

INTRODUCED: April 12, 2021

A RESOLUTION No. 2021-R023

To adopt budgetary policies under which the City will endeavor to provide operating funds annually for capital maintenance purposes, the City's annual required contribution for other post-employment benefits, and a self-insurance claims reserve.

\_\_\_\_\_  
Patron – Mayor Stoney

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

PUBLIC HEARING: APR 26 2021 AT 6 P.M.

WHEREAS, the City desires to enhance the City's financial standing by adopting budgetary policies under which the City will endeavor to provide operating funds annually for (i) capital maintenance purposes, (ii) the City's annual required contribution for other post-employment benefits, and (iii) a self-insurance claims reserve;

NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF RICHMOND:

That the City adopts the following budgetary policies:

1. It is the policy of the City to endeavor to appropriate annually operating funds in an amount equal to three percent of the tax revenues estimated to be received for the general fund

AYES: 8 NOES: 0 ABSTAIN: \_\_\_\_\_

ADOPTED: MAY 24 2021 REJECTED: \_\_\_\_\_ STRICKEN: \_\_\_\_\_

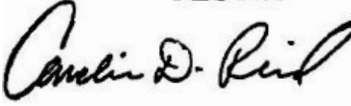
during the year to the City's capital budget for capital maintenance purposes, as the term "capital maintenance" is used in the application of generally accepted accounting principles.

2. It is the policy of the City to endeavor to appropriate annually operating funds in an amount equal to the City's annual required contribution, as defined by the Governmental Accounting Standards Board, for the year as a contribution to the City's other post-employment benefits trust established by section 1 of Ordinance No. 2018-196, adopted July 23, 2018.

3. It is the policy of the City to endeavor to appropriate annually operating funds in an amount equal to 20 percent of the anticipated premium costs and claim payments for the year to a self-insurance claims reserve within the City's Risk Management internal service fund to address periodic spikes in claims experienced during future fiscal years.

BE IT FURTHER RESOLVED:

That the policies adopted by this resolution are effective upon this resolution's adoption and are intended to be phased in over the next several fiscal years beginning with the fiscal year commencing July 1, 2021, and ending June 30, 2022.

**A TRUE COPY:**  
**TESTE:**  
  
**City Clerk**



# CITY OF RICHMOND

## INTRACITY CORRESPONDENCE

RECEIVED  
By CAO Office at 12:17 pm, Mar 25, 2021

2021-276

### O&R REQUEST

**DATE:** March 22, 2021 **EDITION:** 1

**TO:** The Honorable Members of City Council

**THROUGH:** The Honorable Levar M. Stoney, Mayor *J.M.S.*

**THROUGH:** Lincoln Saunders, Acting Chief Administrative Officer *JLS*

**THROUGH:** Sheila White, Interim Director of Finance *Sheila White*  
*JAB*

**FROM:** Jay A. Brown, Director, Budget and Strategic Planning

**RE:** Resolution to Support Financial and Budget Policy Recommendations

**ORD. or RES. No.**

**PURPOSE:** The Administration is requesting a resolution to establish several best financial and budgetary policies for the City that seek to:

- Provide dedicated cash funding to the City's capital improvement plan for critical, city maintenance projects;
- Fund the City's Other Post-Employment Benefits (OPEB) annual required contribution (ARC); and
- Fund a Risk Management claims reserve, all through a multi-year approach.

The purpose of these policies are to enhance the City's financial standing, both short term and in the long term, as well as provide a funding mechanism to address critical, financial needs of the City. The adherence to these policies will be viewed favorably by the rating agencies as the City continues to push forward towards achieving AAA status.

This resolution seeks to obtain City Council's support in these best financial and budgetary policy recommendations.

**REASON:** The FY22 proposed operating budget includes new or increased funding to support several new budgetary and financial policy recommendations all of which will help improve the fiscal health of the City. Due to the financial limitations of proposed revenues, all of the recommended policies incorporated in the FY22 budget are recommended to be phased in (multi-year funding approach) over the next several fiscal years. The policies include and there is funding in the FY22 proposed budget for:

**Multi-Year plan for annual capital maintenance funding of 3% of General Fund City Tax Revenues** – Establish a policy to annually cash fund the City's capital improvement plan and utilizing that funding for city related capital maintenance needs. This is a financial best practice as this policy seeks to provide annual funding to address critical City capital maintenance needs. The

recommendation is to implement a multi-year approach that, over 5 years, will equal 3% of City tax revenues. It is anticipated that by FY2026 there will be approximately \$18.5M contributed from the general fund to a capital maintenance fund for City related maintenance. The FY22 proposed budget includes a starting allocation of \$1.4M to the City's capital improvement program, specifically within the City Hall capital maintenance project.

**Multi-year plan to fund OPEB-Retiree Health Annual Required Contribution (ARC)** – Establish a policy to fully fund the City's OPEB ARC. The City's current OPEB liability as of June 30, 2020 is \$116.9M (see CAFR page 79 and 83). The City's estimated annual ARC is approximately \$15M. The recommendation is to implement a multi-year approach that, over 3 years, will, seek to fund the full estimated OPEB ARC. The FY22 proposed budget includes increasing the current base allocation of \$250k to the OPEB Trust Fund (within Non-Departmental) by \$1.1M. The FY22 proposed budget has a total recommendation allocation of \$1.4M.

**Multi-year plan to fund a 20% estimated claims reserve for the City's self-insured Risk Management Fund** – Establish a policy to create a Self-Insurance Claims Reserve in the Risk Management internal service fund. Such a fund will help address periodic spikes in experienced claims in future fiscal years. The reserve may be reduced or increased by management based on professional judgment and anticipated claims costs estimates. The City will strive to achieve and maintain an amount equal to 20% of anticipated annual premium/claims costs by using a multi-year plan. It is anticipated that by FY2026 there will be approximately \$1.2M in this reserve. The FY22 proposed budget includes a starting allocation of \$250k within the Risk Management Internal Service Fund.

**RECOMMENDATION:** The Administration recommends adoption of this resolution.

**BACKGROUND:** This resolution establishes three separate policies for the City that will: provide dedicated cash funding to the City's capital improvement plan for critical, city maintenance projects, fund the City's Other Post-Employment Benefits (OPEB) annual required contribution (ARC), and fund a Risk Management claims reserve. Such policies are best financial and budgetary practices of local government, will cover the City's liabilities, and will help move the City closer towards achieving AAA status. Due to limited revenues, it is recommended that a multi-year funding approach is taken to fully achieve the policy goals. The FY22 proposed budget includes an initial allocation of funding as part of the first year of implementation of these policies.

**SOURCE:** (must select all that apply)

- New/increased revenue (*complete the general fund new budget item detail chart*)(you must identify the amount of the new revenue or increase in revenue and the reason the new revenue or increase in revenue is available – do this in the Background section above)
- Existing general fund (*complete general fund transfer budget item detail*)(you must identify the budget item to be reduced, the amount of the reduction, the reason for the reduction, **and an analysis of the impact on each program or subprogram funded by that budget item** – do this in the Background and Reason sections above)
- Fund Balance/Reserve/Contingency/Other Funding Source (you must identify the specific source to be used (eg. Fund balance, reserve, contingency, or other), the amount of that funding source proposed to be used, and the reason for the use of that funding source – do this in the Background section above)

**FISCAL IMPACT/COST** (current FY):

- **If Adopted:** None
- **If Not Adopted:** None




Existing Item – You must show the total appropriation for each modified budget item to receive funds, for your agency

**OR**

New Item – You must show the total appropriation for each modified budget item to receive funds, for your agency

\*for a new item you must reference the next corresponding item # with a (.) decimal point, see ordinance #2018-057, FY2019 Program Level Budget)

<u>TO</u>					
<u>Item #</u>	<u>Title</u>	<u>Program (cost center #)</u>	<u>Subprogram (service code #)</u>	<u>Transfer Amount/New Amount</u>	<u>New Appropriation Amount</u>
<u>Grand Total</u>					

**\*\*\*Grand total for the New Appropriation Amount MUST match the TOTAL AGENCY budget requested as a result of this ordinance\*\*\***

Sources