



CITY COUNCIL BUDGET WORK SESSION
FY2021 BUDGET UPDATE
April 13, 2020

Mayor Levar M. Stoney

Lenora Reid, Acting CAO

Outline

- Introduction
- Overview – FY2021 Proposed Budget vs. FY2021 Updated Budget
- General Fund Revenues
 - Major Revenue Changes /Amendments to the Proposed Budget
- General Fund Expenditures
 - Major Expenditure Changes /Amendments to the Proposed Budget
- Next Steps / Moving Forward

Introduction

FY2021 Budget

- Mayor presented a bold, balanced budget to City Council on March 6th
- Proposed budget continued many of the key investments and themes from the FY2020 budget
 - Many of the investments in the proposed budget were joint priorities of both the Mayor and City Council

Introduction

FY2021 Budget

- The FY2021 budget was lean and included increases in both non-discretionary and discretionary costs
 - Nearly all of the non-discretionary budgetary items were outlined at both the November Organizational Development Meeting and at the January 27th informal session as part of the 5 year forecast presentation
 - Non-discretionary items included Retirement, Debt, removal of budgeted VRIP savings, and Health Insurance – All witnessed growth from the current fiscal year

Introduction

FY2021 Budget

- However, just a few days after March 6th (Introduction of the Mayor's Proposed Budget) - COVID-19 eventually found its way to Virginia
- March 11th – Notification of 9 presumptive cases of COVID-19 in VA
- March 12th – Notification of cancellation of large events in city limits
- March 13th – Mayor and Regional leaders declared a state of emergency in localities in response to COVID-19

Introduction

FY2021 Budget

- In a very short time frame, localities have been trying to understand and deal with the many elements of the impacts of COVID-19
- One element is the anticipated fiscal impacts of this pandemic to the City's recently proposed budget
 - Which is a budget built on revenue projections the administration now believes to be no longer obtainable based on early national and state economic data, academic modeling, and our own internal analysis

Introduction

FY2021 Budget

- Prudent to try to understand the ever evolving fiscal implications and identify steps necessary to still produce a balanced budget

FY21 Budget Update

On March 6th – FY21 Proposed General Fund
Budget: \$782.6M

On April 13th – Updated FY21 General Fund
Budget: Est. \$744.1M

FY21 Budget Update

FY2020 Adopted General Fund Budget:
\$746.2M

FY2021 Updated Proposed General Fund
Budget: Est. \$744.1M

Budget

FY21 Updated Budget

- This update is a snapshot based on information known at this time
- There are many unknowns which will change these projections
 - How long will this pandemic last?
 - When will there be a return back to normalcy?
 - What are the final implications of the State budget and impacts to localities
 - What are the implications from the federal stimulus bill to governmental operations?
 - Will consumers return back to their pre COVID-19 spending habits?
 - Many more questions in which only time will reveal
- However, we know that there will be an impact to the City and knowing that there is a challenge is the first step in beginning to address that challenge
- The time to address this challenge is now!

Budget

FY21 Updated Budget

- Administration, working with Council budget staff, prepared amendments to the FY21 Proposed Budget based upon revised revenue projections
- The following Amendments to the March 6th Proposed Budget incl:
 - Revising (lower) revenue projections, and
 - Corresponding expenditure reductions
- Seeks to provide the Citizens, City Council, and Workforce transparency on:
 - How the Administration intends to close the estimated, preliminary projected shortfall
 - The programs/services that will be impacted (as of today), and
 - A plan for moving forward

FY21 General Fund Revenues Update

- FY2021 Proposed General Fund Revenues - \$782.6M
- FY2021 Updated General Fund Revenues – Est. \$744.1M
- Several Sources of Revenues projected to be lower in FY21 as a result of COVID-19
- There are projected declines in various revenue sources, however, the majority and largest declines are within the Tax category of revenues – Both Property Taxes and Other Local Taxes
- Administration wishes to amend its original, submitted revenue projections

FY21 General Fund Revenues Update - Amendments

- General Property Taxes (Category) – (\$20.4M)
 - Real Estate Taxes – (\$17.3M)
 - Represents a 5.4% reduction
 - Reduction is based on preliminary discussions with the City Assessor – Who expects to have updated information by August
 - Personal Property Taxes (Current) – (\$2M)
 - Represents a 5% reduction
 - Delinquent Real Estate Taxes - (\$612k)
 - Represents a 5% reduction

FY21 General Fund Revenues Update - Amendments

- Other Local Taxes (Category) – (\$12.2M)
 - Business License Taxes – (\$5.5M)
 - Represents a 15% reduction
 - Local Sales Taxes – (\$1.9M)
 - Represents a 5% reduction
 - Prepared Food / Meals Taxes - (\$4.7M)
 - Represents a 10% reduction
 - Lodging Taxes – (\$923k)
 - Represents a 10% reduction
 - Admissions Taxes – (\$267k)
 - Represents a 10% reduction

FY21 General Fund Revenues Update - Amendments

- Other Sources of Revenues
 - Court Costs – (\$1M)
 - *Miscellaneous – (\$1.5M)
 - Includes a \$1.5M reduction in anticipated reimbursement from GRCCA
 - *State Expenditures for Constitutional Officers - (\$252k)
 - Decrease in all offices except Commonwealth Attorney which is projected to have an increase based on revised State estimate
 - Permits and Other Licenses – (\$515k)

FY21 General Fund Revenues Update - Amendments

- Other Sources of Revenues
 - PILOT (DPU) – (\$2.5M)
 - A reduction in the DPU PILOT payment is the result of a recommendation to NOT implement the FY21 proposed utility rate increases
 - The recommendation to NOT implement the utility rate increases corresponds to a reduction in general fund revenue of \$2.5M from DPU in the form of PILOT payments to the City

Budget

FY21 General Fund Revenues Update - Amendments

- Total General Fund Revenue net reduction of – (\$38.5M)

FY21 General Fund Revenues Update - Amendments

- No changes to any of the existing tax rates
- No significant changes to any of the proposed fee projections (proposed fee increases and proposed new fees are NOT recommended to be eliminated)
- Elimination of the utility rate increases in FY2021

Budget

FY21 General Fund Expenditure Update

- FY2021 Proposed General Fund Expenditures - \$782.6M
- FY2021 Updated General Fund Expenditures – Est. \$744.1M
- In order to meet the reductions in revenues, there must be corresponding reductions to expenditures
- Administration wishes to amend its original, submitted expenditure budget
- Focus was on reducing or eliminating many of the new funding for programs and services in the budget submitted on March 6th

FY21 General Fund Expenditures Update - Amendments

- Personnel – Salary / Wage increases – Eliminate All
 - Eliminate proposed 2% Salary Increase (general and constitutional employees) - **(\$2.7M)**
 - Eliminate Public Safety (Police and Fire) Step increase and increase in recruits salary – **(\$4M)**
 - Eliminate Career Development (Police and Fire) – **(\$737k)**
 - Elimination of Public Defender Salary Supplements – **(\$352k)**
 - Note this reduction is included in the Non-Departmental reductions

FY21 General Fund Expenditures Update - Amendments

- Personnel – Reduction in funds to fill critical vacancies
 - Currently, City has implemented a hiring freeze (on all non essential positions)
 - Hiring freeze will result in less funding needed for departments to fill critical positions
 - Recommendation includes a reduction to departments’ budgets of **(\$8.3M)**

Budget

FY21 General Fund Expenditures Update - Amendments

- New Position Eliminations – Several new positions were added to the FY21 proposed budget. Recommendation is to eliminate new positions not associated with revenue increases. Total **(\$1.1M)** reduction. The following are recommended to be eliminated:
 - Human Services – 2 FTEs
 - City Treasurer – 1 FTE
 - Citizen Service and Response – 2 FTEs
 - City Attorney – 1 FTE
 - Parks – 3 FTEs
 - Adult Drug Court - .5 FTE

FY21 General Fund Expenditures Update - Amendments

- New Position Eliminations – Several new positions were added to the FY21 proposed budget. Recommendation is to eliminate new positions not associated with increased revenues. Total **(\$1.1M)** reduction. The following are recommended to be eliminated:
 - Assessor – 1 FTE
 - Animal Care and Control – 2 FTEs

Budget

FY21 General Fund Expenditures Update - Amendments

- Education / Richmond Public Schools – **(\$10.3M)**
 - Initial proposed funding included an increase of nearly \$16M for RPS in reoccurring local funding
 - Initial proposed local funding was allocated and based on funding formula approved by City Council relative to Real Estate tax revenue projections
 - Due to COVID-19, there's a corresponding reduction in projected Real Estate tax revenues of \$17.9M
 - Using same funding formula equates to a reduction of **(\$10.3M)** to RPS
 - *Although a reduction in RPS funding, RPS will still receive more funding in FY21 compared to FY20*

Budget

FY21 General Fund Expenditures Update - Amendments

- Other Operating Adjustments –
 - Elimination of cash funding for new sidewalks in CIP – (\$900k)
 - Elimination of new operational funding in Parks for enhanced workforce development programming – (\$516k)
 - This along with the removal of 3 new FTEs fully eliminates the enhanced funding for workforce development added in the March 6th budget
 - Removal of funding for Winter Storms in DPW – (\$1M)
 - FY20 dollars will be used for any needs in FY21
 - Removal of new funding for History and Culture Commission – (\$250k)
 - Removal of new funding for Doula program in Health Dept. – (\$150k)

Budget

FY21 General Fund Expenditures Update - Amendments

- Other Operating Adjustments –
 - Removal of operational funds associated with the removal of new positions – (\$33k)
 - Removal of additional funding for security contract in DPW - (\$718k)

Budget

FY21 General Fund Expenditures Update - Amendments

- Non-Departmental –
 - Amendments include bringing most organizations back to FY20 adopted funding levels – (\$2.6M)
 - Ex. Richmond Region Tourism (RRT) is recommended to be amended back to FY20 funding level
 - Most new organizations that did not receive funding in FY20 - but received funding in the proposed budget - were eliminated
 - Economic Incentives were maintained at proposed funding levels
 - Recommendation includes maintaining GRTC and the Richmond Ambulance Authority at proposed funding levels

Budget

FY21 General Fund Expenditures Update - Amendments

- Non-Departmental –
 - Reductions in Meals and Lodging tax revenues correspond to commensurate reductions to the operating transfer to GRCCA and the capital transfer for new School facilities
 - This equates to a reduction of approximately – **(\$1.9M)**
 - Note that this is in addition to the (\$2.6M) from previous slide

Budget

FY21 General Fund Expenditures Update - Amendments

- Citywide / Discretionary Operational Reductions –
 - There are several operational reductions that impact multiple offices
 - Reductions to Numerous Discretionary Accounts (training and travel, magazines and subscriptions, food and drink services, conferences and conventions, etc.) – Most accounts were reduced between 50% - 100% of budget – **(\$2.2M)**
 - Reductions to operational temporary funding – **(\$305k)**
 - No reductions to Registrar and DPW
 - Reduction of 25% to fuel costs – **(\$592k)**

Budget

FY21 General Fund Expenditures Update - Amendments

- Total General Fund Expenditure Amendments net reduction of –
(\$38.5M)

Budget

FY21 General Fund Budget Update - Amendments

- Administration developed amendments for City Council's consideration
- Administration and Council staff worked together since Mayor declared a state of emergency towards adapting the proposed FY21 budget to the new restrictions posed by the economic effects of the pandemic
- COVID-19 is a very difficult, different, and fluid situation for all localities
 - Many elements of the projections are based on information that is known and there are many elements that are not known at this time
 - Administration anticipates regular reviews of the FY2021 budget

Budget

FY21 General Fund Budget Update – Going Forward

- Monthly financial reports still to be submitted to Council
- Quarterly financial reports still to be submitted to Council
- Seeking to hold monthly reviews – with a small team of staff - on the adopted FY2021 budget, identify areas that may need adjustments based on those reviews, and will come back to City Council with amendments
 - Team will include both Administrative and City Council staff representation
 - Team will assess the submitted reports to Council as basis for additional amendments
- After July 1st additional amendments are very likely – Review structure put in place seeks to provide transparency and provide regular updates to City Council on the position of the City

Conclusion

FY21 General Fund Budget Update – Going Forward

- COVID-19 is very fluid and fast moving
- Administration will continue to work with City Council throughout the fiscal year as more information becomes available

FY21 General Fund Budget Update

FY21 Proposed: \$782.6M

FY21 Updated Budget: Est. \$744.1M

QUESTIONS