tax our way out, and socially irresponsible to cut our way out. A responsible and progressive approach is to make strategic investments in our people, our infrastructure and our future while simultaneously identifying operational efficiencies. Like many Richmond families, we have worked to do more with less.

As we position ourselves for the future, I continue to make economic development and job creation a priority. When you review these Plans, you will see a clearly defined approach based on outcome-based budgeting principles and that offers transparency and simplicity to the reader. Last year we emphasized this outcome-based approach, and the plans I submit to you today follows through on that strategy.

We are literally "Building a Better Richmond." We will break ground on an additional two schools this year and a new justice center. There are continued investments in our infrastructure, paving programs are moving forward, youth programs and workforce initiatives are growing, and neighborhood revitalization is being generated by aggressive economic and community development strategies.

Our two-year plan for the general fund budget totals \$1.4 billion. For the first fiscal year (FY 2012), the planned spending totals \$656.6 million with the remainder dedicated to the Rainy Day fund balance. For the second year, FY 2013, the planned spending totals \$657.2 million with the balance falling to fund balance. One of the key goals of the Fiscal Plan is to increase our fund balance with an eye towards a ten percent rainy-day fund balance.

Our five-year capital plan totals \$807.1 million with FY 2012 including \$193.8 million in capital improvements. For projects funded from the general fund or with general obligation debt in FY 2012, the construction of the four new schools and Justice Center consume \$63.1 million or 61 percent of the appropriations.

Tax revenues are expected to be level with our current adopted budget in FY 2012 and grow only slightly in the second year. The good news in our revenue outlook is that the reserves we set aside last year and additional one-time revenues in the current fiscal year will allow us to continue to forge ahead in implementing initiatives in the seven focus areas. This Plan proposes using these one-time revenues for one-time actions.

The Biennial Fiscal Plan submitted today includes no tax increases - even as real estate assessments are forecasted to decline by 5 percent - and no furloughs or layoffs.

Spending priorities include the following:

- Continued commitment to K-12 education:
  - \$123.8 million dedicated each year to Richmond Public Schools
  - \$57.6 million recommended in capital spending to pay for the construction of four new schools and other school-related projects
  - Consolidation of grounds maintenance as our next step on ongoing efficiencies and productivity improvements;
- A \$1,000.00 bonus for all eligible full-time City employees in July 2011;
- Covering health care cost increases in FY 2012 for employees and retirees so that participants pay the same next year as they do this year;
- Aggressive implementation of alternatives to incarceration including:
  - increased electronic monitoring,
  - the mental health docket,
  - substance abuse services, and
  - an assessment center;
- More than a 100 percent increase in Enterprise Zone Program funding as well as additional funding for the Commercial Area Revitalization Effort (CARE) loan program that support economic growth;

- Investment in the Enterprise Resource Plan (ERP) system which will create efficiencies, savings, and improved business processes for administrative functions throughout the City;
- Business requirements and system planning funding for a new Customer Relationship Management system to support our 311 and MPACT programs;
- Funding for tourism and bicycle coordinator positions along with two positions dedicated to employee wellness and training. Even with these four new positions and the absorption of nine positions from Richmond Public Schools, the overall personnel complement has dropped from 4,028 positions in FY 2009 to 3,858 proposed in FY 2012;

For the CIP, the following priorities are included:

- Investment of FY 2012 general fund cash totaling \$5.8 million for demolition and blight abatement as well as fleet replacement;
- Increased funding for roadway improvements including pavements; one-way street conversions for two-way traffic; sidewalks; pedestrian and bicycle trails and paths;
- Final design and construction funding for the Justice Center along with the four new schools; and
- Adoption of a five-year equipment replacement strategy for needed equipment, including heavy fire apparatus, police vehicles, mobile data networks, and technology on our desktops.

#### Outcome-Based Budgeting

While there may be questions about the timing of implementing an outcome-based budget and initiatives resulting from our seven strategic focus areas during these challenging fiscal times, this is the opportune time to make changes in how we spend taxpayer dollars.

Developing these Plans has been a collaborative process and we've followed an aggressive and strict budget calendar which was developed along with City Council. Our strategic planning efforts as well as Council's identified core issues that needed to be addressed – de-concentration of poverty, expansion of the tax base, workforce development - have all been considered and have informed our decisions in this budget. We also reached out and asked our citizens, our employees, and our business leaders "What do you see as the priorities? Where should the City spend taxpayer's hard earned dollars?" The answers were very clear.

Our citizens said that crime and safety as well as education, training and workforce development are top priorities. Our employees said that keeping health care costs reasonable was their priority. Our fiscal plan balances these priorities with other funding demands.

#### Focus Area Initiatives that Will Build a Better Richmond

It would have been relatively easy in these economic times to keep the status quo. Instead, we have forged ahead and defined and outlined strategies measures in seven focus areas where resources should be directed to become a Tier One City. This Administration did the hard work of defining each area, determining how to measure performance, and then prioritized initiatives within and between focus areas. We have shared the specific outcomes of this effort during the last two months. The initiatives are all important, but our budget simply cannot afford them all. Our work is not done and we will continually evolve and improve.

The next few paragraphs summarize each strategic focus area and more details can be found throughout the Fiscal Plan and CIP. I do not want to suggest that each of these priorities is funded in this Fiscal Plan or CIP. However, as you read these brief summaries and the Plan you will clearly see the interrelationships and support they provide to each other.

*Unique, Healthy and Inclusive Communities and Neighborhoods.* Affordable and diverse housing options in livable neighborhoods are an important part of becoming a Tier One City. This approach would include a mix of different income levels and housing options available within a healthy and inclusive community. This includes both residential and commercial properties and access to important services such as healthcare, libraries, schools and community service centers within a certain walking distance to neighborhood. The top priorities are the construction of the four new public schools, the expansion of providing key City services in neighborhood locations with the Eastview Initiative, and addressing the nearly 2,400 blighted properties in the City.

A first step in the Eastview Initiative is the shift of caseworkers from City Hall and into this community. The Seven Hills Nursing Home will be converted to work space for the delivery of social services and workforce development programs. We will continue to work with the neighborhood civic associations to prioritize specific needs. During FY 2012, we will also be conducting a corridor study of Mechanicsville Turnpike to provide direction for our next steps.

*Economic Growth.* Creating and retaining jobs as well as stimulating investment in neighborhoods and businesses, generates the revenues necessary to fund vital municipal services. The top priorities are funding the Enterprise Zone Program, developing a comprehensive marketing and outreach plan, implementation of an enterprise zone tax development program, and the establishment of an economic development opportunity fund. This budget includes a doubling of the Enterprise Zone Program funding, a tourism position, as well as investment in the CARE Program.

*Community Safety & Well Being.* Providing public safety resources and infrastructure investment, along with actions including the reduction in blighted properties and improved community services, improves the quality of life and the perception of the City as a safe and exciting place to live, work, and play. The most important priority for keeping our communities safe is ensuring that our emergency responders have the tools and resources they need to do their jobs. This includes investment in the City's emergency response infrastructure; including enhancement of an 800 Mhz radio system, improvements to the Emergency Communications Center, and deployment of mobile data networks in both Police and Fire.

As part of the Eastview Initiative, Police and the Department of Justice Services will focus on drug interdiction, teen violence, and public safety education and awareness programs. In addition, the maintenance and expansion of the violence free zones at Armstrong High School and George Wythe High School are funded. While organizationally within the economic and community development portfolio, other actions are also critical – proactive and targeted Code enforcement, blight abatement, and housing rehabilitation - and will occur during FY 2012 as well.

*Transportation.* Enhancing transportation - especially regional transportation needs transportation - is a broad strategic area which includes maximizing public transit and passenger rail to ensuring adequate pedestrian and bicycle connections. The Pedestrian, Bicycle, and Trails Planning Commission provided a clear path for expanding transportation alternatives and a bicycle coordinator position has been created.

The top priorities in this focus area are funded including matching funds for Phase 3 of the Main Street Station; the rehabilitation of more than 100 lane miles of roadway each year; and converting some streets from one-way to two-way traffic. The Cannon Creek Greenway, a public/public partnership, will also move forward with support from the National Guard. Funding is also included in the CIP to improve sidewalks and create shared bike and vehicle travel lanes (sharrows) throughout the City. Lastly, the budget does include a set aside for increased fuel costs for GRTC as costs continue to escalate. At the same time, GRTC is working with the City to gain efficiencies and lower costs through consolidation of facilities and conversion to CNG buses.

*Education & Work Force Development.* Ensuring that our workforce has the proper training and education is integral to our growth and our future. Developing a well-educated, well-trained workforce positions us to ensure that we maintain a strong and prosperous economy. In this focus area, the alignment of current federal and local social service programs to feed into the workforce development network is the lynchpin to success. Coordination of all City workforce programs with the Richmond Redevelopment and Housing Authority and other businesses is critical to ensure substantial outcomes with a minimum of duplicated efforts.

Another top priority is to improve young children's readiness for school, including increasing the quality and availability of child care in the city and enhancing parenting and health programs to support sound child development. The City will

assume a leadership position by establishing the first child care center for City employees emulating the successes of other public and private employer models. The third area is the establishment of a City-wide, cross-functional strategy to reduce truancy and examine reasons for dropping out.

*Sustainability.* Protecting our air and water quality, as well as preserving land and energy creates long-term savings and is a key to ensuring human health as well as fiscal health in our City. In this Focus Area, the implementation of an integrated solid waste strategy to identify potential programs and cost options that reduce trash tonnage and increase recycling is critical. Aging City facilities will have an energy conservation program implemented as well as a Building Management Automation (BMS) system, which will balance and manage use of costly HVAC, electrical, lighting and other energy sources in City facilities

*Well Managed Government.* The FY 2010 budget included a number of efficiencies and strategies related to well-managed government – consolidation of printing services and the implementation of an aggressive tax compliance plan. The resulting increased revenue and savings allows us to fund needed services. Providing effective and efficient City services that are accessible, transparent, responsive, and accountable remain a priority. During the next two years, implementing the ERP is a top priority and will streamline financial and administrative functions and result in substantial costs reductions. Low cost measures, including the revamping of the annual citizen survey, will assist us in understanding the priorities in our neighborhoods and communities. Lastly, from existing resources, an independent, internal consulting group reporting to the CAO, will conduct evaluations and business process reviews based on consistent and sound return on investment methodologies.

#### Capital Improvement Plan

This CIP reflects the City's strong commitment to needed infrastructure and on-going needed capital improvements. The projects included are intertwined with the City's focus on economic growth, transportation, community development and redevelopment, well-managed government, and public safety. The CIP also incorporates best practices found in other Triple AAA municipalities within Virginia and the nation.

As the CIP developed, several policy priorities, including pay-as-you-go funding for projects, commitment to the seven strategic focus areas, and adherence to the City's debt policies were considered. These priorities built upon continued "scrubbing" of CIP projects which began last year and incorporating realistic cash flow models for individual projects.

For FY 2012, eleven percent of the general fund CIP funding is from pay as you go sources. This level of pay as you go funding commitment during a period of flat general fund revenues demonstrates our commitment to addressing goals we have established for to achieve the reputation of a Tier One City.

Strategic planning and outcome based budgeting also facilitated project decision-making. The seven focus areas and their initiatives are clearly embedded in the project recommendations, including:

- Demolition and Blight Abatement (Unique, Healthy and Inclusive Communities and Neighborhoods)
- Eastview Initiative (Unique, Healthy and Inclusive Communities and Neighborhoods)
- One-Way Street Conversion (Transportation)
- 800 MHz Next Generation Radio System (Community Safety and Well-Being)
- Enterprise Resource Planning (ERP) System (Well-Managed Government)
- Bike Lanes (Sharrows) (Transportation)
- Roadway Resurfacing (Transportation)

For the City's utilities, gas utility pipe and other infrastructure replacements are the largest planned cost with sanitary sewers as well as water plant and pumping improvements also driving the planned spending. Of the \$488.6 million in planned spending, \$172.0 million is pay-as-you-go funding, with another \$15.8 million from low-interest, low-cost debt granted to the City by the federal or state government.

#### Fiscal Plan Policies

Lastly, I want to point out several key fiscal policies that are included in these Plans. Our collaboration in this area over the last year supports our Tier One City purpose.

As I committed to last year, a debt management policy review has been undertaken and a number of changes have been incorporated into the City's debt management strategy and this recommended CIP. These strategies are in keeping with other well-managed governments within the Commonwealth; particularly those rated Triple A by the three rating agencies. First, the City's Rainy Day (unassigned) fund balance will be incorporated into the calculation of the ten percent debt capacity. Other localities use a broader budget definition – general government – to calculate their debt capacity not just their general fund revenues. Therefore, the incorporation of the fund balance still remains a conservative model for this debt limit calculation. In addition, at least one Triple AAA Virginia locality uses the ten percent (10 percent) as a planning cap with an absolute ceiling of eleven percent (11 percent).

Next, the current 7.5 percent total taxable real estate value measure will be reduced to five percent while the 7 percent of per capita income policy will remain as is. Lastly, the City will utilize a combination of 30-year, 25-year and 20-year general obligation bonds to finance its CIP. Again the review found that it is not uncommon for Triple A rated localities to issue bonds of different terms with the deciding factor being the useful life of the building infrastructure.

In addition, these Plans strategically incorporate the use of prior year reserves and budgetary surpluses to meet one-time spending. As part of the FY 2010 fiscal year end

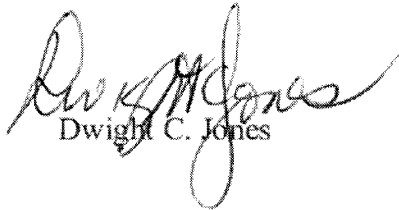


process, a total of \$16.6 million was reserved from the general fund. These reserves included \$2.9 million for personnel benefit adjustments and \$1.8 million for health care reserves that are budgeted in FY 2012 for the employee bonus and the health care escrow account as the City (along with Richmond Public Schools) moves to a self-insured health care program. Another \$12.6 million in expected FY 2011 budgetary surplus is committed to demolition, fleet replacement, and future debt service.

In closing, I wanted to extend my sincere gratitude to the City's citizens, businesses, employees, and elected representatives for their support and input into this fiscal plan. Leading up to this point, we have made significant progress as evidenced by the groundbreaking of two new elementary schools, the paving of almost 400 lane miles of city streets in two years, the overwhelming positive response to twice a year real estate billing, providing tax relief for our most vulnerable citizens, jobs for close to 500 children in the Mayor's Youth Academy, the completion of the City's comprehensive economic development strategy which opens the door to new sources of funding and economic growth, and a decline in our violent crime rate of 9 percent. We must keep this momentum for our city moving forward and the plan I've presented today sustains and builds upon the progress we've made.

I look forward to our continued work together.

Sincerely,



Dwight C. Jones

# City of Richmond



DWIGHT C. JONES  
MAYOR

March 31, 2011

The Honorable City Council of Richmond, Virginia

Dear Colleagues:

I respectfully submit to you the City of Richmond's 2012-2013 Biennial Fiscal Plan and Capital Improvement Plan. The responsibility of preparing a fair and balanced budget during these lean economic times is no less significant today than it was when I presented my first biennial budget just two years ago at the start of this administration. The enormous costs of the country's financial crisis and lagging economy has continued to force hard choices and this Plan reflects our priorities as well as those focused efforts that are positioning us to become a Tier One City.

With each budget submittal of this administration, and the accompanying economic challenges of this time, our philosophy has been clear and consistent; it would be fiscally irresponsible to tax our way out, and socially irresponsible to cut our way out. A responsible and progressive approach is to make strategic investments in our people, our infrastructure and our future while simultaneously identifying operational efficiencies. Like many Richmond families, we have worked to do more with less.

As we position ourselves for the future, I continue to make economic development and job creation a priority. When you review these Plans, you will see a clearly defined approach based on outcome-based budgeting principles and that offers transparency and simplicity to the reader. Last year we emphasized this outcome-based approach, and the plans I submit to you today follows through on that strategy.

We are literally "Building a Better Richmond." We will break ground on an additional two schools this year and a new justice center. There are continued investments in our infrastructure, paving programs are moving forward, youth programs and workforce initiatives are growing, and neighborhood revitalization is being generated by aggressive economic and community development strategies.