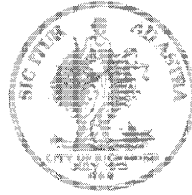


City of Richmond



DWIGHT C. JONES
MAYOR

March 12, 2013

The Honorable Council of
The City of Richmond Virginia

RE: FY2014 & FY2015 Biennial Fiscal Plan Transmittal Letter

Mr. President and Members of Council:

I am pleased to present to the people of the City of Richmond the administration's Biennial Fiscal Plan for FY2014 and FY2015 and also our 5-year Capital Improvement Plan, 2014 – 2018. This plan continues on our path to improvement as we strive to Build the BEST Richmond.

This fiscal plan includes expenditure recommendations that are in line with current revenue projections. The Real Estate Tax Rate remains \$1.20. The fiscal plan provides funding for legal requirements and mandates in the City, while also continuing to fund services and initiatives in the major strategic areas.

My proposed budget is fiscally prudent in that it protects our citizens from major increases in the cost of services; provides funding for our most vulnerable populations; invests in neighborhoods; protects the jobs of our workforce; and promotes efficiency and savings to prepare for unforeseen emergencies and potential future investment.

Key decisions have been made after reviewing past performance results as we continue to align performance and outcomes with the needs of the City as expressed through the many surveys, MPACT meetings, and District budget meetings.

However, our budget in the upcoming year will be especially challenging, because of the largely unknown impacts of the Federal budget sequestration. There is more that we don't know than what we do know. We know that there will be cuts of at least 5% in most Federal agencies that provide funding streams to our city. Some programs may see larger cuts, but we do not know which program areas might be spared, if any, from cuts. One program spared may likely mean that another program the City relies on will face a more significant cut. We do not yet know the impact on Federal aid that is routed to us through the State government. And, we do not know the impact on employees in our community and region but we expect that there will be jobs lost and paychecks trimmed as a result of the sequester. These cuts impact not just our City government but also our city coffers as well, since many of our leading businesses depend on

Federal contracts or Federal spending of one sort or another to sustain their workforce and payrolls.

Even though the City is doing well and has maintained or improved its bond ratings, there are some fiscal issues that must be addressed over the next few years. Some of them impact not only this City, but also impact municipal governments in general. This uncertainty in our budget process is a primary reason that we must protect our contingency funds, so that we have resources to draw on during hard times.

GENERAL FUND

The total proposed spending plans for the General Fund are \$760.5 million for FY14 and \$766.3 million for FY15. Excluding fund balances and major one-time items shown in the General Fund, budget growth for FY14 is 1.96% above the approved FY13 General Fund budget. For FY15, growth is 1.34% above the proposed FY14 General Fund budget.

Personnel costs for both FY14 and FY15 are just over 35% of the budget.

Revenue Highlights

Total General Fund revenues are projected at \$760.5 million for FY14 and \$766.3 million for FY15.

This budget is proposed assuming the maintenance of all tax rates, and modest fee increases for hourly parking, cemeteries, and recycling.

Highlighted changes from the FY13 Adopted include:

- Decrease of \$1.0 million in Personal Property Tax based on historic collections and projected actuals;
- Decrease of \$0.9 million in Machinery & Tools Tax based on less new equipment purchased and depreciation of remaining equipment;
- Decrease of \$2.2 million in Communications Tax based on historic distributions by the Commonwealth and projected actuals;
- Decrease of \$2.6 million in Bank Franchise Tax as net capital declines and money borrowed by banks during the Great Recession is repaid;
- Decrease of \$2.9 million in State Payment for Social Services based on funding declines from the Commonwealth to the City;
- Decrease of \$74.3 million in Data Sharing & Other Transfers from one-time revenues in FY13;

- Increase of \$3.9 million in Real Property Tax collections based on a higher collection rate by the City and a marginal increase to assessed values;
- Increase of \$4.1 million in Local Sales & Use Tax from audit efforts, increased disposable income, and stronger than forecast retail sales;
- Increase of \$3.5 million in Prepared Food (Meals) Tax from audit efforts, increased disposable income, and stronger than forecast prepared food sales;
- Increase of \$0.5 million in Sales & Use Tax for Education distribution from the Commonwealth (offset by an increase in pass-through funding to Richmond Public Schools);
- Increase of \$1.2 million in Business License (BPOL) Fees as existing businesses continue to expand in turn with the economy;
- Increase of \$0.5 million in Parking Fees & Permits from updates to hourly parking meter rates;
- Increase of \$1.1 million in Reimbursement for State Shared Expenses based on the estimates from the Commonwealth's Compensation Board;

Expenditure Highlights

Major changes in expenditures include:

- a \$2.2 million net increase in full time salaries attributed to a 2% salary increase which will be effective with the first pay in October for eligible City employees;
- a \$1.9 million increase in healthcare costs attributed to a 6.6% cost increase and the City absorbing both the employer and the employee / retiree shares of the increase;
- a \$0.8 million increase in retirement costs due to changes in the rates specified by the Richmond Retirement System;
- a \$22.6 million net decrease in operating costs that is primarily a result of having done one-time debt retirement payments of \$27.1 million in FY13 which are no longer a part of the FY14 Non-Departmental budget;
- projected savings of \$3.0 million resulting from a Voluntary Retirement Incentive Plan (VRIP) for employees who have 30 or more years of service or are at least 65 years old (savings in FY15 are projected to be \$6.5 million for the whole years) – employee separations would be completed by September 30th;
- General Fund payments for debt increase by \$5.2 million to \$64.5 million in FY14 and increase by \$7.0 million to \$66.2 million in FY15;

- The City's proposed \$500,000 increase to Richmond Public Schools increased their funding to \$154.2 million in FY14 and \$154.7 million in FY15 – this includes changes in the State Shared Sales Tax that is passed through from the Commonwealth of Virginia;
- Additional funding for Division of Emergency Communications within the Police Department resulting from the reclassification of 10 civilian positions to Communication Officers; this along with increased retirement costs and other adjustments set the proposed budget at \$84.0 million and \$85.4 million with respective increases of \$1.5 million and \$3.0 million compared to FY13.

Capital Improvement Plan (CIP)

This CIP reflects the City's strong commitment to infrastructure and capital improvements. In citizen surveys and Council District budget meetings, citizens overwhelmingly felt that street and sidewalk improvements were their highest priorities. This fiscal year saw the opening of two new elementary schools that will be followed by one middle school and one high school. Planning will also begin on another elementary school in the Dove Street area. This plan also includes funding for the 800 Megahertz radio communications system replacement.

In the Transportation Category:

- Streets – funding of \$5.0 million is provided in FY14, and \$20.0 million is provided over five-years
- Sidewalks - \$650,000 is provided in FY14 and \$3.3 million is provided over five years.

In the Education Category:

- School Maintenance funds of \$500,000 in FY14 and \$2.4 million are provided over five years. This is in addition to the \$2.0 million currently available for spending.
- No funding for Schools ADA improvements were included in, as a mid-year amendment to schools Capital Budget for ADA added \$.5 million to satisfy all ADA issues. There is currently \$9.5 million available for spending
- Funding is proposed for a new Dove elementary school in the amount of \$21.3 million over five years. The school will be a high performing Science, Technology, Education and Math (STEM) School that will serve pre-K through 5th grade in the Dove Street revitalization area.

In the Public Safety Category:

- 800 Megahertz radio communications system replacement - \$30.0 million is included over five years supported financially by the City, while an additional \$3.5 million is provided by Public Utilities renewal funds.

- New Justice Center - \$29.7 million is provided in FY14 and FY15 to complete this \$133.6 million project. Construction is approximately 40% complete.

In the Economic & Community Development Category:

- Public Housing Transformation funds of \$2.5 million in FY14 and \$5.0 million over five years are provided to partner with private developers to redevelop severely distressed public housing complexes in Eastview – Whitcomb Court and Mosby Court, and the East End area – Creighton Court and Fairfield Court.
- Funds for the Riverfront Plan Implementation of \$4.0 million are included in FY14 to fund the first phase of the recently adopted Riverfront Master Plan.

In the Culture & Recreation Category:

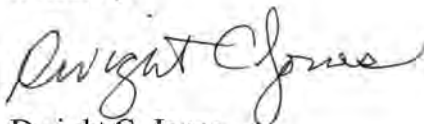
- \$14.0 million is provided in FY14 to assist in the \$60.0 million renovation of the Landmark Theater that is being implemented by the Richmond Performing Arts Center.
- Southside Community Center – funds of \$3.6 million have been provided over five years to design and construct a Community Center in the Ninth Council district. Amenities would include a gymnasium, multi-purpose space, and ideally would be complimented by existing outdoor venues.

In the City Facilities Category:

- Major Buildings Renovation – Funding of \$1.0 million in FY14 and \$8.0 million over five years has been provided for structural and system replacements and improvements in over 100 City-owned buildings.
- Police Impound/Tow Lot – Funding of \$3.1 million over FY14 and FY15 will bring outsourced towing storage services in house, and upon completion, will generate new revenue to the City. The revenue will be used to support future capital projects.

We have much to be proud of as Richmonders. I hope that you see this budget as the door to accomplishing many of the projects that we have been talking about.

Sincerely,



Dwight C. Jones