

INTRODUCED: June 12, 2017

AN ORDINANCE No. 2017-116

To create a new reservation of fund balance called the Cost of Living Adjustment Reserve intended to be categorized as a committed fund balance and used for cost of living adjustments for employees of the City of Richmond.

\_\_\_\_\_  
Patron – Mrs. Robertson

\_\_\_\_\_  
Approved as to form and legality  
by the City Attorney  
\_\_\_\_\_

PUBLIC HEARING: JUNE 26 2017 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That:

(a) A new reservation of fund balance called the Cost of Living Adjustment Reserve (the “Reserve”) is hereby created.

(b) It is the intent of this ordinance that (i) all amounts committed to the Reserve be appropriated for one-time expenditures in a manner that releases ongoing revenues for cost of living adjustments for employees of the City of Richmond and (ii) the Reserve be categorized as a committed fund balance for purposes of generally accepted accounting principles.

AYES:            2            NOES:            7            ABSTAIN: \_\_\_\_\_

ADOPTED: \_\_\_\_\_ REJECTED:    JUNE 26 2017    STRICKEN: \_\_\_\_\_

(c) Any year-end General Fund surplus remaining after the Unassigned General Fund Balance for the fiscal year commencing July 1, 2016, and ending June 30, 2017, reaches an amount equal to ten percent of Total Budget Expenditures as defined in the Unassigned Fund Balance Policy of the City of Richmond adopted by Resolution No. 2012-R42-72, adopted April 23, 2012, and after all other reserve funds adopted for the fiscal year commencing July 1, 2016, and ending June 30, 2017, have been satisfied shall be committed to the Reserve.

§ 2. This ordinance shall be in force and effect upon adoption.



# Richmond City Council

The Voice of the People

Richmond, Virginia

Lou Brown Ali  
Council Chief of Staff

## Office of the Council Chief of Staff

**RECEIVED**

JUN 02 2017

## Ordinance/Resolution Request

**TO** Allen Jackson, City Attorney

**THROUGH** Lou Brown Ali, Council Chief of Staff *LBA*

**FROM** Charles M. Jackson, Council Budget Analyst *cj*

**COPY** Ellen Robertson, 6<sup>th</sup> District Council Member  
Meghan K. Brown, Deputy Council Chief of Staff *MLB*  
Kiya Stokes, 6<sup>th</sup> District Liaison

**DATE** June 2, 2017

**PAGE/s** 1 of 2

**TITLE** Resolution requesting a cost of living adjustment for general City employees upon the identification of a Fiscal Year 2017 projected surplus.

OFFICE OF CITY ATTORNEY

This is a request for the drafting of an **Ordinance**  **Resolution**

**REQUESTING COUNCILMEMBER/PATRON**

Ellen Robertson

**SUGGESTED STANDING COMMITTEE**

Finance and Economic Development

**ORDINANCE/RESOLUTION SUMMARY**

The patron requests an ordinance to require that:

- 1.) Upon achieving an Unassigned General Fund Balance equal to ten percent (10.00%) of the Total Budget Expenditures, as defined in Resolution No. 2012-R042; and
- 2.) After all other adopted reservations of Fiscal Year 2017 (FY17) surplus have been satisfied;
- 3.) Any remaining General Fund surplus for FY17 shall be allocated as an amount committed for the purpose of providing funding for one-time expenses, so that ongoing revenues can be dedicated to future salary adjustments for all City employees.

**BACKGROUND**

During the FY18 Council Budget Work Sessions, the patron expressed an interest in identifying statistics pointing to the lack of salary increases on an annual basis for City employees. The information is intended to serve as support for providing future cost of living adjustments or salary adjustments to City employees.

The May 2017 City of Richmond Performance Review, released by the Virginia Commonwealth University's Wilder School, highlighted the growing general

employee dissatisfaction regarding 1) inconsistent incentive compensation, 2) competitive pay and 3) COLA increases in recent years.

The combination of these factors has resulted in a significant decline in morale, increased staff turnover, and greater instances of (mid-career) job burnout. In addition to pay dissatisfaction, the performance review highlighted employee concerns about other challenges such as increased service demands, high workloads and outdated equipment. All while dealing with these challenges, the majority of staff are left to deal with long periods of stagnant salaries.

Since 2012, the City of Richmond has paid an annual flat-rate (percentage) salary increase only twice. Exhibit 1 below lists the salary increase and bonuses provided in the last several years; excluding any step increase or pay adjustments for Police and Fire sworn officers or constitutional officers:

**Exhibit 1. Salary and Bonuses provided since 2012.**

1. Fiscal Year 2012 - \$1,000 bonus for full-time employees and \$500 for part-time employees
2. Fiscal Year 2013 - \$0
3. Fiscal Year 2014 - 2% salary increase for general employees
4. Fiscal Year 2015 - 2% bonus for general employees
5. Fiscal Year 2016 - 2% salary increase for general employees
6. Fiscal Year 2017 - \$500 bonus for full-time employees and \$250 Bonus for part-time
7. Fiscal Year 2018 - \$0

Based on the data above, general City employees have received two cost of living adjustment in the past six years, and with no funding currently allocated in the FY18 adopted budget for a cost of living adjustment for general City employees, it would then make it seven years.

Additionally, the City is currently in the process of conducting a comprehensive review and assessment of its current classification and compensation systems. The current classification and compensations systems were constructed over more than fifteen years ago. A recent memo received providing employees with an update on the status of the review, indicated that,

"It is anticipated that the final product of this study will result in significant changes to the City's classification and compensation systems that ensure much better alignment of our system with the competitive marketplace." The memo further states that, "While we are unsure at this moment as to what the final recommendations will be, we are optimistic future recommendations will resolve many of the challenges we currently face relative to job classification, pay and pay progression."

While final recommendations have not yet been made, it is believed that some of the anticipated recommendations will have a fiscal impact to the City. The City must evaluate the impact of appropriating salary adjustments within the parameters of the current classification and compensation system against future revisions which may cause salary inequities or irregularities as a result of the compensation study.

Lastly, also during the FY18 budget deliberations, there was significant discussion relative to Police and Fire Sworn Officer salary adjustments. These discussions revealed similar issues that concern general employees, including compensation compression and competitive pay. These issues are said to be some of the main factors that are resulting in high turnover (particularly to local jurisdictions) and additional work responsibilities on remaining staff. As part of the FY18 adopted budget, approximately \$5 million in funding was provided for pay adjustments as part of year one of a three year plan. Ultimately, it is estimated that it will be a significant cost to pay for the salary adjustments over the three years from FY18-20.

The patron believes that due to the several factors listed above that the City should begin to commit funding to begin addressing these issues. Although any surplus funds are considered to be one-time funding it is believed that establishing this reserve can begin the process for identifying annual one-time expenditures that the reserve funding could then be applied to and release on-going revenues to be used to provide salary adjustments for City employees.

#### FISCAL IMPACT STATEMENT

Fiscal Impact Yes  No

Budget Amendment Required Yes  No

Estimated Cost or Revenue Impact:

This resolution does not directly have a fiscal impact at the current time but based on the request within the resolution there could be a fiscal impact in the future if salary adjustments are provided to city employees.

During the FY18 budget deliberations it was indicated that a 2.5% salary increase for general city employees, excluding Sworn and Constitutional officers would cost approximately \$2,725,000. That amount is estimated as the annual cost.

Should any additional surplus be identified, after the unassigned fund balance policy and all other adopted reservations of surplus are met, remaining portions are to be reserved for the purpose of providing a source of funding for future one-time expenditures, so that ongoing revenues can be dedicated to future salary adjustments for City employees.

Attachment/s Yes  No