

City of Richmond



DWIGHT C. JONES
MAYOR

March 26, 2009

The Honorable Council of the City of Richmond Virginia:

I respectfully submit this administration's first Biennial Fiscal Plan for FY 2009-2010 and FY 2010-2011, which begins July 1, 2009 and ends June 30, 2011. Having the responsibility to present this budget to you at a time when the country as a whole is facing the worst economic downturn in 75 years, means that we met extraordinary financial challenges and faced very tough decisions. The enormous costs of the current financial crisis and the lagging economy have caused all localities to make hard choices. What is clear is that in these uncertain times, Richmond residents and businesses will turn to the City for leadership and direction, and the City must be prepared to respond.

Our theme for the next two years is: "Making Efficient Decisions in Challenging Economic Times." We must work collaboratively to meet the task at hand. This fiscal plan represents a comprehensive spending plan in line with current revenue projections. We will not dip into the Rainy Day Fund in the proposed budget.

The budget is a two-year plan; however, in this letter I am focusing primarily on the first year. First, with as many moving pieces as there are on the horizon, we must look to the future, but focus on the present. Second, we are monitoring our revenues closely, and will have an update for your deliberative use in the next month. Third, the State's budget will be adopted on April 8, 2009, at the General Assembly's Reconvened Session, and at that point we will have closure on the revenues to budget in several key areas.

The Fiscal Year 2009-2010 general fund budget is proposed to be \$629.6 million, a decrease of \$28.5 million (4.3%) from the current fiscal year. Fiscal Year 2010-2011 projects a budget of \$636.5 million, an increase from the prior year of about \$7 million (1%). The second year reflects slight growth, but is still a decrease from the current FY 2008-2009 budget plan. Revenues have been projected based on population growth, changes in the consumer price index, anticipated residential and commercial growth, and other economic factors.

The good news is that this budget includes no increase in tax rates, and was balanced through spending reductions and realignments, the use of innovative service delivery, and the implementation of a new revenue source. The City's Chief Administrative Officer and department heads turned over many rocks, and looked at creative ways to deal with hard times.

But, there can be no sugar coating: this is a lean year. In this budget, everyone has to give up something. I include myself in that category. Because of reduced revenues, I have set aside some of my own plans until better times. We cannot move to fill over 200 needed city positions, or move as fast as I would have liked with the vision set forth in the Downtown Master Plan. I must also slow down efforts to launch additional economic and redevelopment programs for the City.

Recognizing the hard choices we face, the following guidelines were used during our budget planning process:

- **Prioritize programs**
- **Make wise investments for future savings**
- **Strive for the least impact on citizens in any service reductions or any revenue impacts**
- **Protect those residents of the City who are the most vulnerable**
- **Maintain and improve the City's fiscal health**
- **Use sustainable cuts that can provide savings in future years**
- **Use one-time cuts that can save money in the short-run without long-term ramifications**
- **Approach the budget as a system-wide program – look for savings across departments and agencies, rather than viewing each departmental budget separately**
- **Use performance-based measures in budget decisions**

- **Encourage efficiencies and economies**
- **Use innovative approaches to current service provision**
- **Use new revenues streams where appropriate**

The education of our children is a fundamental constitutional guarantee. Clearly schools are our top priority. We have worked with our School Superintendent to develop a plan that minimizes the pain. Economic Stimulus funds may be able to ease some of the pain, but even so, the schools are struggling to balance their needs and resources. This budget includes a small reduction for schools – less than the overall revenue loss the City will experience. Education is held to a 4% reduction, at a time when real estate tax revenues are expecting to be down by 8.9%. The School system will strive to maintain the level of instruction in classrooms within their budget plan.

Police and Fire departments are key services the City must provide to its residents. Each department is held to a reduction of 4.75%. There will be no reduction of sworn officers in either agency. In both agencies, I have asked that the impact on services be minimized.

We are providing level funding to the Health Department to ensure that there is a safety net available to our most vulnerable citizens. Our Department of Social Services will see a cut of under 4.0% - also in light of the need to protect our most vulnerable.

However, this year we had to take a hard look at how we fund outside agencies. In some cases we have scaled back the City support. And, my budget is based on assessing charges for not-for-profits that are otherwise not taxed. I pledge to work with these groups and with City Council to find an appropriate level of charges to assess. But, I believe that all of us must pay a portion of the freight of living and working in the City – that is the price we pay in a civilized society.

In the Utilities Department, we are proposing a stormwater fee to generate the funding needed with new water quality regulations. These funds will be used to improve water quality and alleviate flooding. In the past, these costs were paid for through real estate taxes – the new fee is based on impervious areas.

Gas rates will increase about 3% after no increases in the past two years. In part, this increase reflects new Federal regulations for distribution integrity management, which requires the replacement of old infrastructure. Water fees will increase 6% overall, with an average 1% for residential property. This reflects an increase in chemical costs and Federally-required capital spending. Wastewater fees will increase 5.5%, as a result of the City's consent agreement with the State's Department of Environmental Quality – dealing with our on-going combined sewer overflow (CSO) program.

The Chief Administrative Officer will be working with all City employees to make business-like short and long term reductions: reducing the amount of copying down in offices (necessary copying versus convenient copying), eliminating desktop printers, minimizing training, conferences and travel costs, and drinking our good City water rather than purchasing bottled water.

In terms of wise investments, the City is continuing to move forward with Voice Over Internet Protocol (VOIP), to optimize our day-to-day telecommunications. In Public Works, we will be investing in new garbage collection trucks that are larger and can make our routes more efficient. Many other new ideas are being offered, reviewed and implemented – thanks to the hard work and creativity of our City staff.

One overdue change on the revenue side of the ledger is to establish a tipping fee at the City's landfill, to bring them in line with the surrounding counties, at \$50/Ton. This change should generate about \$2 million in revenue for the City's general fund.

The City has positioned itself well to soften the impact on services. Our ability to manage has been acknowledged by outside bond rating agencies, we have earned a "very strong" investment grade bond rating from all three major credit rating agencies. This puts us in a position to pursue the Triple-A bond rating that I want us to achieve even during these lean times. We must remember our strong points and continue to improve.

We are repeatedly ranked as one of the best metro areas for business and careers and even in these tough economic times, we were ranked as the 4th best City in which to find a job. We receive visiting delegations that want to look at our model of doing business. And, we've recently been recognized for other

innovative strategies in policing and in technology for improving 911 responses coming through alarm companies. I know that we can continue to perform during these tough economic times and I look forward to working with you to sustain Richmond's reputation as a great city to live and do business.

I want to acknowledge the hard work of our city departments. Everyone has made great efforts to identify areas that can be cut while continuing to provide as high a level of service as possible. This is a prudent and balanced plan and I would like to express my sincere appreciation to our department managers for their dedication and cooperation. I am also grateful to our budget staff for the time they have devoted to the production of this year's budget. I also want to acknowledge the efforts of the print shop staff in getting both budget documents produced.

So again, I present to you this plan in the spirit of communication, cooperation and collaboration. This budget proposal is not the end of a discussion – it is the beginning of the dialogue. If you have other ideas– please let me know and let's work together to develop the best plan.

If we can work together to solve tough problems in hard times, imagine what we will be able to do together in good times!

Sincerely,



Dwight C. Jones