

City of Richmond



DWIGHT C. JONES
MAYOR

Honorable Members of City Council
Fellow Richmonders

Enclosed are the proposed General Fund Operating Budget for FY 2013 which totals \$780.9 million and the FY 2013 – FY 2017 Capital Improvement Program (CIP) which totals \$181.6 million for FY 2013 (\$112.53 million General Fund and \$69.07 million Public Utilities) and \$851.96 million for the five year period (\$343.22 million General Fund and \$508.74 million Public Utilities). The proposed FY 2013 General Fund Operating Budget is \$71 million greater than the adopted FY 2012 budget which totaled \$709.9 million. However, this difference is driven by one-time funds, \$62.1 million which is attributed to repayment of a loan owed the City by the Richmond Metropolitan Authority (RMA). The other \$8.8 million reflects an increase to the Unassigned Fund Balance of \$11.7 million as a result of savings at the end of the FY 2011 Budget and a decrease of \$2.8 million. Without the one-time funds, the operating budget for FY 2013 is \$654.8 million, which is \$2.8 million less than the adopted FY 2012 budget of \$657.6 million.

Given the enduring challenges with the economy, for the fourth consecutive budget, we are employing cost reduction and alternative delivery strategies to control costs without affecting core services.

This budget contains no new taxes, nor does it propose reductions in core services, or employee layoffs or furloughs. Unfortunately, it contains no raises or bonuses for our workforce. Though much needed and deserved, we could not afford to provide raises or bonuses without layoffs or furloughs. It does propose increases in water and sewer rates, which represent the planned reallocation of costs between commercial and residential customers resulting from a cost of service study completed in 2008. This is the final increase associated with getting parity and equity among all classes of customers. Additionally, rates for natural gas will also increase slightly.

As I have said in the past, we can neither tax nor cut our way out of this economic downturn. While we must be prudent and operate efficiently, we must also invest wisely and focus on rebuilding and expanding our tax base; and creating jobs for Richmonders. Even in this difficult economic environment, we must continue to invest in those areas that will yield the greatest economic, financial or social benefits in the long run.

We must also focus on excellence, and challenge ourselves to look for better ways to provide services to our constituents – all of them.

We must think bold thoughts and take bold actions if we are to be the best in class – and a Tier One City.

My proposed budgets are fiscally prudent in that they protect our citizens from major increases in the cost of services; provide funding for our most vulnerable populations; invest in neighborhoods; protect the jobs of our workforce; and promote efficiency and savings to prepare for unforeseen emergencies and as a source of future investment.

My proposals also provide for investment in areas that will expand our tax base by leveraging our competitive advantages, such as the Commerce Road and Deepwater Terminal Road area near the Port of Richmond; the James River, the areas around Main Street Station, Shockoe Bottom and Shockoe Slip; the Boulevard area around the Diamond; and the historic Landmark Theater.

Perhaps the boldest and most potentially catalytic are my proposals to transform public housing into mixed income communities anchored by high performing schools. These new communities will provide safe, healthy and economically diverse neighborhoods. And ultimately be communities where families have access to services and children have the support and resources to access a high quality education. We must dramatically transform public housing as we know it today. These aspirations are achievable but they require clarity of purpose, unflinching focus, dedication of resources, and full cooperation among and between the elected and appointed officials of the City, the appointed commissioners and executives of the Richmond Redevelopment and Housing Authority, the elected and appointed officials of the Richmond Public Schools, and the business community.

Richmond cannot reach its full potential without addressing concentrated poverty and having an excellent public education system and leveraging its competitive advantages.

In Summary the General Fund Budget and Capital Improvements Program I am proposing: a) protect basic services; b) do not raise taxes; c) preserve the workforce while paring it down through attrition and efficiencies; d) expand services to youth and our most vulnerable populations; e) and invest in transformational projects that through partnerships will yield positive returns on investment in terms of both financial and human capital.

The financial context in which these proposals are being made is as follows:

GENERAL FUND

Revenue

Total FY 2013 General Fund revenues are projected at \$780.9 million. This compares to \$709.9 million approved for the same year in last year's biennial budget.

Highlighted changes from the original projection include:

- Decrease of \$7.6 million in State revenue for Child Daycare Service payments (offset by decrease in expenditures);
- Decrease of \$4.1 million in State Sales Tax for education (offset by decrease in pass-through to RPS);
- Decrease of \$2.1 million in real property tax collections based on 3% decrease in FY 2012 assessed values;
- Decrease of \$600,000 in Prepared Food Tax;
- Decrease of \$568,000 in Payment In Lieu Of Taxes (PILOT) from the Utilities Department resulting from changes to cost allocations;
- Decrease of \$1.2 million in CDBG/HOME Grant;
- Increase of \$1.8 million in delinquent personal property tax based on more aggressive collections;
- Increase of \$1.5 million in Bank Franchise revenue;
- Increase of \$2 million from RMA repayment (used for economic development incentives);
- Increase of \$22 million to unassigned Fund Balance (previously undesignated Fund Balance as reflected in the CAFR at \$11.4 million and RMA refund at \$9.6 million);
- Increase of \$12.5M in Revenue Stabilization/Contingency Fund (previously – Revenue Stabilization Fund), from RMA refund;
- Increase of \$11.5 million for new Asset Renewal Fund, from RMA refund;
- Increase in Telecommunications Tax revenue by \$1.46 million to reflect paying off Certificates of Participation (COPs) debt for 800MHz;
- Increase of \$8 million to reflect anticipated FY 2012 savings;
- Increase of \$1.5 million in Aid to Localities – based on General Assembly proposed lessening the originally proposed reduction in the Commonwealth's Biennial Budget;
- Use of \$671,000 from planned FY 2011 surplus funds (as noted in CAFR).

Spending priorities include the following:

- Continued commitment to K-12 education:
 - \$123.8 million dedicated to Richmond Public Schools. I have formed a school accountability and efficiency task force to review the Richmond School Board's request for an additional \$23.8 million. The Task Force is charged with looking for ways to save money and improve classroom performance;
 - \$71.68 million recommended in capital spending to pay for the construction of four new schools and other school-related projects.
- Increase of \$2.8 million for General Fund contribution to Richmond Retirement System (RRS) this represents a 17.13% increase for non-sworn employees and 10.21% increase for Police and Fire;
- Increase of \$450,000 for retirement contributions (VRS) for constitutional officers;
- Increase of \$500,000 for Group Life (VRS) premiums for classified employees;
- Increase of \$500,000 for Risk Management to cover increase in insurance related costs
- Aggressive implementation of alternatives to incarceration including:
 - increased electronic monitoring
 - continuation of the mental health docket
 - purchasing crisis beds for mental health needs
 - substance abuse services
 - an assessment center
- Continued investment in the Enterprise Resource Plan (ERP) system which will create efficiencies, savings, and improved business processes for administrative functions throughout the City;
- Funding for a new Customer Relationship Management (CRM) system to support our 311 program;
- Continued funding for tourism, bicycle coordinator, and the volunteer coordinator positions along with two positions dedicated to employee wellness and training. Even with these four positions and the overall personnel complement has dropped from 4,028 positions in FY 2009 to 3,883.7 proposed in FY 2013;

For the CIP, the priorities are:

- Continuation of a five-year equipment replacement strategy for needed equipment, including heavy fire apparatus, police vehicles, public works and parks vehicles, mobile data networks, and technology on our desktops;
- Changing our strategy for fleet replacement by utilizing a planned \$5 million in FY 2012 General Fund surplus (cash) rather than short-term borrowing;
- Increased funding totaling \$22.1 million for roadway improvements including pavement; sidewalks; pedestrian and bicycle trails and paths; and improvements to road surfaces, traffic signs, and way-finding; and additional enhancements to the six routes serving cyclists and visitors in preparation for the 2015 World Bicycling Championships;
- Construction funding for the Justice Center;
- Construction funding for four new schools;
- Adding \$5 million to fund: a) development of a promenade on 17th Street the first phase of which will involve the redevelopment of the current Farmer's Market at \$2.5 million; b) the reopening of Franklin Street between 15th and 17th Streets at \$2.1 million; and c) improvements to Main Street Station and/or the Seaboard Building at \$400,000;
- Adding \$5 million to fund predevelopment and/or infrastructure costs related to the transformation of two public housing communities to mixed income communities with the appropriate amenities;
- Adding \$5 million to implement portions of the Riverfront Plan once adopted by City Council. This will improve access to the river and increase the number of visitors downtown; and
- Adding \$14 million towards a proposed \$50 million renovation of the Landmark Theater.

Outcome-Based Budgeting

We are in the second year of implementing an outcome-based budget and the initiatives resulting from our seven strategic focus areas.

Developing these initiatives 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, and workforce development. All have 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.

As we developed the Biennial Fiscal Plan for FY 2012 and FY 2013, our citizens said that crime and safety as well as education, training and workforce development are top priorities. Our employees said that avoiding layoffs and furloughs, while keeping health care costs reasonable, was their priority. Our fiscal plan balances these priorities with other funding demands.

The next few paragraphs summarize each strategic focus area and more details can be found throughout the Fiscal Plan and CIP.

Unique, Healthy and Inclusive Communities and Neighborhoods. Affordable and diverse housing options in livable neighborhoods are important parts of 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. The top priorities are the construction of the four new public schools, the expansion of providing key City services in neighborhoods with the Eastview Initiative, addressing the nearly 2,400 blighted properties in the City, and beginning the planning and public input efforts related to conversion of the Creighton Court and Whitcomb Court public housing communities to mixed income communities.

We will continue to work with the neighborhood civic associations to prioritize specific needs. During FY 2013, we will begin to implement the corridor study of Mechanicsville Turnpike.

We will create unique, healthy and inclusive communities and neighborhoods where the health of our children is considered primary, as we advance policies that support families raising and nurturing healthy children. The City's Breastfeeding Commission will submit to me their recommendations in April—recommendations that will encourage our businesses and non-profit communities to develop policies that encourage families to begin the life of children with healthy, natural diets. These strategies will help us continue the journey to reduce the incidence of infant mortality that has so gripped our poorer communities.

In April, I am formally launching the Healthy Richmond Campaign that will aggressively advance healthy lifestyles across the City. I will be looking to partner with each councilmember to implement healthy activities for our children, emerging young adults, families and elders. We must help our residents take control of their health. I believe that we can achieve that goal by getting the entire City and all of our residents involved in developing healthy lifestyles—life-giving and life-sustaining lifestyles. This \$100,000 is being underwritten by our private partners that are working with us from across the community.

I recently implemented an early recommendation from my Food Policy Task Force—an effort designed to identify ways that we pursue making healthy, safe food options available to all residents of our City. The RVA Shoppers Shuttle runs on the 2nd and 4th of each month. We are partnering with GRTC to run four buses from targeted, “food desert” communities, to local grocery stores. This strategy not only makes fresh foods available to some of our residents who

are without transportation options; it also helps to keep some of the \$8 million dollars that come in the City. This money goes directly to our local grocers.

The Mayor's Youth Academy is now headed into its 3rd summer of building a very important and needed bridge between our youth and local employers. I am expecting a record number of employers to hire our youth this summer—already, King's Dominion and ECPI have made early commitments to support our youth with jobs and learning opportunities. I would love to have every child that applies for a job with us this summer find placement in the workforce. Our young people's enthusiasm about working is only squashed when we do not support them by creating healthy options that ensure their growth. I am proposing a budget of \$355,569 for FY 2013.

We are in the process of developing Quick Start Tennis Courts in a number of our Parks and Recreation Facilities. The budget includes \$250,000 in the General Fund to resurface tennis and basketball courts.

Economic Growth. Creating and retaining jobs, and 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.

Community Safety & Well Being. Providing public safety resources, infrastructure investment, blighted properties, and improving 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 departments.

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, there will be maintenance and expansion of the violence free zones at Armstrong High School (and also at George Wythe High School in Southside). 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.

Our community safety and well-being remains a top priority for my administration. As we build the new Justice Center, we are continuing to direct our attention to developing healthy, community-based options for persons who are better placed in community alternative programs. As many of you know, we have traveled to a number of cities to examine their community options for ex-offenders.

We will assume responsibility for implementing the electronic monitoring program that currently resides with the Sheriff's office. This will allow us to work more closely with the Judicial System in ensuring that the right individuals are being placed on the monitors. It will also allow us to ensure that these individuals are getting the wraparound services that they will require to stay out of the criminal justice system. FY 2013: \$587,770.

We are also developing a Youth Court with the Commonwealth's Attorney's office which will be piloted on a limited basis beginning this summer, FY 2013 at \$68,000. I believe that these efforts will continue to help reduce the number of young adults in our criminal justice system.

Transportation. Enhancing transportation – especially our regional transportation needs transportation – is a broad strategic area which includes maximizing public transit and passenger rail and adequate pedestrian and bicycle connections. The Pedestrian, Bicycle, and Trails Planning Commission provided a clear path for expanding transportation alternatives.

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 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.

As you can see, my vision is for a City where our people are safe walking and using alternative modes of travel other than cars. Thanks to your approval last week, we will create a mountain bike park and bike training center on Belle Isle. These are recommendations that came out of the Pedestrian, Bicycle and Trails Commission's work.

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 have a strong and prosperous economy. In this focus area, the alignment of social service programs with the workforce development network is the key to our success. Coordination with the Richmond Redevelopment and Housing Authority on workforce programs is critical to ensure substantial outcomes with a minimum of duplicated efforts.

Since we initiated our workforce pipeline program, we have worked with over 200 individuals, and placed 140 of them in employment with 64 employers. I have asked members of my team to look at ways that our workforce development effort might be better aligned with our VIEW or welfare-to-work efforts where I'd like to see more substantial outcomes in terms of job placements, wages, and job retention.

We recently began funding for Manchester Bidwell to begin its assessment to determine if the City of Richmond is fertile ground for a Manchester Bidwell model that helps residents develop skills to make a living wage. If their assessment is positive, we will scale a training program that focuses on advance manufacturing, life sciences, perhaps a call center, etc. This technical education and training is vital for our economy as we seek to grow it.

Another top priority is to improve young children's readiness for school, including increasing the quality and availability of child care in the city. The City will assume a leadership position by establishing a 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 people's health as well as fiscal health. A Sustainability Plan will be introduced this spring. In advance of the Plan, several initiatives are included in this Budget. In this Focus Area, the implementation of an integrated solid waste strategy to reduce trash tonnage and increase recycling is critical. We will have an energy conservation program for aging City facilities, as well as a Building Management Automation (BMS) system. This system will balance and manage costly HVAC, electrical, lighting and other utilities in City facilities.

Additionally, GRTC will be introducing compressed natural gas buses in its fleet next year.

Well-Managed Government. Providing effective and efficient City services that are accessible, transparent, responsive, and accountable remains a priority. During the next year, implementing the Enterprise Resource Program (ERP) is a top priority, and will streamline financial and administrative functions and result in cost reductions. Low cost measures, including the issuance of a revamped citizen survey, will assist us in understanding the priorities in our neighborhoods. In FY 2012, an independent, internal consulting group reporting to the CAO was established and has been evaluating business processes. Since the second quarter of FY 2012, they have also been working with agencies to help them prepare for audits, to evaluate and implement outstanding recommendations from the City Auditor, and to develop policies and procedures. Their work will expand in 2013 as the team is in place for a full year.

Capital Improvement Plan (CIP)

This CIP reflects the City's strong commitment to infrastructure and 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 AAA localities within Virginia and the nation.

Strategic planning and outcome based budgeting also facilitated 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 \$508.74 million in planned spending, \$109.42 million is cash funding, with another \$15.26 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.

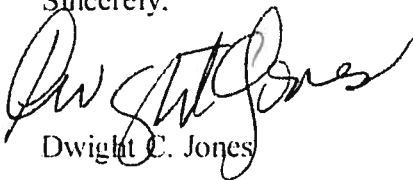
As I committed to last year, a debt management policy review has been completed and the proposed changes have been submitted to City Council. Based upon the tenor of several work sessions, these proposed policies have been incorporated into the proposed budget and this recommended CIP. These strategies are in keeping with other well-managed governments within the Commonwealth; particularly those rated Triple A by the three rating agencies. The City's Rainy Day (unassigned) fund balance will be calculated as 10% of the total General Fund revenue. Other localities use a broader budget definition – general government – to calculate their debt capacity not just their general fund revenues.

The current 7.5 percent total taxable real estate value measure will be reduced to 4.5 percent. In addition we will measure total including moral obligation and overlapping debt. 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 AAA rated localities to issue bonds of different terms with the deciding factor being the useful life of the building infrastructure.

These plans also assume that we will retire \$26.5 million in outstanding high interest debt and replace it with lower interest debt. In addition to realizing savings in debt service, we will be able to release existing liens on buildings previously pledged as collateral.

In closing, I want to thank the City's residents, businesses, employees, and elected representatives for their input into this fiscal plan. I look forward to working with City Council throughout the remainder of our budget process.

Sincerely,



Dwight C. Jones