

City of Richmond



DWIGHT C. JONES
MAYOR

March 13, 2014

The Honorable Council of
The City of Richmond Virginia

RE: FY2015 Amendments to the Biennial Fiscal Plan

Mr. President and Members of Council:

I am pleased to present to the people of the City of Richmond the Administration's Amendments to the Biennial Fiscal Plan for FY2015 and our 5-year Capital Improvement Plan for FY2015 – 2019. This plan continues us on our path to improvement as we strive to Build the BEST Richmond. The FY15 proposed expenditures include:

General Fund: \$777,340,828
Capital Improvement Fund: \$237,240,841
Enterprise Fund: \$334,508,009

This budget is balanced. This fiscal plan includes expenditure recommendations that are in line with current revenue projections. The Real Estate Tax Rate remains at \$1.20 per \$100.00. The fiscal plan provides funding for legal requirements and mandates in the City, while also continuing to fund services and initiatives in major strategic areas. However, I must admit that this has been one of the most challenging budget development processes of my time in office. This is largely because we were forced to utilize most of our budget gap closing strategies in prior years, leaving us with limited options to consider in balancing the FY15 budget.

Nonetheless, my proposed amendments are fiscally prudent and 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 potential future investments.

Key strategic decisions have been made after reviewing past performance - as we continue to align performance and outcomes with the needs of the City.

Even though the City is doing well and has improved its bond rating six times in five years, there are some fiscal issues that must be addressed over the next few years. These issues include: decreasing our long term pension liabilities; increasing the unassigned fund balance; and providing more cash funding towards our capital budget to reduce long term debt.

Addressing these and other critical financial issues was made more challenging this year because the General Assembly has not completed its budget in a timely manner. A significant portion of the City's revenue comes from the Commonwealth of Virginia, and the absence of fiscal certainty from the state has made it difficult for cities and counties across the Commonwealth to prepare their financial plans to deliver the services citizens expect and deserve.

GENERAL FUND

The total proposed spending plan for the FY2015 General Fund is \$682.1 million. This excludes the Fund Balance and Other Reserves.

Revenue

Total General Fund revenues are projected at \$682.1 million for FY15.

Highlighted changes from the FY14 Adopted Budget include:

- Transfer of all parking related revenues and expenditures from the General Fund to a proposed newly created Parking Enterprise Fund; this will position the General Fund to accommodate an additional \$65M in much needed debt capacity;
- Decrease of \$1.8 million in Other State Revenue – State Shared, based on historical collections and projected actuals;
- Decrease of \$1.1 million in Reimbursement of Interest on Long Term Debt as a result of the City taking over RMA and Coliseum parking decks for which the City in previous years received reimbursement payments;
- Decrease of \$17.83 million in Data Sharing & Other Transfers as a result of the removal of one-time revenues;
- Increase of \$3.5 million in Real Property Tax collections based on a higher collection rate;
- Increase of \$3.0 million in Personal Property Tax collections based on a higher collection rate;
- Increase of \$0.6 million in Local Sales & Use Tax resulting from improved audit efforts and stronger than forecasted retail sales;
- Increase of \$1.7 million in Prepared Food (Meals) Tax due to enhanced audit efforts and stronger than forecasted sales of prepared food;
- Increase of \$1.2 million in Lodging Tax based on improved lodging and better than forecasted lodging taxes;
- Increase of \$5.0 million in Delinquent Personal Property Tax based on enhanced collection efforts;

- Increase of \$3.1 million in Business License (BPOL) Fees as existing businesses continue to expand in line with the economy;
- Increase of \$1.8 million in Social Services State Revenue aligned with historical collections trends;
- Increase of \$1.8 million in Utility Payment in Lieu of Taxes based on historic collections and projected actuals;

Water, Wastewater, Gas

During the last budget cycle, Council approved a new rate structure known as a Conservation Rate; it provides a substantially lower base service charge and adds a utilization component. Those who used lower amounts of water saw marked decreases in their water and wastewater bills. Those who used moderate amounts of water saw relatively flat water and wastewater charges.

The two-year budget that was approved included a rate increase for all four utility services beginning in FY15. Our budget proposes a 6% increase in the Water Utility and a 6% increase in the Wastewater Utility. Our Gas Utility rates are also proposed to increase by 3%. This means the average monthly residential bill for a customer with gas, water and wastewater services will see an increase in their monthly bill of \$6.12.

Though recommended, I am rejecting any increase in stormwater fees at this time.

Expenditure Highlights

Provided below are expenditure highlights in the Proposed Amendments to the Biennial Fiscal Plan for Fiscal Year 2015.

Well-Managed Government

- The City's Rainy Day/Unassigned Fund Balance has grown to 10% of our general fund and Richmond Public Schools state supported expenditures. This 10% level meets the requirements of our financial policy regarding reserves. At the end of FY13, our Rainy Day/Unassigned Fund Balance stands at an impressive \$75,000,000, up 2.8% (\$2,091,146) from FY12's balance of \$72,908,854. The Rainy Day/Unassigned Fund Balance has grown from \$47 million when I came into office;
- The Revenue Stabilization (\$10 million) and Asset Renewal (\$10.2 million) reserve funds have been replenished in accordance with our financial policies;
- The City is fully funding its ARC (annual required contribution) to the pension fund in FY15. I will as a part of this budget process, propose amending our financial policies to stipulate that savings associated from debt funding strategies be earmarked to hasten reduction of our pension liabilities;
- FY15 will be the second year in a row that the City will absorb all health insurance premium increases on behalf of employees. Premiums will increase by 8.4% or \$1.9 million. Employees will only see an increase in their premiums if they do not complete

their health assessments and applicable medical follow ups. This budget is compliant with the Affordable Care Act;

- This budget eliminates 39 vacant positions. Employees in these positions retired as a part of last year's Voluntary Retirement Incentive Program (VRIP). One element of the VRIP program was to not refill some positions left vacant;
- Many Triple A rated localities use cash to fund capital related costs, as a best practice. The FY15 budget recommends cash funding critical technology infrastructure and a portion of fleet replacement and fire station renovations. In the past, these items generally were funded by debt;
- A total of \$5.2 million is proposed for fleet replacement in FY15. \$1 million is proposed to cash fund fleet replacement and an additional \$4.2 million in short term debt is proposed in the City's capital improvement plan;
- \$5.3 million is proposed to cash fund critical technology infrastructure.

The above Well-Managed Government items represent a total of \$12.4 million in the FY2015 budget.

Anti-Poverty

- Currently, the City administers many services/programs that address poverty. An estimated \$194 million in funding is allocated to existing local programs that have some element of addressing the issue of poverty within our city. These programs range from blight remediation, workforce (adult and youth) development, teen pregnancy and truancy reduction, public school construction, minority and emerging small business expansion programs, grade level reading initiatives, etc.;
- In addition to the items that the City is currently funding to alleviate poverty, this budget recommends an additional \$2.3 million to support the following recommendations of the Maggie L. Walker Anti-Poverty Task Force in the areas of: Housing, Economic Development, Transportation, Workforce Development, Early Childhood Development, and Education;
- This budget also recommends an additional \$1 million a year be allocated to the Affordable Housing Trust Fund, which is also supported by the Maggie L. Walker Anti-Poverty Task Force.

These items represent a total of \$197.3 million in the FY2015 budget dedicated to alleviating poverty.

Public Safety

- In the operating budget, \$3.7 million is recommended to create a new, stand alone agency, the Department of Emergency Communications (DEC). Funding for this agency was transferred primarily from the Police Department's operating budget. The purpose is to improve operational performance. The proposed new department will be less police-

centric and will have the ability to focus on issues that are unique to the operations of a 911 facility that combines police, fire and emergency ambulance calls for service.

Additionally, this budget under the CIP accommodates the co-location of City emergency dispatchers and call takers with those of the Richmond Ambulance Authority (RAA). The co-location will reduce response times by removing the need to transfer calls which will save time in getting the right resources to patients. This action is expected to reduce response times by more than 1 minute and 20 seconds for approximately 18,000 calls annually. These saved seconds drastically affect health outcomes. Co-location will also allow DEC and RAA to share technology – resulting in operational efficiencies and cost avoidance. Through shared technology there is a total annual savings of \$97,000 and a total one-time cost avoidance of \$2,740,000 by not having to install a tower/shelter for the 800 MHz radio upgrade at RAA;

- This budget recommends \$4.9 million in capital funds for the expansion of the E-911 Center in FY15;
- In the capital budget, \$47.3 million in city funds and \$4.9 million in Public Utilities renewal funds are recommended to fund the 800 Megahertz radio communications system replacement. This will allow for enhanced regional communication. This project has a total proposed funding of \$52.2 million;
- \$5.4 million in capital funds is provided in FY15 to complete the \$133.6 million Justice Center. Construction is estimated to be completed in November of 2014; however, the main tower will open this spring;
- \$1 million in cash funding and \$1.8 million in long term debt for a total of \$2.8 million over five years, is recommended for fire station renovations.

The above public safety items represent a total of \$15.5 million in the FY2015 budgets (GF and CIP).

Transportation

- In FY15 there is capital funding of \$8.5 million for paving projects. An additional \$1.5 million is anticipated in State Revenue Sharing funds for a total of \$10 million. Our goal is to invest \$10 million a year in this area (inclusive of Revenue Sharing). This is double what was being spent prior to FY14;
- \$1 million in city capital funds is provided for sidewalks in FY15. An additional \$1 million is anticipated in State Revenue Sharing funds, for a total of \$2 million. Our goal is to invest \$2 million (inclusive of Revenue Sharing) annually on sidewalk repairs.

The above transportation items represent a total of \$9.5 million in the FY2015 budgets.

Education

- The City's proposed \$1,000,000 increase to Richmond Public Schools will increase their local funding to \$155.9 million in FY15;

- School Maintenance capital funds of \$5 million are proposed in FY15 and \$18.2 million is proposed over five years. This is an increase of \$14.9 million over the Adopted FY2014 – FY2018 capital budget;
- Capital funding is included for a new elementary school in the Highland Grove Community in the amount of \$21.1 million over five years. \$2.7 million is proposed in FY15. It would be very exciting for this to 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.

The above education items represent a total of approximately \$163.6 million in the FY2015 budget.

Economic & Community Development

- Capital funds in the amount of \$1.25 million in FY15 and \$2.5 million over five years is proposed for public housing transformation. Funds will be utilized to partner with private developers to redevelop severely distressed public housing complexes – Whitcomb Court and Mosby Court in Eastview and Creighton Court and Fairfield Court in the East End;
- Capital funding to prepare the Boulevard site for future economic development, in the amount of \$7.6 million in FY15 and \$9.7 million over five years are included in the proposed budget to take advantage of a tremendous opportunity to put the Boulevard property on the tax rolls for private, mixed use development;
- \$13.6 million in capital funds is provided in FY15 to support infrastructure improvements in the Shockoe area. The development consisting of construction of a ballpark, hotel and apartments will require improvements to the stormwater drainage system and sewer systems;
- In FY15 \$5.0 million in capital funding is recommended for the Heritage Center. This funding will leverage a potential match of \$12.9 million in State funds.

The above Economic and Community Development items represent a total of \$27.5 million in the FY2015 budget.

Culture & Recreation

- \$4.3 million in capital funding is provided for the Community Schools/Parks/Libraries project in FY15 for the M.L. King Jr. Middle School separate pre-k facility;
- \$1.6 million in capital funding is provided for a Southside Community Center. This amount reflects an anticipated FY14 amendment to accelerate funding from FY15 in order to purchase a facility. Amenities would include a gymnasium, multi-purpose space, and ideally would be complimented by existing outdoor venues.

The above Culture and Recreation items represent a total of \$5.9 million in the FY2015 budget.

City Facilities

- Capital funding for major building renovations in the amount of \$1.4 million in FY15 and \$5.2 million over five years is recommended to provide structural and system replacements and improvements in over 100 City-owned buildings.

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 discussing. We remain committed to becoming a Tier One city with a Triple-A bond rating. This depends on having a world-class education system, demonstrating fiscal responsibility, serving all of our neighborhoods and citizens, reducing poverty, and furthering Richmond as a good place to live, work and do business.

Sincerely,



Dwight C. Jones
Mayor