

# **City Council Budget Session FY2022 BUDGET REVIEW March 29, 2021**

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MAYOR LEVAR M. STONEY

LINCOLN SAUNDERS, ACTING CAO



# Outline

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- General Overview of FY2022 Proposed Budget
  - General Fund Revenues
  - Major General Fund Expenditure Changes
  - Personnel
    - Employee Benefits
      - Health Insurance
      - Retirement System Rates
- Capital Improvement Plan overview
- Department of Public Utilities overview



# FY2022 Budget Overview

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## Proposed FY2022 Budget:

- **Developed using a Zero-based methodology (city council requirement)**
- **Continued use of robust performance based methodology**
- Utilized 5-year forecast as a guide
- Recommendations developed by:
  - Reviewing agency justifications
  - FY2019 and FY2020 actuals
  - Known information in current year budget



# FY2022 Budget Overview

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- Proposed FY2022 Expenditure Budget:
  - Recommendations developed by contd.:
    - **Availability of proposed revenues**
    - **Best financial and budget practices**
    - What will push organization and City forward
    - Still includes known, contractual obligations and mandates as provided by Departments



# **FY2022 Budget Overview**

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## **Incorporation of best financial and budget practices**

- Multi-year approach to accomplish objective
- Starts in FY2022



# FY2022 Budget Overview

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**Maintains investments from prior years**

## **Investment Preservations**

- Affordable Housing Trust Fund
  - Eviction Diversion



# FY2022 Budget Overview

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## New/Enhanced Investments

- Employee Pay
  - Education
  - Neighborhoods/Streets
- New organizational units and functions
  - Reimagining Public Safety



# FY2022 Budget Overview

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## New/Enhanced Investments

### Pro – Employee/Employee Pay

- Continued investment for employees – Implementation of Classification and Compensation Plan (for non-sworn staff)
- Funding a 2-step increase for Sworn staff
- Funds recommended 5% salary increase for Constitutional Officers and their staff





# FY2022 Budget Overview

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## New/Enhanced investments

### Education

- Additional operating funding for RPS of \$4.6M + \$1.8M in FY21 estimated carryover (satisfies request)



# FY2022 Budget Overview

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## New/Enhanced Investments

### Neighborhoods/Streets

- Significant investment in paving and sidewalks funding in City neighborhoods through “Complete Streets” capital funding
- Utilization of State funding through the CVTA for transportation related projects
- Completion of CIP projects – Fire Station 12 and Southside Community Center



# FY2022 Budget Overview

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## **New/Enhanced Investments**

### **Creation of new offices**

#### **Youth Services**

Creation of a new office within Human Services

#### **Equity**

Creation of a new office within Human Services

#### **Engagement**

Creation of a new office within Citizen Service and Response



# FY2022 Budget Overview

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## Continued Emphasis on Major Priorities

- **Public Safety** – Focus on retention  
Focus on mental health
- **Anti-Poverty** – Continued work in this critical area through OCWB
- **Core Services** – Maintains core services



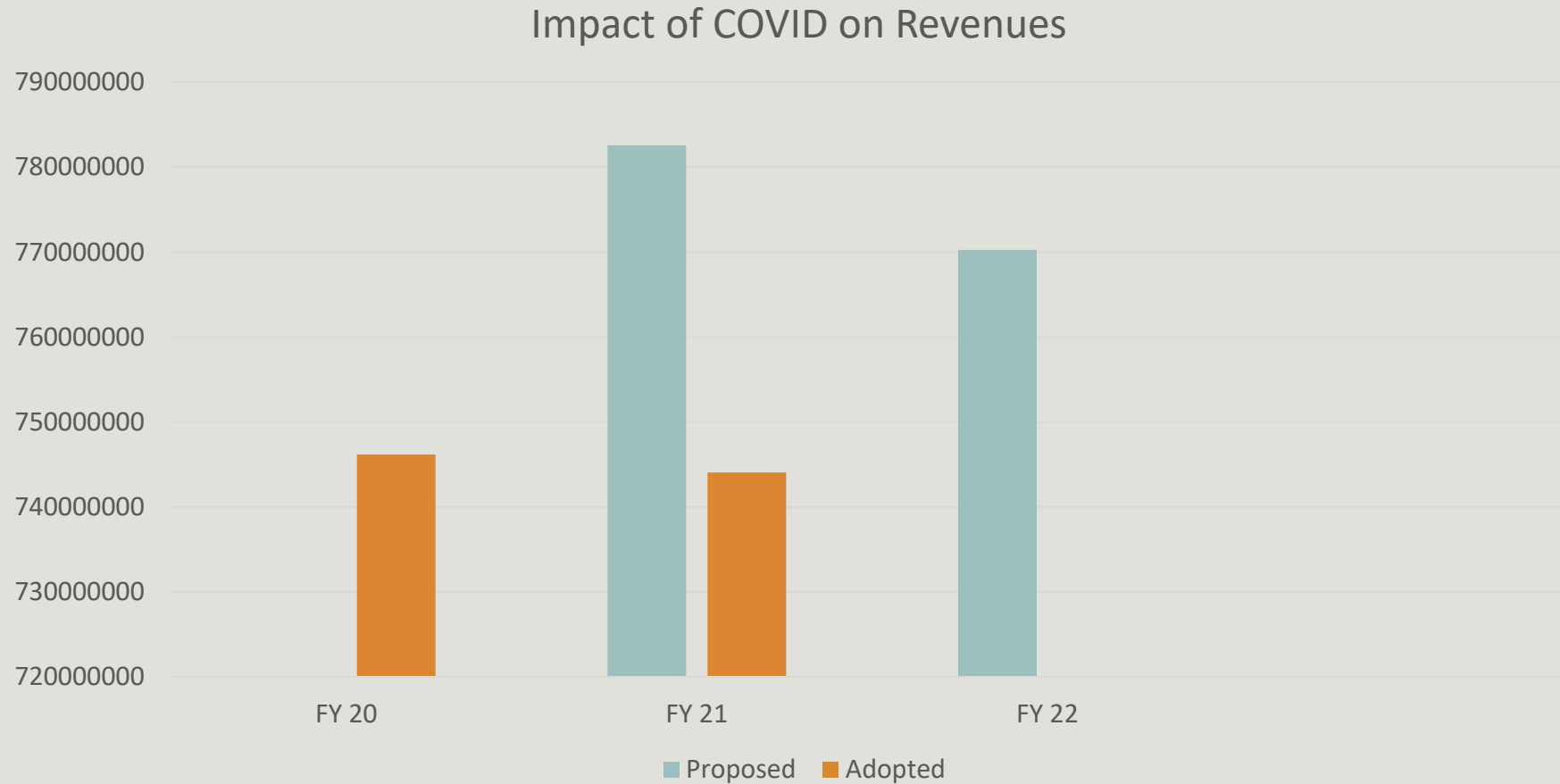
# **FY2022 Budget Overview**

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## **Revenue Highlights**



# FY22 Proposed General Fund Budget



# FY22 Proposed General Fund Budget

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FY21 Proposed: 782,558,146

Less one time revenues = (3,676,587)

**FY21 Proposed = 778,881,559**

FY22 Proposed: 770,270,893

Less one time revenues = (9,883,795)

**FY22 Proposed = 760,387,098**

REFLECTS AN (\$18.5M) DECLINE IN REVENUES



# FY22 Budget

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- **Proposed FY2022 Revenue Budget:**
  - Projected increases in several sources. Primary drivers:
    - **Real Estate taxes**
      - Maintain tax rate of \$1.20 per \$100 of assessed value
      - Growth in assessed values (as provided by Assessor)
      - 6.5% increase in taxable real property values in 2022 over the prior year land book (in FY22 compared to FY21) - results in additional revenue
      - Estimated revenue growth of \$26M from FY21





# FY22 Budget

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- **Proposed FY2022 Revenue Budget:**
  - Projected increases in several sources.
    - **Court Costs – Est. \$1M inc**
    - **Payments in Lieu of Taxes (PILOT) – Est. 1.5M inc**
    - **Local Sales and Use Taxes – Est. \$1.4M inc**



# FY22 Budget

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- **Proposed FY2022 Revenue Budget:**
  - Projected increases in several sources
    - Examples include (cont'd)
      - **Transfers-In - \$19.4M**
        - Includes \$9.9M of one-time funding sources
        - Continues to reflect DPU's dividend pilot payment. Est. \$9.5M
        - Estimated revenue projection (for transfers-in) is \$7.3M increase in FY22 vs. FY21



# FY22 Budget

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- Proposed FY2022 Revenue Budget:
  - **One time Sources - \$9.9M**
    - Use of Assigned Fund Balance:
      - Capital Reserve - \$5.2M
      - School facilities (meal tax portion) - \$1.8M
      - COVID-19 Contingencies - \$548k
      - Percent for the Arts - \$306k
    - Use of Committed Fund Balance for:
      - School Board operations - \$91k
    - RPS prior year (FY21) fund balance/surplus - \$1.8M



# FY22 Budget

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- Proposed FY2022 Revenue Budget:
  - Projected increases in several sources
    - Examples include (cont'd)
      - **Categorical State Aid (Constitutional Officers) – Est. \$1.1M**
        - Slightly higher due to projected additional reimbursement for State approved salary increase



# FY22 Budget

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- Proposed FY2022 Revenue Budget:
  - FY2022 budget continues to reflect the impact of COVID-19.
  - **Projecting decline in consumer driven taxes – (\$10M)**
    - Admissions taxes = (\$1M)
    - Prepared Food (meals) taxes = (\$5.2M)
      - Prepared Food (meals) taxes for School Facilities = (\$1.3M)
    - Lodging taxes = (\$2.5M)
  - **Permits and Other Licenses – (\$2.6M)**
    - Pandemic has delayed a number of large commercial and residential construction projects



# FY22 Budget

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- Proposed FY2022 Revenue Budget:
  - Projected decreases in several sources
    - Personal property taxes – current – (\$511k)
    - Bank stock taxes – (\$500k)



# FY22 Budget

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## \*\*Recent Development\*\*

### ■ Gray Machines/Games of Skill Revenue

- During week of 3/22 City received notice from its lobbyist that Governor seeks to amend legislation to eliminate gray machines/games of skill on June 30<sup>th</sup>
- This will result in a (\$750k) reduction in revenues in the FY22 proposed budget
- It is recommended that any new revenue that may be presented and certified by the Administration is used to fill this gap in FY22



# FY22 Budget

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## 2022 Real Estate Tax & Fee Rates

- General Fund taxes remain unchanged (no proposed tax increases)
- This budget recommends several fee (non general fund) increases
  - Cemeteries
  - Utilities





# FY22 Budget

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## 2022 Proposed Fee/Rates

- Cemeteries rates – Increase
  - Fee increases recommended in order to realign fees to the current local market
  - Despite increase, City will remain lowest cost provider in terms of burial services in the metro area



# FY22 Budget

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## 2022 Proposed Fee/Rates

- Utility rates – Increase
  - Remain in compliance with DPU’s financial policies,
  - Provide adequate working capital for each of the utilities,
  - Provide sufficient funding for cash contributions to capital projects,
  - Maintain sufficient ratios for debt and equity coverages,
  - Maintain or improve bond ratings



# FY22 Budget

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## 2022 Proposed Fee/Rates

- Utility rates – Increase
  - Natural Gas = 2.75% increase
  - Water = 2.5% increase
  - Wastewater = 4% increase
  - Stormwater = 8.75% increase
- Combined monthly increase in cost for all utilities is est. \$5.27 for residents



# **FY2022 Budget Overview**

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## **Expenditure Highlights**



# **FY2022 Budget**

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## **Focus on Foundation/Pillars of a Stable Government**

**Incorporation of best financial and  
budget practices**



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes compared to FY21 Adopted

### New Budget/Financial Policy

#### Cash/Pay-go Funding CIP

- Goal = 3% of general fund tax revenues within 5 years
- Funds critical city facility maintenance projects
- FY22 budget includes **Increase of \$1.4M as a contribution to CIP for the City Hall capital project**
- By FY26 goal is to have an annual allocation of \$18.5M



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes compared to FY21 Adopted

### New Budget/Financial Policy

#### Other Post Employment Benefits (OPEB)

- City liability of nearly \$116M as of June 30<sup>th</sup>
- Fully funded annual required contribution (ARC) for OPEB is est. \$11M
- Goal is to fully fund ARC within 3 years by FY24
- FY22 budget includes a **\$1.4M contribution to OPEB trust fund**



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes compared to FY21 Adopted

### New Budget/Financial Policy

#### Risk Management Claims Reserve

- Goal is to fund 20% of estimated claims costs for a reserve for the City's self insured Risk Fund
- Helps address periodic spikes in claims experienced
- Goal is to reach \$1.2M within 5 years
- FY22 budget includes a **\$250k contribution to the Risk Reserve**





# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes compared to FY2021 Adopted

### Invests in City Buildings and Infrastructure

- Cash funding to help address deferred maintenance of City facilities
- Cash contribution to CIP - **\$6.6M**
  - **\$1.4M** – Cash funding for City Hall Maintenance
  - **\$5.2M** - Funds from City's assigned fund balance / Capital Reserve specifically for RPS and City capital maintenance projects



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes compared to FY2021 Adopted

### Invests in City Workforce/Employees

- Phase 2 of the Classification and Compensation Study – **Increase of \$5.8M**
- Proposal includes increasing salaries of employees closer to the mid-point of respective job classes
- Takes a step towards equalizing pay throughout the City while also seeking to slow, growing turnover of City staff
- Proposed funding levels includes an Oct. 1<sup>st</sup> implementation date



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes compared to FY2021 Adopted

### Invests in City Workforce/Employees

- 2-Step Increase for Sworn staff - \$2.5M
  - 2-step increase 1) FY21 step increase (that was eliminated from budget due to COVID) and 2) FY22 step increase
- Continues to help address retention within the Police and Fire Departments
- Proposed funding levels includes an Oct. 1<sup>st</sup> implementation date
- Continuation of funds budgeted in the “public safety lump sum” account for transparency



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes compared to FY2021 Adopted

### Other Changes and Investments in Proposed Budget

- Debt Service – Increase of \$2.2M
  - Increase based on approval of prior year CIP
  - Non-discretionary cost - City must still pay for its debt service costs
- Risk Management – Increase of \$2M
  - Increase due to prior year claims experienced – civil unrest and workers compensation
  - Reflects increase of \$250k to start building a claims reserve



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes compared to FY2021 Adopted

### Non-Departmental – (\$950k) (departmental) net decrease

- OPEB = \$1.15M increase
- Risk Management Transfer = \$2M increase
- Transfer to RPS CIP Construction Reserve = \$550k increase
- GRCCA operating subsidy = (\$2.6M) decrease (tied to projected lodging tax reduction)
- RAA = (\$1M) decrease



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes

Major Changes (Compared to FY2021) – Other

- Fleet related costs – Multiple agencies - \$1.3M increase
- Amendment to Cigna EAP contract – HR - \$147k increase
- Redistricting funds (statutory mailings) – Registrar - \$97k increase



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes

Other Items (Compared to FY2021) – Other

### Creation of New Office of Children and Families

- Focus is on improving outcomes for children and families in City
- Funding is earmarked within the Department of Human Services as a separate program
- New costs include 1 new position and \$7k in operating



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes

Other Items (Compared to FY2021) – Other

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- Focus is on improving outcomes for children and families in City
- Funding is earmarked within the Department of Human Services as a separate program
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# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes

Other Items (Compared to FY2021) – Other

**Creation of New Office of Engagement**; formerly known as the Office of the Press Secretary

- Focus is to engage the community in active outreach, communications, public events, and official announcements from the collective Richmond City Government
- Funding is allocated in the Department of Citizen Service and Response
- 5 existing positions transferred from the former Office of the Press Secretary. 1 new position and \$100k in new operating funds.



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes

### Major Changes (Compared to FY2021) – New Personnel/Position Transfers

- Office of Press Secretary (OPS) – Decrease of 6 FTEs
  - 1 FTE transferred to Mayor’s office
  - 5 FTEs transferred to Citizen Service and Response (CSR)
- Citizen Service and Response – Increase of 6 FTEs (re-org)
  - Reflects transfer of 5 positions from OPS and 1 new FTE
- Human Services
  - 1 new position for the Office of Children and Families
  - 1 new position to hire a Community Safety Coordinator
  - 1 new position for Office of Equity and Inclusion transferred from the Mayor’s Office



# FY2022 Budget

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## FY22 Major General Fund Expenditure Changes

### Major Changes (Compared to FY2021) – Personnel

- CSR– Increase of additional 2 FTEs
  - Positions were approved during FY21 and were needed to increase capacity, service delivery, and responsiveness of the call center



# FY2022 Budget

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## **Debt (exclusive of cash contribution)**

FY21 Adopted amount of \$75,264,856

FY22 Proposed amount of \$77,465,799

- Continuation of themes from the presentation of the January Five-Year forecast
- Increase in Debt Service (FY21 vs. Proposed) is the result of a higher level of outstanding general fund supported debt for CIP projects
- The City will continue its use of low interest variable rate Line of Credit to provide interim financing of CIP projects
- Will continue to monitor and stay within debt policy limits



# FY2022 Budget

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## Debt (General Fund cash contribution to CIP)

FY21 Adopted amount of \$2,702,003

FY22 Proposed amount of \$6,956,622

- Portion of funds in FY22 are from Assigned Fund – FY20 CAFR – Capital maintenance reserve
- Of the \$6.9M to CIP, \$6.6M is for funding to address critical deferred maintenance for City buildings and \$306k is cash transferred to the Percent for the Arts capital project



# FY2022 Budget

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## Personnel Complement

### City

FY21 Adopted GF FTE count = 3,693.64

FY22 Proposed GF FTE count = 3,697.52

Frozen FTEs without funding = 606 (increase of 156 from prior year)

### RPS

FY22 Total GF FTE count = 3,418.7

(Source: School Board Approved Budget for FY2021-2022 Area Summary by Organization chart)



# FY2022 Budget

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## FY22 Position Control

- The FY22 Proposed Budget incorporates the use of position control
- Process focuses on the creation, maintenance, and monitoring of positions and their budgets
- FY22 budget provides departments with the specific position/s and corresponding funding levels for said positions
- Enables better visibility and budgeting
- Allows comparison between budgeted vs. actual costs
- Minimizes over-hiring



# FY2022 Budget

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## Pay Raises

- There are no bonuses in the Proposed budget for FY22
- FY22 Proposed budget includes funding for a 5% salary increase for all Constitutional Officers and their staff/State funded employees.
- A 2-step increase is included for sworn staff
- Funding for the implementation of the second phase of the classification and compensation plan is included for most City staff (exclusive of sworns and state funded positions)

## Cost of Living Adjustment (COLA)

- The FY2022 Proposed Budget does not include a COLA for retirees





# FY2022 Budget

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## Health Insurance Premium Costs

- Health Insurance premiums are projected to increase 4.0% compared to the 2021 calendar year rates
  - This corresponds to a 2.0% increase Citywide on a fiscal year basis (for FY22)



# FY2022 Budget

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## Health Insurance

- Health Insurance Budget
  - FY21 Adopted Amount: \$29,523,783
  - FY22 Proposed Amount: \$29,859,139

## Richmond Retirement System Rates

- FY22 projected retirement rates (as provided by RRS)

	Adopted FY21	Proposed FY22
General Employees	84.31%	84.74%
Sworn Police & Fire	38.40%	39.47%

- FY21 Adopted Amount: \$44,409,677
- FY22 Proposed: \$44,127,282



# Capital Improvement Plan

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FY2022-FY2026 Proposed CIP



# Capital Improvement Plan

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Years of nominal capital funding levels have resulted in:

- Deferred maintenance
- Disinvestment
- Challenging conditions of our City's physical assets and infrastructure



# Capital Improvement Plan

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The FY2022 – 2026 Capital Improvement Plan focuses on:

- Neighborhoods/Streets
- Schools
- Addressing Life/Health/Safety issues and concerns
- Minimal adjustments to the planned years
- Projects to be completed



# Capital Improvement Plan

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## CIP Revenues

- FY22 Planned Funding Sources: \$65,641,259
- FY22 Proposed Funding Sources:\$63,205,881
- Increase Pay as you go from Capital Reserve
- Changes to timing and amounts of Federal/State Revenue
  - Decrease of \$11,692,000
  - Primary driver of the decrease is the move of CVTA funding to a Special Fund (\$15M in FY21)



# Capital Improvement Plan

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## FY2022-FY2026 Capital Budget Highlights

- Funds Fire Station 12 replacement in FY22
- Fund Southside Community Center (phase II and phase III) over the five years – an additional \$8M in funding
- Provides nearly \$28M in funding for the Enslaved African Heritage Campus
- Includes \$11.25M in Capital maintenance for all City of Richmond Facilities



# Capital Improvement Plan

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FY2022-FY2026

## Capital Budget Highlights cont'd.

- Provides a total of \$7M in Fleet
  - \$2.4M for Fire Apparatus
  - \$3M in Police Vehicles
- Provides \$200M to RPS in FY2024 for Schools Modernization
- Provides funding for increased security at City Hall
- Provides Cash towards projects, a financial best practice

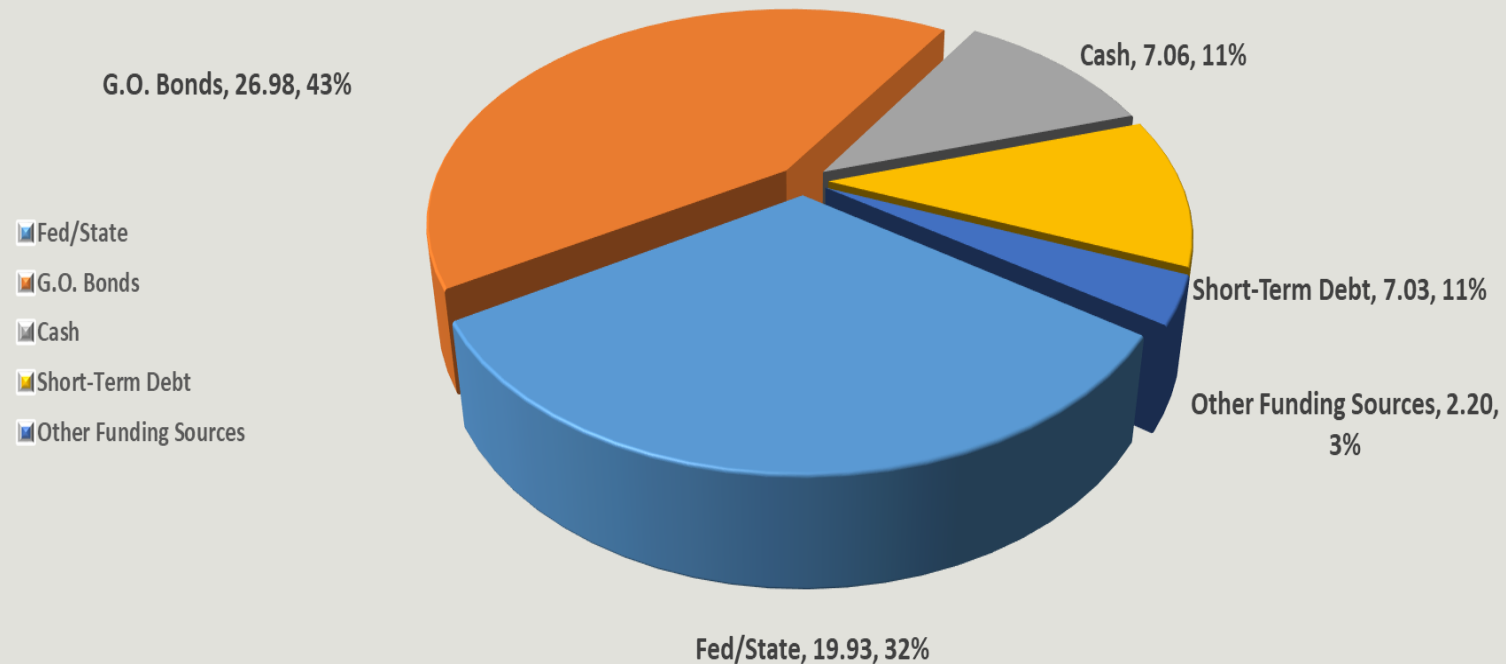




# Capital Improvement Plan

## Source of Funds: FY2022

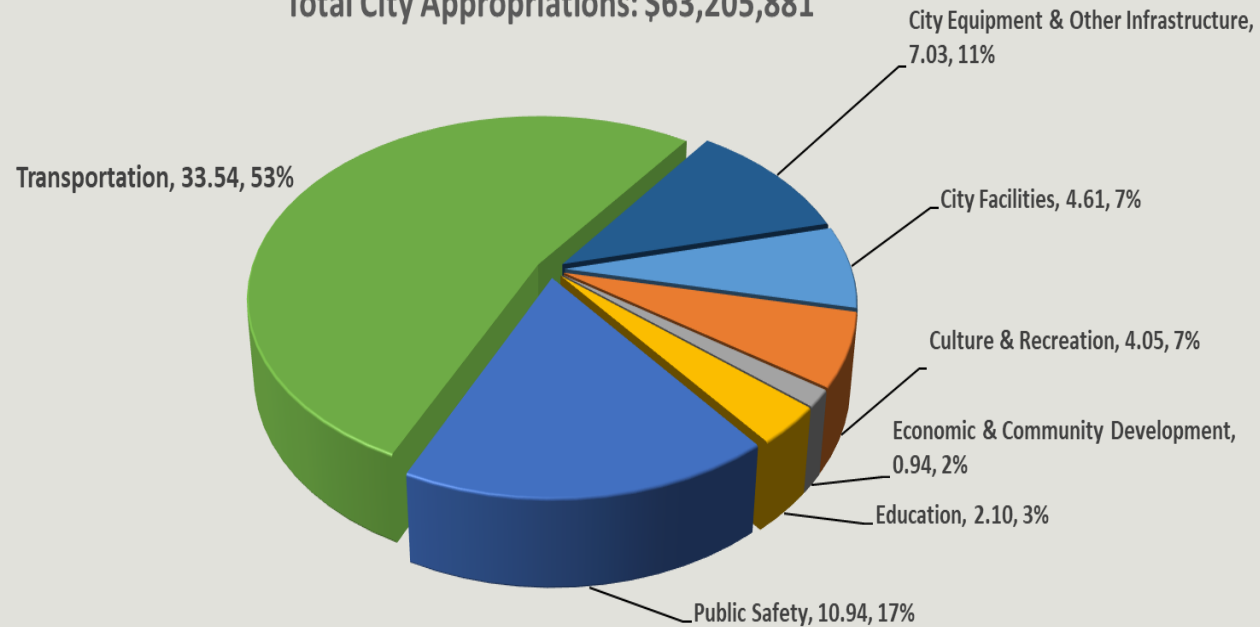
Total: \$63,205,881



# Capital Improvement Plan

## Appropriations by Category: FY2022

Total City Appropriations: \$63,205,881

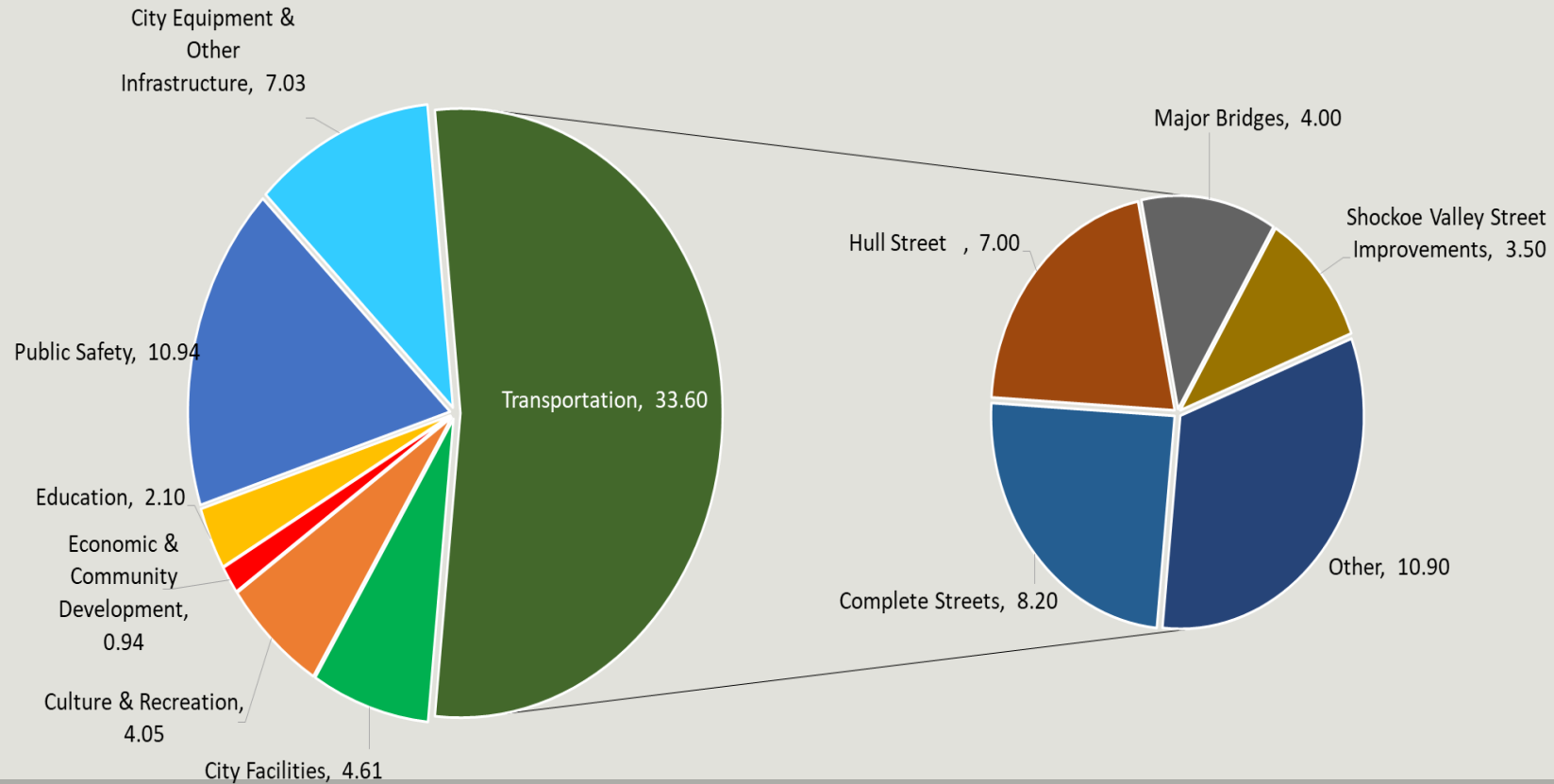


- City Facilities
- City Equipment & Other Infrastructure
- Education
- Public Safety
- Culture & Recreation
- Economic & Community Development
- Transportation



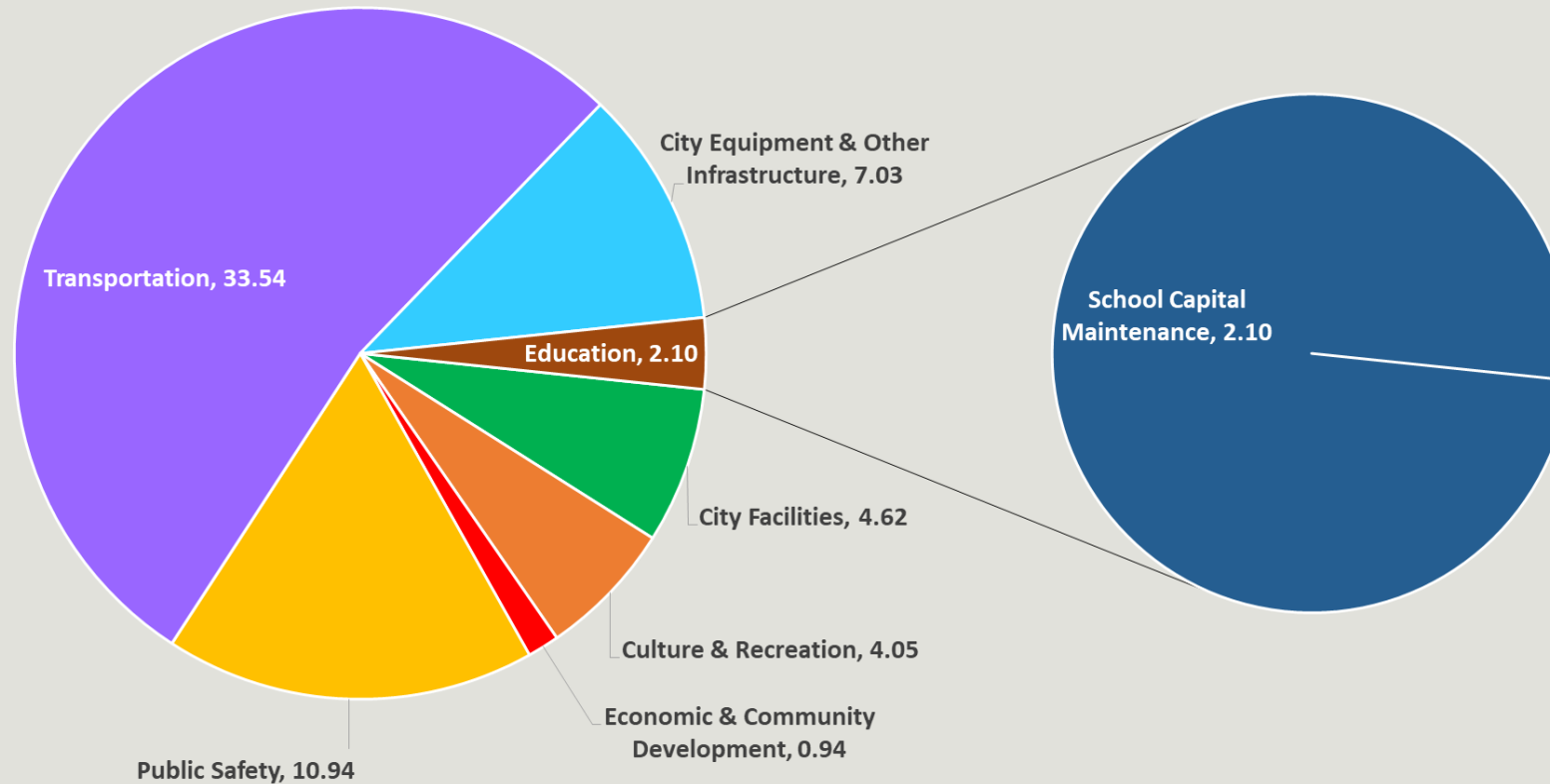
# Capital Improvement Plan

## FY2022 - Transportation



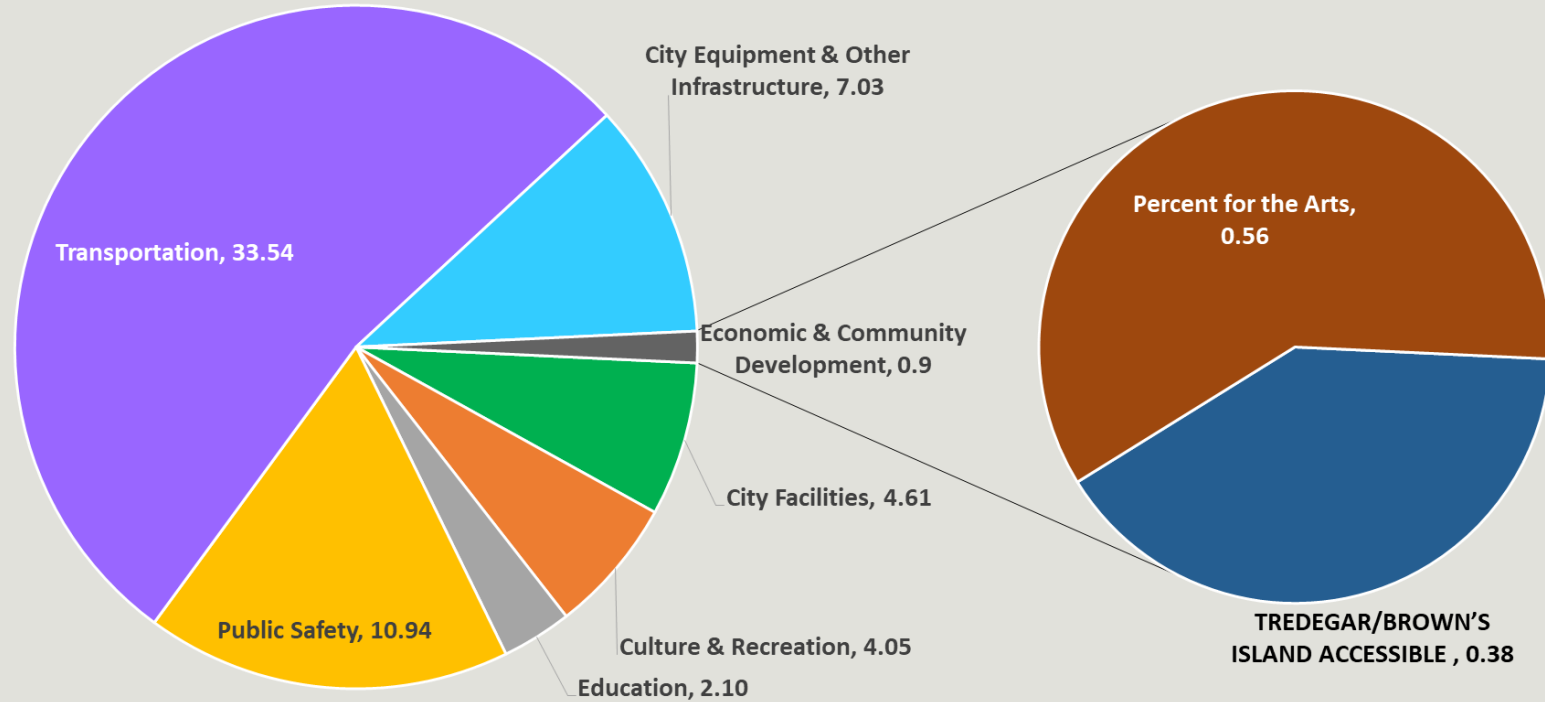
# Capital Improvement Plan

## FY2022 - Education



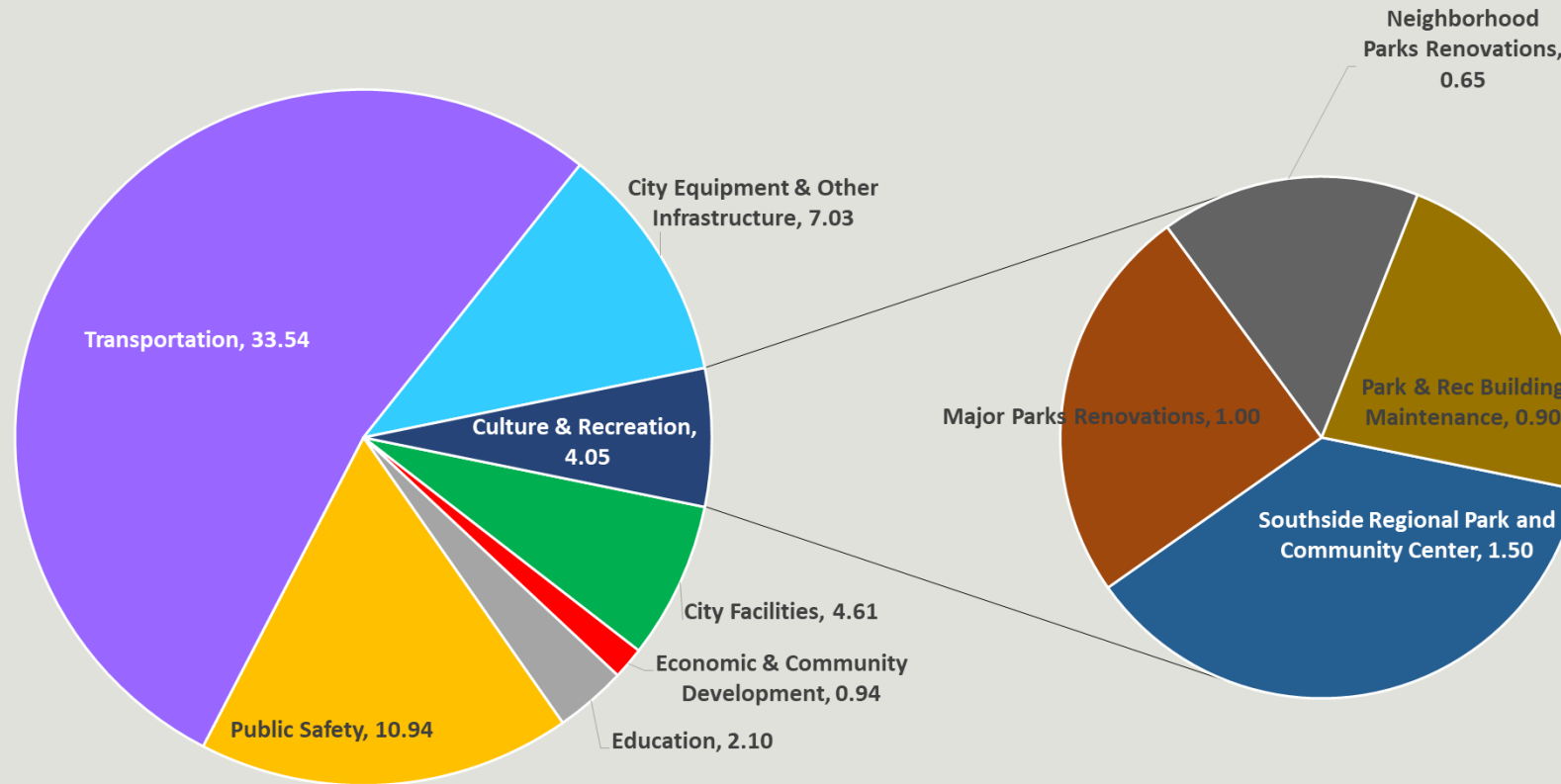
# Capital Improvement Plan

## FY2022 – Economic & Community Development



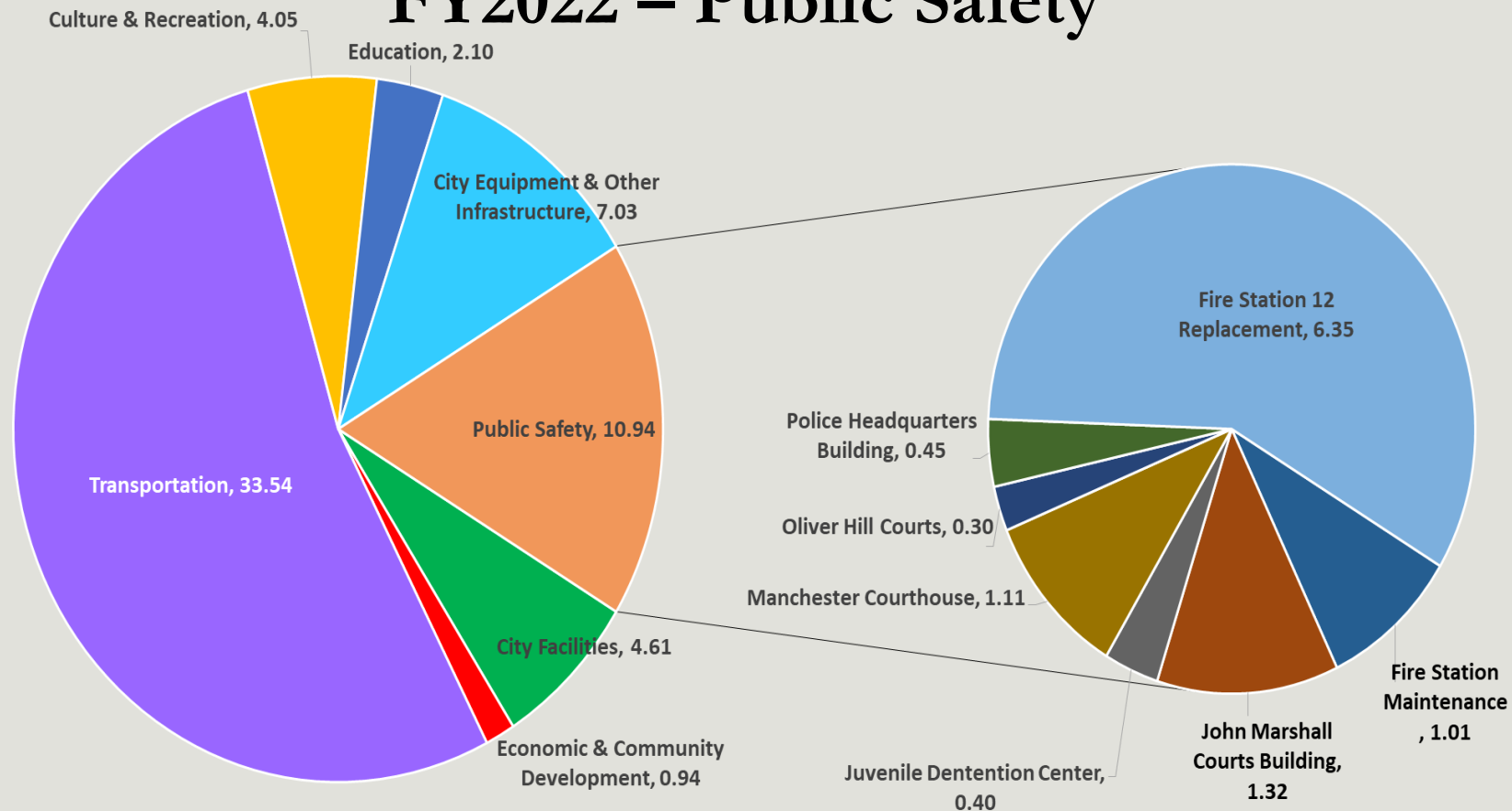
# Capital Improvement Plan

## FY2022 – Culture and Recreation



# Capital Improvement Plan

## FY2022 – Public Safety



# Capital Improvement Plan

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## General Capital Summary

The FY2022 – FY2026 Proposed Capital Improvement Plan provides:

- \$118.5M in Transportation Projects
- \$212.1M in School Maintenance & Modernization
- \$27.9M for Enslaved African Heritage Campus
- Funding to complete Southside Community Center
- Funding to complete Fire Station 12 Replacement
- Critical Facility Upgrades, Renovations, and Improvements





# Public Utilities

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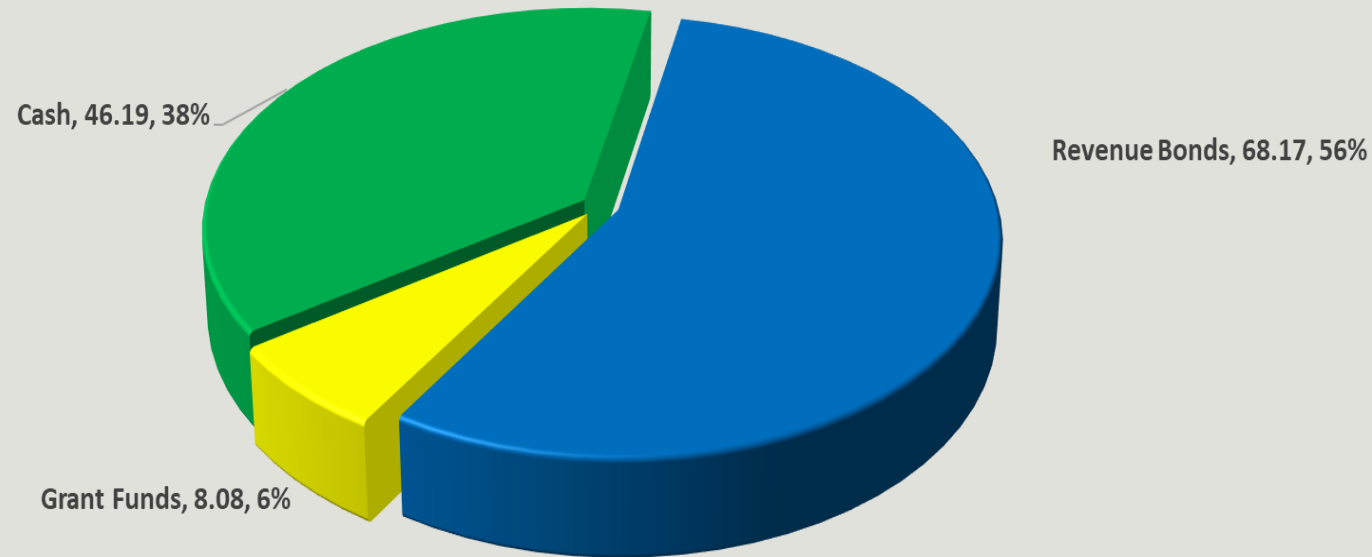
## Department of Public Utilities



# Public Utilities – Capital Improvement Plan

## Source of Funds: FY2022 (Non-General Fund Capital)

Total: \$122,438,280



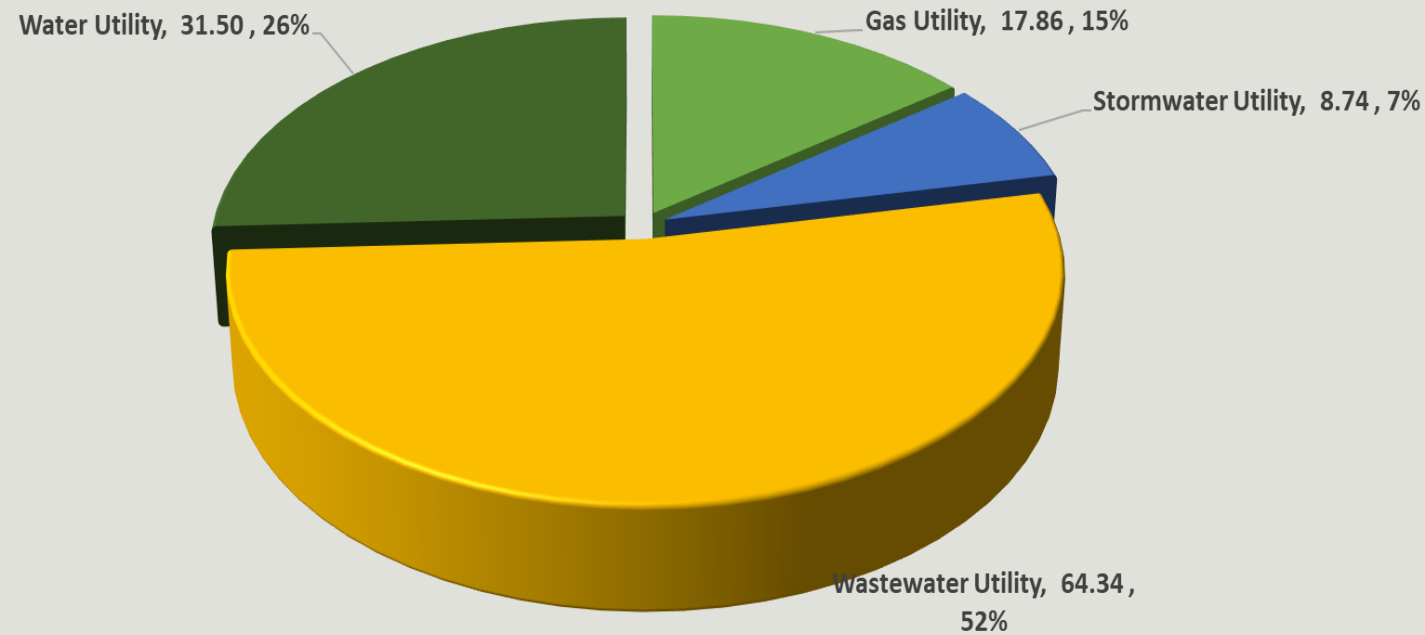
Revenue Bonds Grant Funds Cash



# Public Utilities – Capital Improvement Plan

## Appropriations by Category: FY2022 (Non-General Fund Capital)

Total City Appropriations: \$122,438,280

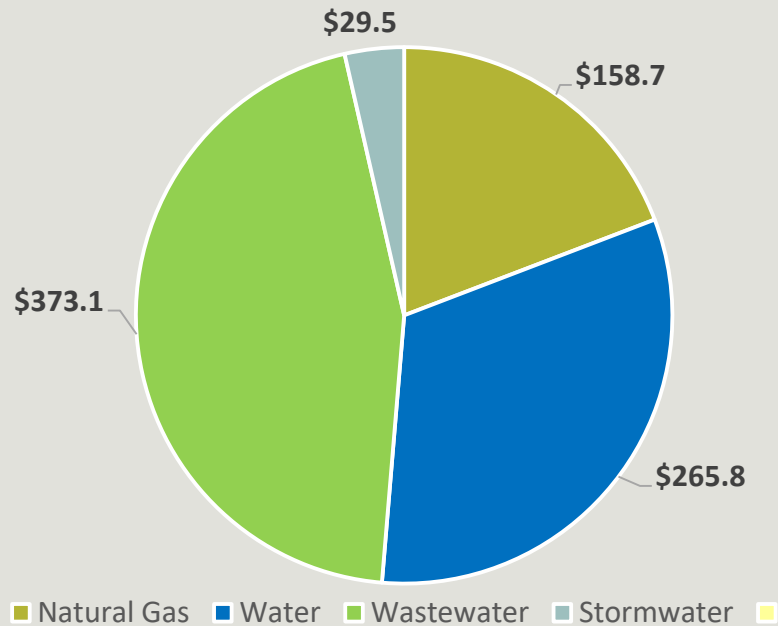


■ Gas Utility ■ Stormwater Utility ■ Wastewater Utility ■ Water Utility

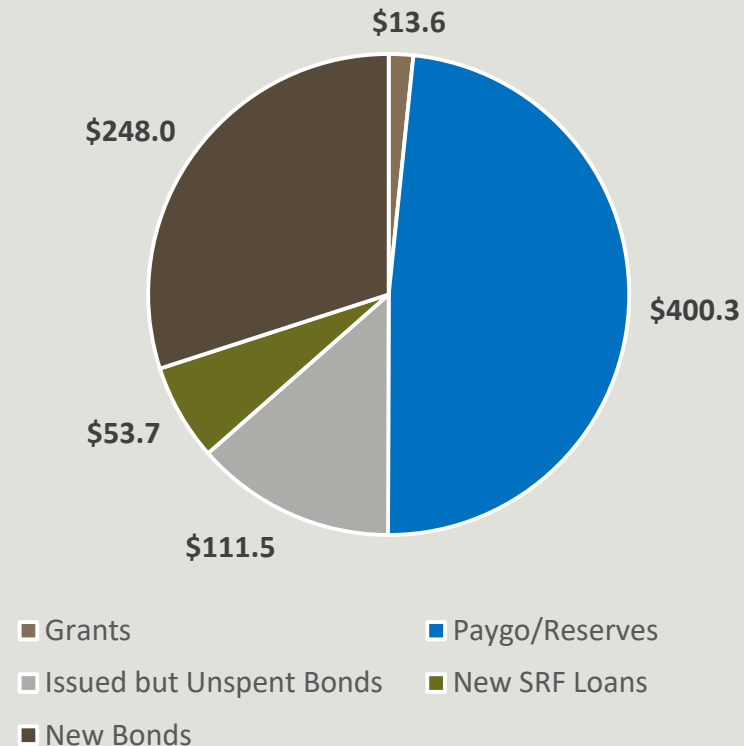


# Public Utilities – Capital Improvement Plan (\$ Millions)

Planned Improvements  
(FY 2022 – FY 2026)  
Total: \$827.1

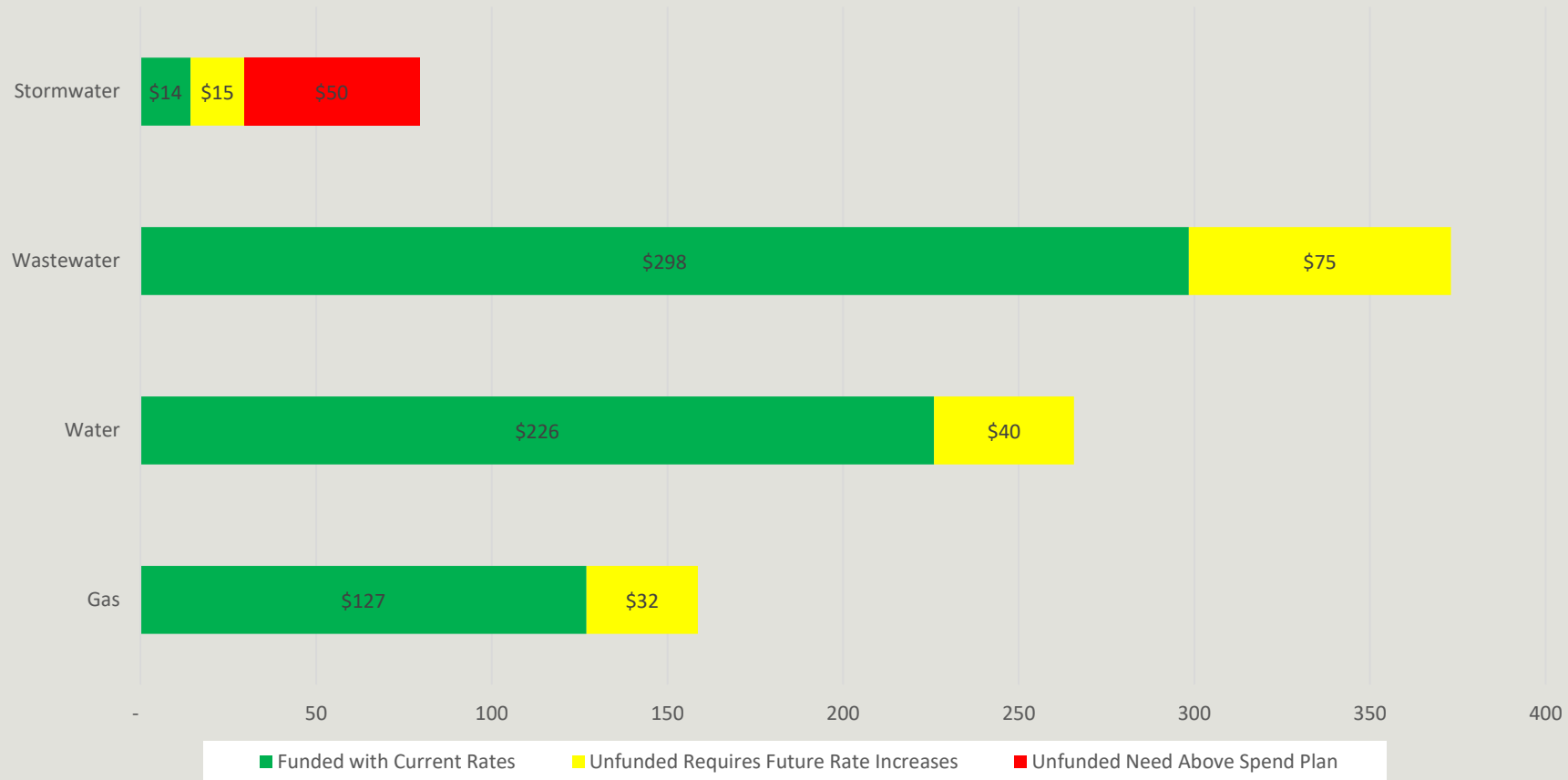


Planned Funding Sources  
(FY 2022 – FY 2026)  
Total: \$827.1



# Public Utilities

## Five-Year Capital Funding Status - \$ in millions



# Public Utilities - FY2022 Rate Increase Request

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Utility	Estimated Incremental Revenue in Millions	Increase to Typical Residential Customer Monthly Bill
Gas	\$2.4	\$1.52
Water	\$1.6	\$.91
Wastewater	\$3.3	\$2.48
Stormwater	\$1.1	\$.36
Total	\$8.4	\$5.27



# FY22 Budget

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## QUESTIONS

