

## **FINAL DRAFT**

### **City of Richmond Budget Speech – 2021**

**Remarks prepared for delivery by Mayor Levar M. Stoney**

**March 5, 2021**

President Newbille, Vice President Robertson, honorable members of City Council, dedicated fellow city employees, and residents of the great City of Richmond, good afternoon.

Before I begin, I'd like to acknowledge the incredible hard work and dedication of our budget and finance teams, led by Budget Director Dr. Jay Brown, Interim Finance Director Sheila White, and supported by Anne Seward, a consultant we hired with over 26 years of finance and administration experience, to assist with this difficult budget year.

This hardworking team, under the leadership of Acting Chief Administrative Officer, Lincoln Saunders, as well as my Acting Chief of Staff, Maggie Anderson and her team, made the creation of this balanced budget possible.

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Ladies and Gentlemen, it's hard to believe but it's been a (whole) year since I last spoke to you about the state of our city's fiscal affairs. It has certainly been a year to remember.

Perhaps more than any year in the recent history of our city, your city administration has overcome exceptional challenges to be able to present to you a structurally sound, fiscally responsible, fully balanced \$770.3 million budget for the coming 2022 Fiscal Year.

With precious little help over the last year from the federal government, the ongoing pandemic has decimated the finances of cities and states alike, and the City of Richmond is no exception.

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To be sure, this *is* a Pandemic-era Budget, and city tax revenue projections are still significantly short of what we projected at this time last year.

So while I am hopeful for the future, thanks to the prospect of increasingly greater availability for vaccinations, it should come as no surprise that this budget requires compromises and sacrifices in order to meet our obligations.

Unfortunately, as we are still more than \$18.5 million dollars short of the revenues we projected in the budget I proposed on March 6th of last year – when excluding one-time funding sources from both fiscal years – we must make the same tough decisions many of our families have made to pay their bills. That means not taking on new expenses until our income can sustain it, or new dollars can be found.

My administration is keeping a close eye on the status of President Biden's American Rescue Plan, which is being

debated by Congress. I am hopeful that we will be able to address additional community priorities once the Congress approves and appropriates relief to localities like ours, in addition to direct payments to families, expanded unemployment benefits, and vaccine deployment that can launch our recovery.

The difficult decisions we had to make this year reflect the extraordinarily challenging economic times we're in, and which we are projected to experience over at least the next fiscal year.

So I'm proud to say, while this budget is limited in its ability to provide for new programming, it *does* protect the work we've started to make our city more equitable.

Likewise, facing the need to do more with significantly less challenged us to look even more closely at how we can allocate the limited resources we have to produce better results for our residents.

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My administration has made significant strides in restoring the city to solid financial footing over the last four years:

From saving tens of millions through improved credit ratings and bond refinancing, to getting our financial reporting in order.

But the times call for us to do even better, and I believe this proposed budget, and the best practices that inform it, succeeds on that front as well.

Now, Dr. Brown and ACAO Saunders and their teams will be walking you through much of the details in the weeks to come.

But, today I will provide an overview of this year's plan, and how it fits into our long range vision of building "One Richmond."

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So, first thing's first. Here is where we stand financially:

While we anticipate help from an increase in assessed values and payments in lieu of taxes from our public utility and the utilization of certain one-time funds, our projections show that we won't return to baseline, pre-pandemic revenue generation until at least Fiscal Year 2023.

This is due in part to sharp declines in our consumer driven revenues – notably - meals, lodging and admissions taxes.

On the other side of the ledger, remember, we also have fixed, increasing costs that don't go away – even during a pandemic.

This year, those costs include the city's debt service, health insurance, retirement contributions, and increases in the cost of our public utility to provide water, storm water abatement, sewer service, and natural gas.

As currently proposed, the average residential customer would see about a three percent increase to their monthly bill -- approximately \$5.27 a month. This includes a \$0.36 cent average monthly increase in our storm water rate,

which will fund more than \$3 million dollars in remediation to address flooding in key areas, particularly in Southside.

Unlike the federal government, we can't print money. And we're not allowed to run a deficit. We have to balance our budget every year. These rate increases are necessary to provide the top notch utility services our residents expect and deserve.

But I also understand that these are difficult times and many of our residents have lost jobs and income due to this pandemic.

Working with our government, nonprofit and philanthropic partners, we have worked to provide:

Tax amnesty programs, utility payment support and shut off protections, rent and mortgage support, eviction moratoriums, free childcare, direct payments to families, and millions in grants to small businesses.

I know how hard this last year has been.

I know some of you have lost businesses, some of you have lost jobs and some of you have lost homes.

I know personally what it's like to look at the family checking account and not have the funds to cover the check you have to write for groceries, for the rent, for the heat or school supplies for your children.

So we remain committed to doing everything we can to provide support and compassion during these difficult times

**That is why this budget proposal contains NO increases in real estate, personal property, or other general taxes.**

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Now is *also* not the time to cut the core programs and services we know our residents depend upon.

So while this budget reflects the *belt tightening* that is demanded by the times, it also reflects the *investment* that is demanded by the times, by maintaining allocations from FY21 adopted levels in key areas:

- In transportation, we are maintaining \$8 million for the Greater Richmond Transit Corporation, whose operations are now also supplemented by revenue generated by the Central Virginia Transportation Authority, for which I Chair the Finance Committee.

I want to thank Julie Timm and the GRTC Board for their leadership during these difficult times. They have not only maintained service levels and frequencies across the system, but have managed their budget to provide *fare free* services since the start of the pandemic. I am committed to working with GRTC to make this change to fare free service permanent, and I believe - with some help from state and federal partners - we can do just that.

- We will maintain a \$2.9 million contribution to the Affordable Housing Trust Fund, and \$485,000 in our base budget for the Eviction Diversion Program. Both the Affordable Housing Trust Fund and the Eviction Diversion Program have been critical programs throughout the pandemic.

With the infusion of CARES Act dollars last year, and the hope for additional resources from the American Recovers Act, we can invest even more in these critical support programs.

I know we need to do more to assist those who are experiencing housing insecurity and homelessness. That is why I am grateful for the Homelessness Advisory Council and their actionable recommendations.

My administration has already started to work on establishing the **Community Resource Center** in City Hall, using existing resources, where Richmond City residents, whether housed or experiencing a housing crisis, can connect with triage, case management, and mainstream resources and services to meet their identified needs. *AND* we are crafting a **Memorandum of Understanding** with the Greater Richmond Continuum of Care in order to clarify the roles and responsibilities of each party in the funding and delivery of homeless services in the City.

Again, I thank the advisory council for these recommendations and I look forward to your continued partnership.

- And as you also know, I am very proud of our work together to prioritize and invest in our schools and students.

So, while it was not easy, this proposed budget fully funds the Richmond Public Schools operational request of \$187 million, an increase of \$6.4 million over last year's budget, when excluding RPS' use of one-time funding last year.

(PAUSE)

But COVID-19 was not the only crisis we reckoned with in 2020. So, in one of the only new investments you'll find in this budget, I am proposing that we fund a recommendation supported by Richmond community advocates and members of the Task Force to Reimagine Public Safety by allocating \$1.1 million in operational funding within the Department of Emergency Communications for the establishment of a Marcus Alert.

This funding will help to provide the training and staff for a community care team that will be available to assist those

experiencing a mental or behavioral health crisis. This team will consist of staff from the Richmond Behavioral Health Authority, the Richmond Police Department, and the Department of Emergency Communications.

Anyone experiencing a mental or behavioral health crisis should not be punished. They should be met with care and compassion, and we're working with mental health professionals and community advocates to prioritize de-escalation and crisis intervention, in alignment with state guidance.

It is my hope that this collaboration and training will save lives and prevent future tragedies and challenging situations.

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Our Capital Improvement Program budget this year also reflects investments in community needs and priorities.

My proposed capital budget includes over \$33.5 million in transportation infrastructure funding. We also anticipate approximately \$16.7 million from the CVTA. Under the leadership of DPW Director Bobby Vincent and the Office of Equitable Transit and Mobility, these dollars will allow us to continue to make significant investments in paving, bridge maintenance, new bike lanes, sidewalk maintenance and new sidewalk construction.

I know that sidewalks are important to our community members. We are increasing the number of sidewalk crews

citywide and increasing the allocation for new sidewalk construction from \$900,000 in FY21 to \$2.5 million in FY22.

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The five-year CIP budget for the General Fund of \$450.6 million includes: dedicated funding to *complete* the Southside Community Center, funding to begin the construction process for a *new* George Wythe High School, and nearly *\$28 million* in new funding for the development of the historic area and slave heritage site in Shockoe Bottom.

Ladies and gentlemen, it is time to lift up areas of our city that have lacked substantive investments in the past. This proposal does that utilizing an equity lens.

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Now, it's easy to forget sometimes, but behind every trash bin collected, every park that's mowed, every open library, and every drink of clean water we take from a city tap, there is a City of Richmond employee we depend on to do their jobs.

And these are the same workers who provided uninterrupted service to city residents during this pandemic.

Whether in person or virtually, they never stopped showing up. They innovated and adapted to the challenges we faced and did everything they could to serve our residents.

I am VERY proud of the employees who work for the city of Richmond.

It has been my number one priority throughout the pandemic and in crafting this budget that we not have to furlough or lay off city employees. I firmly believe our residents need **more** services, not less.

Yes, some positions have had to adapt to new responsibilities, but I know our workforce, and I want everyone who is committed to serving our residents to be able to continue to do so.

So, I'm proud to share that, despite our fiscal challenges, this budget does not propose or require any further reduction in personnel outside of the hiring freeze.

Rather, we have a pressing need to invest in those persons who *have* committed to this city.

Among the city of Richmond workforce, approximately **65 percent are persons of color.**

If this city is serious about advancing equity, we need to make sure that we are delivering on our own commitment to economic justice, starting with the city's workforce.

**That's why my general fund budget proposal includes roughly \$6 million to give our departments the capacity to implement the recommendations of the Gallagher Class and Compensation Study this year.**

**And we will provide a two-step increase for our hard-working first responders, who also have been serving on the front lines of this pandemic.**

**Due to budget constraints, both of these increases are programmed to be implemented on October 1st.**

As you'll recall, the Gallagher study, completed in 2019, found that many of our city employees make significantly less than the mid-range salaries for their jobs compared to the market rate for their position.

The fact is, we *will not* achieve service improvement goals if we do not stabilize the attrition rate in the city workforce. Or if we can't competitively recruit. That's just the truth.

For example, currently we have a 30 percent vacancy rate and an 18 percent annual attrition rate in the Department of Social Services.

That is unacceptable. If we truly want to better serve our residents in need, we must invest in the public servants that residents depend upon.

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Let me demonstrate the impact of implementing this study for an eligible Human Services Technician (senior) in Social Services:

The starting salary for this position in the City of Richmond is \$37,440 compared to \$46,340 in Henrico County. By implementing this study, we will be adjust that city employee's salary to \$46,800, or the midpoint.

Our surrounding localities have embraced growth and economic development, and they are investing that growth in their employees.

This doesn't account for raises proposed by the surrounding counties this year. So, it might take us some time to catch up, but for our proud city employees, bringing their average salaries at least up to the market mid-point will demonstrate our commitment and appreciation for their contributions, while we aim even higher in years to come.

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Additionally, as you may be aware, being a first responder can be one of the most stressful jobs in local government. So we are allocating resources to address officer mental health and trauma incurred on-duty, as recommended by the Task Force to Reimagine Public Safety. This will provide opportunities to improve RPD officer well-being for existing and future officers.

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And, lastly on the issue of compensation, we have talked for a long time about the need for the federal government to raise the minimum wage of \$7.25 an hour to something closer to a *living wage*.

**That is why my budget also includes a modest increase for city government workers who earn \$12.07 an hour to \$13 an hour.**

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As I stated in my State of the City speech, we are also reorganizing much of the staff and resources of the Office of the Press Secretary to enable us to form an **Office of**

**Public Engagement.** This new office will be located within the Department of Citizen Service and Response under the leadership of Peter Breil and will work to strengthen the engagement and communications of ALL city functions.

As you've seen from us this past year with RVA Strong and other resident-friendly improvements, such as how our Tax Amnesty program is communicated, the vision of this Office is that Richmond City Government and residents are *connected*. That residents can engage in information sharing, conversation, storytelling, and maintain two-way dialogue through a variety of platforms, including digital and in-person engagement opportunities.

Furthermore, to enhance and support our efforts to apply an equity and inclusion lens across all city departments and services, this budget proposes the creation of the **Office of Equity and Inclusion** under the Deputy Chief Administrative Officer for Human Services.

This new office will be charged with leading the cross-functional collaboration necessary to create sustainable policy and structural change, resulting in a more equitable and inclusive city. It will also work to empower marginalized communities who have experienced past injustices by tracking progress on the city's Equity Agenda and ensuring implementation of the City Council approved equity study and training for city employees.

Additionally, to improve continuity and stability in how we address a range of issues impacting our neighborhoods, we

will hire a **Community Safety Coordinator**. Using a restorative justice lens, the Coordinator will be the city’s “point person” for implementing the city’s gun violence prevention framework, coordinating services for our unsheltered population with our non-profit partners, and working with residents to address other community safety concerns. This Coordinator will also be in our Human Services Division, and report directly to DCAO Reggie Gordon.

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These modest shifts are just a few steps, not the only steps, we can and must take to address community priorities of enhancing engagement and advancing equity.

I know they will go a long way toward helping our city not just recover from the pandemic, but -- as I said in my State of the City speech a few weeks ago -- *recover the “right” way*.

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Before I conclude, I want to share how the challenges of preparing this budget have led us to a deeper examination of municipal best practices and how we can continue to improve the structural foundation of city finances moving forward.

**First**, we are increasing the transparency and accountability of our budgeting process by establishing

position controls and relevant reporting in the budget documents you will receive today.

In addition to the information you are used to seeing around personnel funding levels and operating dollars, you'll also find a complete list of positions by department identifying positions that are funded vs. those that are frozen.

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In future years, you'll see the proposed changes in these positions and we, the administration, will be able to tie those changes to service enhancements or new priorities.

But, for this year, there are really two numbers I will draw your attention to.

We've talked a lot in the past four years about "Unfunded vacancies."

For those not steeped in our budget process, those are positions that were once approved and funded, that we no longer have funding to fill. Many of these positions have not been funded since before my time as your Mayor.

Last year, the FY2021 general fund budget included funding for 3,250 of 3,700 positions, leaving roughly **450** of those positions unfunded.

This year, due to the hiring freeze, and our conscious decision to prioritize implementing the Gallagher class and compensation study and step increases for public safety, that number has grown to more than **600** – an additional **150 vacant positions** that will remain administratively

frozen – unfilled and unfunded --- for the next fiscal year, barring any new revenues or appropriation.

We are going to do our best to innovate and prioritize our efforts to maintain service levels, but there will undoubtedly be tradeoffs. But, I know that we will be able to work together as we navigate the coming year.

At the same time, this budget also acknowledges areas where we have work to do to meet our obligations and responsibilities to strengthen our financial footing, such as funding our Annual Required Contribution to Other Post-Employment Benefits (OPEB) and adequately funding our capital maintenance for city facilities.

The steps we take in this budget are modest. We'll need to do more in future years to get to where we need to be. But, even though we're in a pandemic, we can take small steps on the right path to meet our obligations to our employees past and present.

I want to thank the Auditor, Lou Lassiter, and our Deputy Chief Administrative Officer of Operations, Bob Steidel, as well as our Budget and Finance staffs for identifying these critical needs and laying out a path to addressing them.

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Madam President, members of council, and my fellow Richmonders, we are now a year into the Covid-19 pandemic. And while we are on the way to defeating this virus, we know that the economic impact will continue to be

felt, by individuals, by families and by this city for years to come.

We have looked for savings everywhere we can to meet our obligations, and help fund our priorities. We have made tough decisions.

Now more than ever, we need to be resilient as a people, resourceful in how we govern and embrace opportunities to grow.

And just months into this New Year, we already see signs of a new dawn in our city that will help move us forward.

After months of no aid from the federal government, state and local governments like ours remain hopeful of assistance if Congress can act and pass President Biden's relief package.

While we cannot count on money we don't have in our FY22 budget, if it comes, we will certainly know how to put it to good use.

Madam President, brighter days are ahead. Six operators are currently vying to build a resort casino in our city. And with Council's unanimous approval Monday, we look forward to the development of the city's old Public Safety Building into a tax generating property that will serve our community.

As I said a few weeks ago, we are driving out the darkness to usher in the dawn.

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In this fiscally responsible, balanced budget, we have:

- Protected core city services and the workers who provide them.
- Maintained key investments in education, housing, transportation and public safety that support our residents and shore up our safety net.
- And we have put fiscally responsible policies in place to maintain financial stability and government efficiency for years to come.

But whether times are lean or prosperous, I want you to know that I will continue to be bold and embrace the challenges before us.

We will take the actions required to remove barriers to opportunity to ensure our city can unite and recover the right way.

This pandemic has devastated our communities and our economy, but I know it cannot keep this city down.

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I would like to thank the members of the Task Force to Reimagine Public Safety, the Homelessness Advisory Council, the Gun Violence Prevention Framework steering committee, and the Eviction Task Force for informing various parts of this budget. I look forward to continuing to collaborate on community priorities, like eviction and gun violence prevention, as additional federal dollars come to our city.

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Let's advance this budget, and greet the dawn together.

Thank you, Madame President and honorable members of Council, for your time this afternoon. I appreciate everything you've done, and continue to do, working with us to build One Richmond.

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