



Richmond City Council

The Voice of the People

Richmond, Virginia

Office of the Council Chief of Staff

TO Members of Richmond City Council

FROM Meghan K. Brown, Deputy Council Chief of Staff
William E. Echelberger, Jr, Council Budget Analyst
Charles M. Jackson, Council Budget Analyst

COPY Lou Brown Ali, Council Chief of Staff
Council Liaisons

DATE May 17, 2018

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TITLE **Review of the Fiscal Year 2018 Third Quarter Revenue and Expenditure Projection Report, and Ordinance No. 2018-147 – Budget Reconciliation**

Council Staff have reviewed the attached *Fiscal Year 2018 Third Quarter Revenue and Expenditure Projection Report, and Ordinance No. 2018-147 – Budget Reconciliation*. As of March 31, 2018, the last day of the 3rd fiscal quarter, the City of Richmond had collected revenues of \$339.4 million, and had incurred expenses of \$498.9 million. This results in a year-to-date difference of (\$159.5 million). When comparing this data to the FY17 3rd Qtr. report, third quarter revenue collections are trailing those from FY17 by approximately (\$6.2) million (FY18 = \$339.4 million, FY17 = \$345.6 million) while expenditures are showing an increase of approximately \$44.1 million (FY18 = \$498.9 million, FY17 = 454.8 million).

The report projects an overall FY 2018 budget surplus of \$199,246. This results from projected General Fund revenues of \$700.1 million, and projected General Fund expenditures of \$699.9 million.

Given that three months remain in the fiscal year from the close of the 3rd Quarter, Council should view the projected \$199,246 General Fund surplus as preliminary.

It should be noted that the projected surplus would be approximately \$4.2 million, prior to inclusion of expenditures not yet authorized by City Council.

In addition, Council may desire more detailed explanations or updates of several items not specifically addressed in the report, or the supporting material for Ordinance No. 2018-147.

Revenues:

- The net change in revenues projected in the Third Quarter Report is (\$4.6) million. This results from multiple increases and decreases in individual revenue sources. **The most important of these revenue changes are set out in Table 1 on pages 7 & 8.**

Summary of Projected FY 2018 General Fund Revenue Shortfall	
\$	Description
(\$5,414,639)	General Property Taxes
\$1,531,588	Other Local Taxes
\$2,919,823	Permits, Privilege Fees, and Regulatory Licenses
(\$1,708,270)	Charges for Services
(\$767,708)	Recovered Costs
(\$4,929,927)	Revenue from the Commonwealth
\$3,651,986	Revenue from the Federal Government
\$70,524	Other
(\$4,646,623)	Projected Revenue Shortfall

Expenditures:

- Ordinance No. 2018-147 proposes a net reduction of (\$3.7) million in general fund appropriations for FY18. This reflects proposed increases of \$4.0 million, and proposed decreases of (\$7.7) million. This net change is designed to maintain a balanced budget, given the projected revenue shortfall.

Analysis of Projected FY 2018 General Fund Surplus	
Description	FY18
Adopted Budget	
Adopted Revenue	\$691,866,761
Adopted Expenditures	<u>\$690,736,515</u>
Adopted Surplus (Deficit)	\$1,130,246
Less: Proposed Revenue Adjustments	
State Payments in Lieu of Taxes	(\$1,130,246)
Other Revenue	<u>(\$3,516,376)</u>
Total: Proposed Revenue Adjustments	<u>(\$4,646,622)</u>
Surplus (Deficit) Before Expenditure Adjustments	(\$3,516,376)
Expenditure Decreases	<u>\$7,731,526</u>
Surplus (Deficit) After Expenditure Decreases	\$4,215,150
Expenditure Increases	\$4,015,724
Projected Surplus/(Deficit)	\$199,426

Proposed Decreases:

- Ordinance No 2018-147 includes a list of proposed expenditure decreases that total \$7.7 million. These include:

Title	FY2018 Current Modified Amounts	Proposed Adjustment Amount	Proposed New Appropriation Amounts
1 Debt	67,692,900	(6,700,000)	60,992,900
2 Economic & Community Development	5,822,524	(258,585)	5,563,939
3 Human Services	1,540,954	(207,010)	1,333,944
4 Finance	10,913,918	(163,629)	10,750,289
5 Office of Community Wealth Building	2,125,800	(80,475)	2,045,325
6 Richmond Public Library	6,056,017	(67,617)	5,988,400
7 Council Chief of Staff	1,181,721	(63,631)	1,118,090
8 City Council	1,388,092	(37,144)	1,350,948
9 Adult Drug Court	627,283	(30,566)	596,717
10 City Attorney	3,057,602	(27,607)	3,029,995
11 Chief Administrative Officer	987,097	(18,883)	968,214
12 Juvenile & Domestic Relations Court	287,519	(17,741)	269,778
13 City Assessor	3,290,940	(14,864)	3,276,076
14 Planning & Development Review	10,495,855	(14,164)	10,481,691
15 Procurement Services	879,124	(9,528)	869,596
16 Justice Services	9,477,708	(8,605)	9,469,103
17 General Registrar	1,638,419	(3,913)	1,634,506
18 13th District Court Services Unit	214,166	(3,497)	210,669
19 Minority Business Development	667,301	(1,191)	666,110
20 City Treasurer	186,486	(1,162)	185,324
21 City Clerk	976,321	(611)	975,710
22 Budget & Strategic Planning	1,269,995	(451)	1,269,544
23 Press Secretary	489,094	(420)	488,674
24 Mayor's Office	1,159,144	(230)	1,158,914
25 Richmond Sheriff's Office	38,188,853	(3)	38,188,850
Total Decreases	170,614,833	(7,731,526)	162,883,307

Additional information can be found for selected proposed decreases in the summary paragraphs that appear on pages 11 to 13 of the 3rd Quarter Report. **Available information on these proposed decreases is summarized in Table 2 on page 9.**

Some of those proposed decreases may reflect expenses that will not be incurred. The proposed (\$6.7) million decrease for the debt is an example. Other proposed increases may, or may not, reflect Council priorities.

Proposed Increases:

Ordinance No 2018-147 includes a list of proposed expenditure increases that total \$4.0 million. These include:

Department	FY2018 Current Modified Amounts	Proposed Adjustment Amount	Proposed New Appropriation Amounts
1 Social Services	57,343,001	1,066,966	58,409,967
2 Fire & Emergency Services	50,933,556	1,040,661	51,974,217
3 Non-Departmental (See below)	80,563,312	661,669	81,224,981
4 Public Works (See below)	39,438,310	233,766	39,672,076
5 Parks, Recreation, and Community Facilities	16,586,291	227,172	16,813,463
6 Department of Emergency Communications	5,735,483	217,358	5,952,841
7 City Auditor	2,047,225	170,836	2,218,061
8 Richmond Police Department	93,540,444	139,316	93,679,760
9 Animal Care & Control	1,605,274	131,703	1,736,977
10 Circuit Court	3,690,179	69,485	3,759,664
11 Human Resources	2,996,767	47,312	3,044,079
12 Commonwealth's Attorney	6,797,968	9,480	6,807,448
Total Increases	361,277,810	4,015,724	365,293,534

These proposed uses are summarized at a high level beginning on page 2 of the 3rd Quarter Report. Additional information can be found for selected proposed increases in the summary paragraphs that appear on pages 11 to 13 of the 3rd Quarter Report, and in the supporting O&R Request for Ordinance No. 2018-147. **Available information on these proposed increases is summarized in Table 3 on page 10.**

Some of those proposed increases may reflect mandatory spending. The proposed \$788,253 increase under Non-Departmental for the Greater Richmond Convention Center Authority is an example. Other proposed increases, while likely desirable, may, or may not, reflect Council priorities.

As of March 31, 2018 no department had already exceeded its annual appropriation.

Non-Departmental: A net increase of \$661,669 is proposed for Non-Departmental, reflecting 3 increases that total \$1,349,910, and 6 decreases totaling (\$688,241).

Non Departmental Agency		FY2018 Current Modified Amounts	Proposed Adjustment Amount	Proposed New Appropriation Amounts
Increases				
1	Greater Richmond Convention Center	8,026,319	788,253	8,814,572
2	Venture Richmond, Inc.	1,190,000	502,624	1,692,624
3	311 Call Center	<u>912,988</u>	<u>59,033</u>	<u>972,021</u>
Total Increases		10,129,307	1,349,910	11,479,217
Decreases				
1	Transfer to Information Tech. ISF	19,872,903	(464,093)	19,408,810
2	Retirees Health Care	3,600,000	(200,000)	3,400,000
3	Transfer to Risk Management ISF	9,819,567	(11,062)	9,808,505
4	Wyeth LLC	71,080	(6,080)	65,000
5	East End Teen Center	14,641	(4,641)	10,000
6	Sister Cities	<u>2,365</u>	<u>(2,365)</u>	<u>0</u>
Total Decreases		33,380,556	(688,241)	32,692,315
All Other Non-Departmental		37,053,450	0	37,053,450
Total Non-Departmental		80,563,312	661,669	81,224,981

Public Works: A net increase of \$233,766 is proposed for Public Works. This reflects 3 decreases that total \$564,399, and one increase of \$798,165.

		Program / Subprogram	FY2018 Current Modified Amounts	Proposed Adjustme nt Amount	Proposed New Appropri ation Amounts
Public Works					
DPW-Finance & Administration		02901	4,902,570	798,165	5,700,735
DPW-Gen Svcs-Facilities Management		02902	13,652,727	(221,041)	13,431,686
DPW-Solid Waste Management		02903			
Bulk & Brush		SV1401	2,131,571	(232,946)	1,898,625
Curbside Recycling		SV1402	2,000,000	-	2,000,000
Leaf Collection		SV1403	1,181,341	(110,412)	1,070,929
Refuse		SV1404	6,371,699	-	6,371,699
Other Solid Waste Services		SV0801, SV1504	<u>266,787</u>	<u>-</u>	<u>266,787</u>
Subtotal : DPW-Solid Waste Management		02903	11,951,398	(343,358)	11,608,040
DPW-Geographic Information Services		02907	425,571	0	425,571
DPW-CIP Infrastructure Administration		02909	917,331	0	917,331
DPW-Roadway Maintenance		02912	7,120,944	0	7,120,944
DPW-CIP Facility Construction		02913	467,769	-	467,769
Total: Public Works			39,438,310	233,766	39,672,076

Position Vacancies:

The 3rd Quarter Vacancy Report indicates that, as of March 31, 2018, there were 396 positions funded in the FY18 budget that were vacant. **These vacant positions are summarized in Table 4, on page 13.**

Please contact either Meghan Brown, Bill Echelberger, or Charles Jackson if you have any additional questions.

Table 1: Projected Changes in Major Revenue Sources

Revenue Category	FY2018 Current Modified Amounts	3rd Quarter Year End Collection Projection	2nd Quarter Preliminary Year End Surplus/ (Shortfall)	3rd Quarter Preliminary Year End Surplus/ (Shortfall)	Comments
Revenue from Local Sources					
Total General Property Taxes	334,956,089	329,541,450	330,402,600	(5,414,639)	The estimates for 8 of the 10 individual General Property Tax sources vary by 10% or more from the original estimate.
Total Other Local Taxes	152,311,014	153,842,602	149,784,724	1,531,588	The estimates for 4 of the 10 individual Other Local Tax sources vary by 10% or more from the original estimate.
Permits and Other Licenses	7,314,397	10,234,220	9,503,705	2,919,823	The estimate for Permits & Other Licenses varies by 40% from the original estimate.
Fines & Forfeitures	-	4,342	3,250	4,342	
Total Revenue from Use of Money and Property	3,530,075	3,527,194	4,341,510	(2,881)	
Total Charges for Services	25,214,009	23,505,739	22,323,199	(1,708,270)	The estimates for 7 of the 12 individual Other Local Tax sources vary by 10% or more from the original estimate.
Miscellaneous Revenue					
Miscellaneous	1,968,220	2,032,942	2,014,149	64,722	
Payments in Lieu of Taxes from Enterprise Activities	27,170,096	27,170,096	22,450,692	-	
Total Miscellaneous Revenue	29,138,316	29,203,038	24,464,841	64,722	
Recovered Costs	7,112,448	6,344,740	6,200,120	(767,708)	
Revenue from Local Sources Total	559,576,348	556,203,325	547,023,949	(3,373,023)	
Revenue from the Commonwealth					
Total Non-Categorical Aid	35,636,976	36,140,998	36,159,486	504,022	The estimates for 3 of the 7 individual Non-Categorical Aid sources vary by 10% or more from the original estimate.
Total Shared Expenditures (Categorical)	20,875,403	20,220,510	20,319,572	(654,893)	
Total Categorical Aid	34,845,641	31,483,709	31,538,959	(3,361,932)	The estimates for 1 of the 3 individual Categorical Aid sources vary by 10% or more from the original estimate.
PILOT (Payments in Lieu of Taxes)	5,027,417	3,610,293	3,755,804	(1,417,124)	The estimate for PILOT varies by 28% from the original estimate.
Total: Revenue from the Commonwealth Total	96,385,437	91,455,510	91,773,821	(4,929,927)	
Revenue from the Federal Government					
Revenue from the Federal Government - Social Services	26,533,334	30,185,320	30,104,629	3,651,986	
Transfers & Utilities					

Table 1: Projected Changes in Major Revenue Sources

Revenue Category	FY2018 Current Modified Amounts	3rd Quarter Year End Collection Projection	2nd Quarter Preliminary Year End Surplus/ (Shortfall)	3rd Quarter Preliminary Year End Surplus/ (Shortfall)	Comments
Revenues from Utilities	64,000	68,341	70,418	4,341	
Transfers-In	14,243,982	14,243,982	12,243,982	-	
Total: Transfers In & Utilities	14,307,982	14,312,323	12,314,400	4,341	
Grand Total:	696,803,101	692,156,479	681,216,799	(4,646,622)	
Rolled Encumbrance (General Fund Portion) Total:	7,952,757	7,952,757	7,952,757	-	
Grand Total: General Fund Revenue	704,755,858	700,109,236	700,109,236	(4,646,622)	

Table 2: Summary of Proposed Decreases

Department	FY2018 Current Modified Amounts	Proposed Adjustment Amount	Proposed New Appropriation Amounts	Description	Comments
1 Debt	67,692,900	(6,700,000)	60,992,900	Savings from lower than budgeted interest rates, and later than expected issuance of new bonded debt.	
2 Economic & Community Development	5,822,524	(258,585)	5,563,939	A reduction of (\$258,585) from two actions: (\$67,000) Vacancies (\$192,000) Lower payment for the Richmond Coliseum (\$259,000) Total Decreases	Documentation provided numbers rounded to the nearest \$1,000.
3 Human Services	1,540,954	(207,010)	1,333,944	Savings of (\$207,101) from position vacancies.	
4 Finance	10,913,918	(163,629)	10,750,289	No documentation provided.	The committee may want more detail on the nature of the savings, and the impact on client services.
5 Office of Community Wealth Building	2,125,800	(80,475)	2,045,325	Savings of (\$80,475) from position vacancies.	
6 Richmond Public Library	6,056,017	(67,617)	5,988,400	No documentation provided.	The committee may want more detail on the nature of the savings, and the impact on client services.
7 Council Chief of Staff	1,181,721	(63,631)	1,118,090	Savings of (\$63,631) from a position vacancy.	
8 City Council	1,388,092	(37,144)	1,350,948	Savings of (\$37,144) from a position vacancy.	
9 Adult Drug Court	627,283	(30,566)	596,717	Savings of (\$30,566) from operating efficiencies.	The committee may want more detail on the nature of the efficiency savings, and the impact on client services.
10 City Attorney	3,057,602	(27,607)	3,029,995	No documentation provided.	The committee may want more detail on the nature of the savings, and the impact on client services.
11 Chief Administrative Officer	987,097	(18,883)	968,214	No documentation provided.	
12 Juvenile & Domestic Relations Court	287,519	(17,741)	269,778	Savings of (\$17,741) from operating efficiencies.	The committee may want more detail on the nature of the efficiency savings, and the impact on client services.
13 City Assessor	3,290,940	(14,864)	3,276,076	No documentation provided.	
14 Planning & Development Review	10,495,855	(14,164)	10,481,691	No documentation provided.	
15 Procurement Services	879,124	(9,528)	869,596	No documentation provided.	
16 Justice Services	9,477,708	(8,605)	9,469,103	No documentation provided.	
17 General Registrar	1,638,419	(3,913)	1,634,506	No documentation provided.	
18 13th District Court Services Unit	214,166	(3,497)	210,669	No documentation provided.	
19 Minority Business Development	667,301	(1,191)	666,110	No documentation provided.	
20 City Treasurer	186,486	(1,162)	185,324	No documentation provided.	
21 City Clerk	976,321	(611)	975,710	No documentation provided.	
22 Budget & Strategic Planning	1,269,995	(451)	1,269,544	No documentation provided.	
23 Press Secretary	489,094	(420)	488,674	No documentation provided.	
24 Mayor's Office	1,159,144	(230)	1,158,914	No documentation provided.	
25 Richmond Sheriff's Office	38,188,853	(3)	38,188,850	No documentation provided.	
Total Decreases	170,614,833	(7,731,526)	162,883,307		

Table 3: Summary of Proposed Increases

Department	FY2018 Current Modified Amounts	Proposed Adjustment Amount	Proposed New Appropriation Amounts	Description	Comments
1 Social Services	57,343,001	1,066,966	58,409,967	A net increase of \$1,066,966 from three or more actions: (\$1,800,000) Savings from position vacancies <u>\$2,800,000</u> Prior Year CSA/SSI Expenditures & Current Year CSA Local Match \$1,100,000 Net Increase	The proposed increases are mandatory. The committee may want more detail on the nature of the increased costs.
2 Fire & Emergency Services	50,933,556	1,040,661	51,974,217	A net increase of \$ 1,040,661 from three or more actions: \$1,500,000 Overtime (\$???????) Savings from position vacancies <u>(\$410,000)</u> Savings from operating efficiencies \$1,040,661 Net Increase	The committee may want more detail on the nature of the increased costs and operating efficiencies.
3 Non-Departmental	80,563,312	661,669	81,224,981	This net increase of \$661,669 is set out in more detail in the Staff Analysis of the 3rd Quarter Report.	The committee may want more detail on the nature of the increased costs.
4 Public Works	39,438,310	233,766	39,672,076	A net increase of \$233,766 from four actions: \$798,165 Increase for DPW – Finance & Administration (\$221,041) Savings from Facilities Management (\$221,041) Savings from Facilities Management <u>(\$101,412)</u> Savings from Leaf Collection \$233,766 Net Increase	No documentation is provided. The committee may want more detail on the nature of the increased costs, savings, and the impact on clients.
5 Parks, Recreation, and Community Facilities	16,586,291	227,172	16,813,463	No documentation is provided.	The committee may want more detail on the nature of the increased costs.
6 Department of Emergency Communications	5,735,483	217,358	5,952,841	A net increase of \$217,358 from two actions: (\$193,000) Savings from position vacancies <u>\$410,000</u> Cost Overrun for upgrading the CAD System \$217,000 Net Increase	The committee may want more detail on the nature of the increased costs.
7 City Auditor	2,047,225	170,836	2,218,061	A net increase of \$170,836 from two actions: (\$115,000) Savings from the External Audit Contract <u>\$286,000</u> Payment to Retirement System for former \$170,000 Net Increase	The committee may want more detail on the nature of the increased costs.
8 Richmond Police Department	93,540,444	139,316	93,679,760	No documentation provided.	The committee may want more detail on the nature of the increased costs.
9 Animal Care & Control	1,605,274	131,703	1,736,977	A net increase of \$131,703 from two actions: \$29,000 Overtime to offset vacancies <u>\$103,000</u> Veterinary Services \$132,000 Net Increase	The committee may want more detail on the nature of the increased costs.
10 Circuit Court	3,690,179	69,485	3,759,664	No documentation provided.	The committee may want more detail on the nature of the increased costs.
11 Human Resources	2,996,767	47,312	3,044,079	No documentation provided.	The committee may want more detail on the nature of the increased costs.
12 Commonwealth's Attorney	6,797,968	9,480	6,807,448	No documentation is provided.	The committee may want more detail on the nature of the increased costs.
Total Decreases	361,277,810	4,015,724	365,293,534		

**Table 4: Summary of Vacant Positions
As of March 31, 2018**

Department	Full-Time Permanent Positions			Vacancy Rate			
	Established Positions	Funded Positions	Filled Positions	Established Positions		Funded Positions	
				Number	Percent	Number	Percent
Animal Care & Control	25	21	20	5	20.0%	1	4.8%
Budget	12	11	11	1	8.3%	-	0.0%
CAO's Office	10	5	3	7	70.0%	2	40.0%
City Assessor	37	33	33	4	10.8%	-	0.0%
City Attorney	38	37	36	2	5.3%	1	2.7%
City Auditor	15	13	11	4	26.7%	2	15.4%
City Clerk	8	7	6	2	25.0%	1	14.3%
City Council	8	8	7	1	12.5%	1	12.5%
City Library	73	69	67	6	8.2%	2	2.9%
Community Wealth Building	22	21	18	4	18.2%	3	14.3%
Council Chief of Staff	10	10	9	1	10.0%	1	10.0%
DCAO Human Services	15	15	13	2	13.3%	2	13.3%
Economic/Community Development	32	27	26	6	18.8%	1	3.7%
Emergency Communications	117	117	93	24	20.5%	24	20.5%
Finance	109	105	98	11	10.1%	7	6.7%
Fire- non sworn	21	20	20	1	4.8%	-	0.0%
Fire- sworn + Recruits	413	413	402	11	2.7%	11	2.7%
Human Resources	38	29	28	10	26.3%	1	3.4%
Information Technology	91	91	64	27	29.7%	27	29.7%
Justice Services	152	139	131	21	13.8%	8	5.8%
Mayor's Office	9	9	6	3	33.3%	3	33.3%
Minority Business Development	7	5	5	2	28.6%	-	0.0%
Parks & Recreation	200	182	169	31	15.5%	13	7.1%
Planning & Development Review	119	109	108	11	9.2%	1	0.9%
Police- non sworn	125	110	110	15	12.0%	-	0.0%
Police- sworn + Recruits	750	750	732	18	2.4%	18	2.4%
Press Secretary	6	5	5	1	16.7%	-	0.0%
Procurement	14	7	6	8	57.1%	1	14.3%
Public Utilities	791	785	645	146	18.5%	140	17.8%
Public Works	544	414	346	198	36.4%	68	16.4%
Retirement	11	11	8	3	27.3%	3	27.3%
Social Services	497	407	353	144	29.0%	54	13.3%
Total	4,319	3,985	3,589	730	16.9%	396	9.9%