



City Council Budget Session
FY2019 - FY2020 BUDGET REVIEW
March 12, 2018

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Selena Cuffee-Glenn, CAO

Overview

- General Overview of FY2019 and FY2020
- 2019 Real Estate Tax & Fee Rates
- Major General Fund Expenditure Changes
- One-time Budget Items
- Major Changes to Departmental Structure
- Debt Service

Overview

- Personnel Complement
 - Changes (Position Eliminations/New Positions)
 - Pay Raises
 - Vacancy Funding
- Employee Benefits
- Retirement System Rates/System
 - Cost of Living Adjustment (COLA)

FY2019 – FY2020 Budget

- Proposed FY2019 and FY2020 Budget:
 - Developed using a Zero-based methodology
 - Same approach utilized in FY2018 and hybrids used in prior years
 - Methodology is now a City Council requirement
 - This methodology allows agencies to “build their budgets” from “0”. As a result agencies can move funds across numerous accounts/services/programs (from year to year) as they provide justifications. **As a result, making line item comparisons with current and prior year data is not always an apples to apples comparison (when reviewing budgets)**

FY2019 – FY2020 Budget

- Proposed FY2019 and FY2020 Budget:
 - **Pro - Employee**
 - Salary increases for general employees (excludes Non-Sworn staff and Constitutionals)
 - Funding for step increases for Sworn staff
 - On top of salary increases provided in current and prior year/s
 - Recommends bringing staff currently below the minimum and below the living wage up to higher levels.

FY2019 – FY2020 Budget

- Proposed FY2019 and FY2020 Budget:
 - **Continued Emphasis on Major Priority Areas**
 - Public Safety – Additional positions and focus on retention
 - Education – Recommendation to increase funding levels to RPS
 - Anti-Poverty – Continued work in this critical area through OCWB
 - Core Services – Maintains core services

FY2019 – FY2020 Budget

- Proposed FY2019 and FY2020 Budget:
 - **Emphasis on Other Priority Areas - Customer/Citizen Satisfaction and Housing**
 - Two priorities of the Mayor and City Council
 - Creation of new Departments to begin addressing this emphasis
 - Increased funding levels (eg. AHTF)

FY2019 – FY2020 Budget

- Proposed FY2019 and FY2020 Budget:
 - **To Fund priorities and Non-Discretionary Items - Reductions recommended**
 - Less funding in many (not all) operating budgets
 - Did not fund most of agency requests
 - Some recommendations spread over the proposed biennium
 - Less funding, in general, in FY2020 – Due to less revenue in FY2020 – Will come back to re-evaluate revenues as part of the amendments to FY2020.

FY2019 – FY2020 Budget

- Proposed FY2019 and FY2020 Budget:
 - **To Fund priorities and Non-Discretionary Items - Reductions recommended**
- Proposed FY2020 will be an approved budget – We will come back in less than 8 months to “reevaluate” and “redo” the approved plan.
- Based on FY2018 actual revenues, State aid, etc. we will come back and will **seek** to restore the FY2020 approved funding levels. This is, however, always contingent on projected revenues

FY2019 – FY2020 Budget

- Proposed FY2019 and FY2020 Expenditure Budget:
 - Recommendations developed by:
 - Reviewing agency justifications (when provided)
 - FY2017 actuals
 - Known information in current year (FY2018) budget
 - Availability of proposed revenues
 - Determining what will push organization and City forward
 - Recommends reductions throughout numerous (not all) agency budgets
 - Still includes known, contractual obligations and mandates – as provided by Departments

FY2019 – FY2020 Budget

- Proposed FY2019 and FY2020 Revenue Budget:
 - Limited by estimated revenues to be received
 - Growth in Real Estate taxes (utilizing 5.5% and 3% increase in assessments in 19/20)
 - Projecting decline in various other tax revenue
 - Examples include
 - Machinery & Tools,
 - Bank Stock Taxes,
 - Penalty and Interest,
 - PILOT (service charges), etc.

FY2019 – FY2020 Budget

- Proposed FY2019 and FY2020 Revenue Budget:
 - Limited by estimated revenues to be received
 - Projecting decline in DPU PILOT (federal income tax) revenue by nearly \$4.1M in FY19 and by \$6.3M in FY20!
 - Recommends the use of one-time funding to balance the budget (in 2019)
 - Recommends use of RPS assigned and unassigned fund balance (as a resource) to be re-appropriated back to RPS – legal requirement for all unused local funds to be submitted back to the governing body (for subject to appropriation)

FY2019 – FY2020 Budget

- Proposed FY2019 and FY2020 Revenue Budget:
 - One-time Revenues – FY2019
 - \$3,000,000 - from the Electric Utility (use of prior year, reserves)
 - Funds to cover re-occurring costs in DPW in FY2019
 - \$12,470,800 - from RPS assigned and unassigned fund balance
 - The funds are recommended to be re-appropriated back to RPS

2019/2020 Real Estate Tax & Fee Rates

- Real Estate Tax Rate remains unchanged at \$1.20 per \$100 of assessed value
- Other General Fund **taxes** remain unchanged except the pre-approved increase in meals tax
- This budget recommends a few **fee** increases

Budget

2019/20 Proposed Fee Increases

Rate Name:	FY2019 Proposed Fee:	FY2018 Current Fee:	Extra Revenue Generated:
Planning			
Multiple-Home occupation, Multi-family dwelling, etc.	Multiple	Multiple	Est. \$64,500
Parks and Recreation			
Multiple – Permits, Athletics, Community Centers, etc.	Multiple	Multiple	Est. \$9,600
Emergency Communications			
Radio Subscriber rates- External	\$20.00/month	\$16.00/month	\$73,440

Budget

2019/20 Proposed Fee Increases, contd.

Rate Name:	FY2019 Proposed Fee:	FY2020 Current Fee:	Extra Revenue Generated:
Cemeteries			
Multiple – Niche of Columbarium (multiple levels)	Multiple	Multiple	\$150,000
Parking			
Multiple – Monthly parking deck, parking violations, etc.	Multiple	Multiple	\$1,203,487

2019 Proposed Fee/Rate Increases contd.

Utility rates

- Gas
 - Non-PGC Gas = 3.25% increase
 - PGC Gas (Richmond gas works customers) – 1.75% increase
- Water
 - Varies by Service Size
 - Most residential customer will pay less
- Wastewater
 - .25% increase
- Stormwater
 - Restructured Tiers

FY19 & FY20 Proposed Budget

FY2019

Proposed General Fund Budget: \$715,272,219

Proposed General Fund Capital Budget: \$187,309,635

Proposed Enterprise Budget: \$354,282,274

FY2020

Proposed General Fund Budget: \$710,678,894

Proposed General Fund Capital Budget: \$36,614,454

Proposed Enterprise Budget: \$367,941,896

FY19/20 Proposed General Fund Budget

FY18 Adopted: \$690,736,515
FY19 Proposed: \$715,272,219
FY20 Proposed: \$710,678,894

FY19/20 Major General Fund Expenditure Changes

- **Continuation of Best Practices and Transparency measures recommended and approved in FY2018**
 - Special fund for RPS State Shared Sales Tax
 - \$27M in FY2019 and FY2020
 - Internal Service Funds for Risk and Information Technology
 - IT = \$24.3M and \$25.1M in FY2019 and FY2020
 - Includes a General fund contribution of \$19.6M and \$20.3M in FY19 and FY20
 - Risk = \$16.2M in both FY2019 and FY2020
 - Includes a General Fund contribution of \$10M in both FY19 and FY20

Budget

FY19/20 Major General Fund Expenditure Changes (compared to FY2018)

Personnel

- Employee Salaries and Benefits
 - Full time salaries - \$2.7m increase in FY2019 and \$2.0m increase in FY2020
 - Retirement (RRS) - \$2.1m increase in FY2019 and \$2m increase in FY2020
 - Healthcare - \$3.4m increase in FY2019 and \$3.1m increase in FY2020
 - Overtime - \$456k decrease in FY2019 and \$3m decrease in FY2020
 - Public Safety Lump Sum - \$1.6m decrease in FY2019 and \$3m increase in FY2020

Budget

FY19/20 Major General Fund Expenditure Changes (compared to FY2018)

Non-Departmental - \$13.4m/\$13.6m increase

- Transfer to RPS Capital Construction Special Reserve Fund = \$9.1M/\$9.2M
 - Reserve Fund is 100% funded by the Meals Tax increase
 - Placed in Non-Departmental for Full Transparency
 - Funds will go to a special reserve fund – specifically and only – to pay off debt associated with the \$150M capital outlay for RPS
- GRTC = \$1.1M/\$1.1M
- RBHA = \$733k/\$733k
- RAA = \$595k/\$595k
- GRCCA = \$502k/\$792k (tied to lodging tax revenues)

Budget

FY19/20 Major General Fund Expenditure Changes (compared to FY2018)

Non-Departmental - \$13.4m/\$13.6m increase

- Compensation/Classification Study = \$523k/\$1M
- General Fund contribution to IT = (\$103k)/\$533k
- General Fund contribution to Risk = \$191k/\$191k
- Richmond Region Tourism = \$122k/\$157k
- Affordable Housing Trust Fund = \$268k/\$268k
- Philip Morris Real Estate incentive grant = \$-/(\$1.25M)
- Tax Relief for Elderly = (\$300k)/(\$300k)

Budget

FY19/20 Major General Fund Expenditure Changes

Major Increases (Compared to FY2018) – Contractual Obligations

- Sheriff - \$205k/\$205k for inmate medical
- Sheriff - \$42k/\$42k for Prescription drugs/Pharmacy services
- Sheriff - \$169k/\$169k for food services

Budget

FY19/20 Major General Fund Expenditure Changes

Major Changes (Compared to FY2018) – Other

- Fuel - (\$642k)/(\$642k)
- Vehicle Expenses – Transfer of funds from account 80007 to account 77107 - \$432k/\$432k
- Professional Services - \$35k/\$935k
- Software - \$828k/(\$26k)
- Appropriation to Special Fund (DPW) – (\$1.8M)/(95k)
 - Increase in DSS for CSA costs \$1.9M/\$1.9M
 - Decrease in DPW for local match to Street Maintenance (\$3.9M)/(\$2M)
- (Cash) Transfers to the Capital budget – (Mostly) One-time funding from prior year RPS fund balance – (\$6.9M)/(\$6.9M)

FY19/20 Major General Fund Expenditure Changes

Major Changes (Compared to FY2018) – Personnel

- RPD - \$2.7M/\$5.9M for step increases AND raise starting salaries of recruits up to \$43k in FY20
- Fire - \$627k/\$2.1M for step increases AND raise starting salaries of recruits up to \$43k in FY20
 - Increase retention
 - Incentivize prospective new employees
 - Increase competitiveness with surrounding employers

Budget

FY19/20 Major General Fund Expenditure Changes

Major Changes (Compared to FY2018) – Personnel/Position Transfers

- Procurement – Increase of 2.5 FTE (not new)
 - Positions that were allocated to DPU in FY2018 that can no longer be charged to utilities
- MBD – Increase of 1 FTE (not new)
 - Position that were allocated to DPU in FY2018 that can no longer be charged to utilities
- Economic Development - Increase of 1 FTE (not new)
 - Position that were allocated to DPU in FY2018 that can no longer be charged to utilities

Budget

FY19/20 Major General Fund Expenditure Changes

Major Changes (Compared to FY2018) – Personnel

- RPD – Increase of 9 new FTEs
 - 4 new sworn positions in FY2019 to focus in public housing areas
 - 5 new civilian positions in FY2020 as community outreach coordinators
- Parks and Recreation – Increase of 7 FTEs
 - Positions are recommended as part of the expansion of hours at 6 parks, recreation, and community facility sites
 - Sites to include expanded hours during the week and weekend are:
 - Calhoun, Powhatan, Randolph, Southside, Hotchkiss, Bellmeade
 - Supplemented by additional dollars for temps and operating (supplies, custodial services, etc.)

Budget

FY19/20 Major General Fund Expenditure Changes

Citywide

Increases (Compared to FY2018) – Other Items

- RPS - \$12.5M increase in FY2019 only – Fund priorities of the School Board
 - Funding source for this one-time increase is from unused/prior year local surplus
 - Proposed budget recommends appropriating \$1.5M of RPS' projected prior year fund balance as a general fund resource back to RPS to support this proposed increase, AND
 - \$10.9M from RPS' projected FY2017 surplus, that was assigned in their fund balance

Budget

Major One-Time Funded Items in FY2019

- \$23k in City Clerk for preservation/archiving of handwritten minutes
- \$450k in Sheriff for purchase of Jail Management System (recommended to use available funding in FY2018 to cover half of costs)

One-Time Funded Items in FY2020

- \$900k in Finance to cover operational costs associated with MUNIS capital project
- \$800k in Assessor for CAMA system replacement
- \$25k in City Attorney for recodification of code books

Major Changes to Department Structure

- New Departments
 - **Department of Housing and Community Development -
Department of Economic Development**
 - Separation and transfer of funds and positions from Economic and Community Development (now titled Economic Development)
 - Primary focus will be on Housing – Comprehensive housing strategy, Affordable Housing, Housing issues within the City
 - Economic Development will maintain its focus on business attraction, retention, etc. distinct from Housing
 - Proposed budget includes funding for a new Director FTE in Housing

Major Changes to Department Structure

- New Departments

- **Department of Citizen Service and Response**

- Separation and transfer of funds and positions from Non-Departmental – 311 Call Center
 - Primary focus is to oversee and operate the City's 311 Call Center by developing, staffing, and coordinating the implementation of and overseeing all non-utility services and responses for citizens requesting non-emergency services or information from Departments other than DPU
 - Includes funding for a one new Director in FY2019 and funding for two additional positions in FY2020.

Budget

Major Changes to Department Structure

- Additional functions within the Budget Department
 - **Performance Management Office (within Strategic Planning Unity) of Budget and Strategic Planning**
 - Monitoring policy and internal reform implementation
 - Implementing performance based budgeting
 - Assessing organizational challenges
 - Leading implementation of internal reforms
 - Proposed budget includes funding for an existing, vacant FTE
 - Proposed budget includes recommendation to transfer existing part time position from Mayor's Office
 - No new costs were recommended

Budget

Debt

FY18 Adopted amount of \$67,692,900

FY19 Proposed amount of \$69,874,320

FY20 Projected amount of \$73,720,516

- Increase in debt service (FY19 and FY20) 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

Budget

Personnel Complement

City

FY18 Adopted GF FTE count = 3,615.69

FY19 Proposed GF FTE count = 3,643.39

FY20 Proposed GF FTE count = 3,648.39

RPS

FY19 Total GF FTE count = 3,255.9

(Source: School Board Approved Budget for FY2018-2019 Object Category – General Fund Expenditures)

Unfunded Vacant Positions

- The FY18 Adopted Budget funded only \$13.2M in funding for vacancies for **ALL** general fund departments
- The reductions to vacancy funding had an impact on city services and programs in FY2016, FY2017, and FY2018 and will continue in FY2019 and beyond

Budget

Funded/Unfunded Vacant Positions

- The FY19 Proposed Budget recommends funding \$12.3M for critical vacancies across multiple departments
 - See the attached handout - shows proposed vacancy funding amounts by agency
- Proposed vacancy funding includes funding for new, vacant positions
- Out of a total of 3,643.39 GF FTEs, funding is recommended for 3,077 filled and vacancy funding is proposed for all other departmental vacancies.

Budget

Unfunded Vacant Positions

- The FY20 Proposed Budget recommends funding \$10.3M for critical vacancies across multiple departments
 - See the attached handout - shows proposed vacancy funding amounts by agency
- Proposed vacancy funding includes funding for new, vacant positions
- Out of a total of 3,648.39 GF FTEs, funding is recommended for 3,077 filled and vacancy funding is proposed for all other departmental vacancies

Budget

Pay Raises

- There are no bonuses for City/Non sworn employees in the proposed budget for FY19/20
- FY19 proposed budget includes funding for a 1% salary increase for all general, non sworn, non Constitutional officer positions.
 - FY20 assumes full 1%.
- FY20 includes a 2% increase for all Constitutional officers as approved by the General Assembly. Will be revisited for final General Assembly approval during the FY20 amendment process

Employee Benefits

Health Insurance Premium Costs

- Health Insurance premiums for FY2019 are projected to increase 5% compared to the 2018 calendar year rates.
- The cost that employees pay will not change and the City is recommended to absorb the increase.

Employee Benefits

2017 Health Assessment Results (for 2018 Contributions)

Active Employees

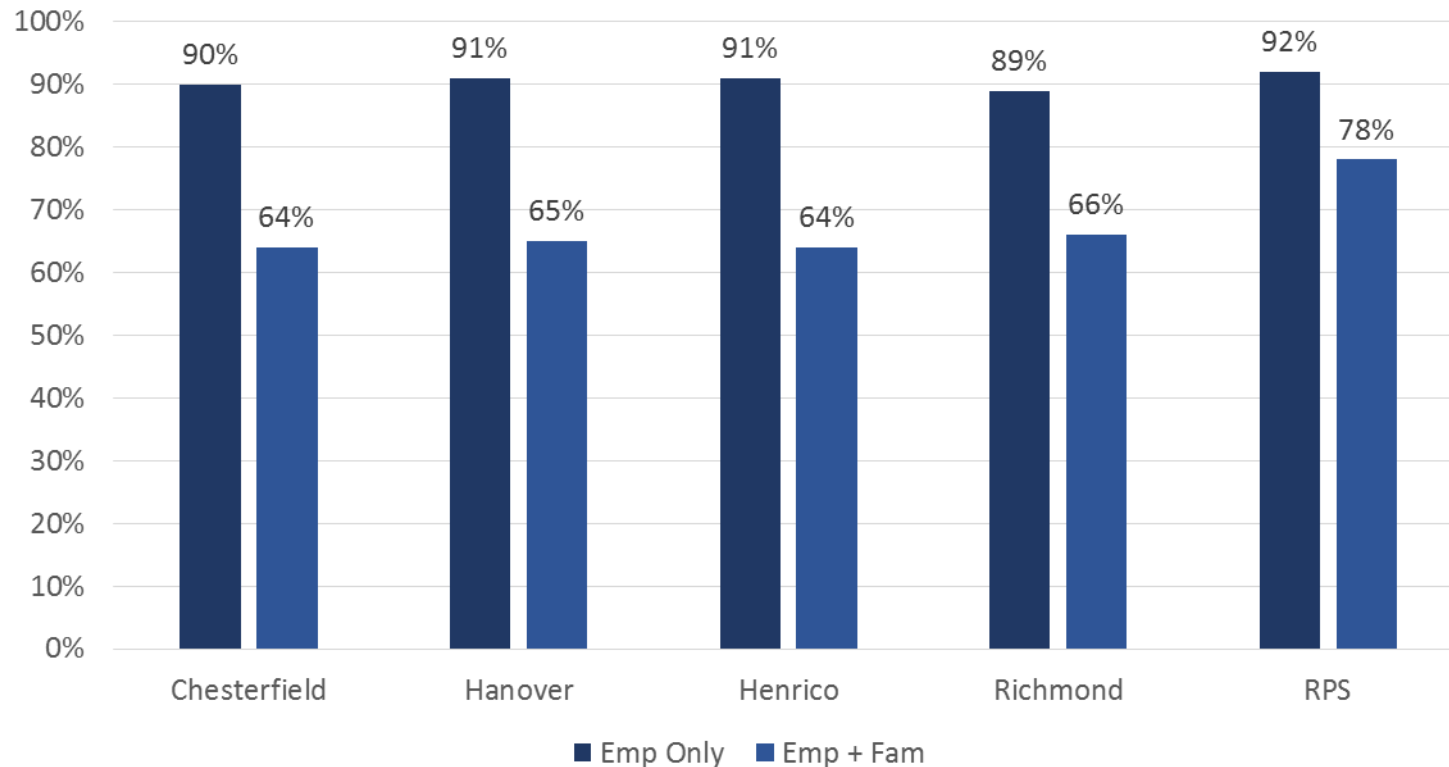
- Of the 3,618 employees covered under the medical plan, 2,281 took the health assessment which is a 63% engagement rate

Retirees

- Of the 376 retirees covered, 145 completed the health assessment which is a 38.6% engagement rate
- 346 spouses of active employees and retirees took the health assessment

Comparison of Localities Medical Cost

Locality Cost as a Percent of Total Rate



Notes:

Based on rates of the most popular plan

Chesterfield, Hanover and Henrico rates are the same for both government and schools employees



Budget

Health Insurance

- Health Insurance Budget
 - FY18 Adopted Amount: \$25,316,314
 - FY19 Proposed Amount: \$28,792,743
 - FY20 Proposed Amount: \$28,410,813

Richmond Retirement System Rates

- FY19 projected retirement rates (as provided by RRS)

	Adopted FY18	Proposed FY19
General Employees	46.51%	50.03%
Sworn Police & Fire	40.56%	41.02%

- FY18 Adopted Amount: \$37,960,995
- FY19 Proposed: \$40,097,239
- FY20 Proposed: \$39,964,583

Cost of Living Adjustment (COLA)

- The FY2019/FY2020 Proposed Budget does not include a COLA

QUESTIONS