

# FY 2021-22 Budget, 10-year Financial Forecast & American Rescue Plan

City Council Meeting  
April 6, 2021

Laura Snideman, City Manager  
LaShonda White, Deputy City Manager  
Belinda Brown, Finance Director

# Budget Calendar

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# FY 21-22 Budget Proposed Process

<b>March</b>	
<b>3/2 and 3/9</b>	Budget principles and budget development process
<b>3/23:</b>	Management Partners: Presentation on 10-year financial forecast and interactive dashboard tool
<b>3/25</b>	Unions/Finance meeting: FY 20-21 budget update, FY 21-22 budget process, American Rescue Plan (ARPA) and 10-year financial plan
<b>April</b>	
<b>4/6</b>	City Council: FY 20-21 budget update, FY 21-22 budget development update, and ARPA discussion
<b>4/7</b>	Community budget meeting: FY 21-22 budget and ARPA
<b>Mid-late April</b>	Council workshop(s)
<b>4/15</b>	Unions/Finance meeting: FY 21-22 budget and ARPA
<b>Late April or Early May</b>	City Manager/Union Quarterly Meeting
<b>May</b>	
<b>5/4</b>	First draft of FY 21-22 annual budget to council
<b>5/6</b>	Community budget meeting
<b>5/18</b>	FY 21-22 Budget: Department budget presentations ARPA: Presentation on input gathered regarding ARPA funding and Council input
<b>Mid-late May</b>	Management Partners: Fiscal sustainability plan update
<b>5/20</b>	Unions/Finance meeting
<b>June</b>	
<b>6/1</b>	FY 21-22 Budget: Council budget presentations and discussions
<b>6/15</b>	FY 21-22 Budget: Council budget presentations and discussions ARPA: Expenditure plan recommendations and discussions (subject to various factors)
<b>6/3</b>	Community budget meeting
<b>6/17</b>	Unions/Finance meeting
<b>6/22</b>	Council approval of FY 21-22 Budget & CIP Budget

# Financial Forecast and Dashboard

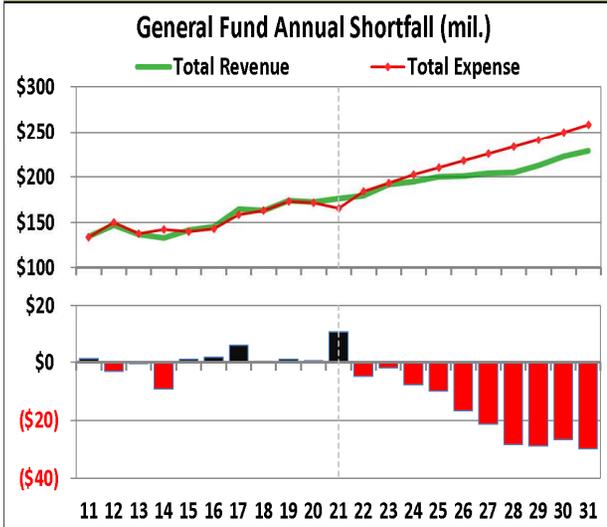
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# Project Background

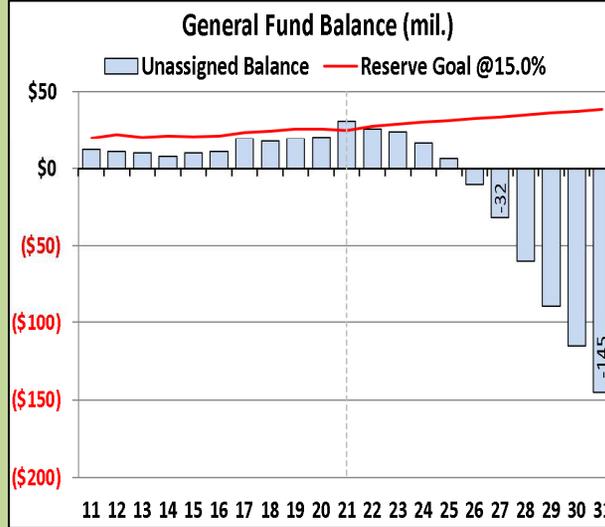
- City has done 5-year forecasts since 2010
- Russ Branson developed existing long-range fiscal model, and maintained it for the City through 2020
  - May 2020 forecast showed a structural deficit made worse by effects of Covid-19 pandemic
  - September 2020 update incorporated FY21 budget adjustments, but still showed significant ongoing budget shortfalls through FY27
- Management Partners hired in November 2020 to develop a fiscal sustainability plan, including:
  - **Analyze City's Financial Forecast** – “second opinion” on assumptions in existing model
  - **Prepare Forecast Dashboard Decision-Making Tool** – make existing model easier to use

# Key Assumptions Easily Changed in Dashboard

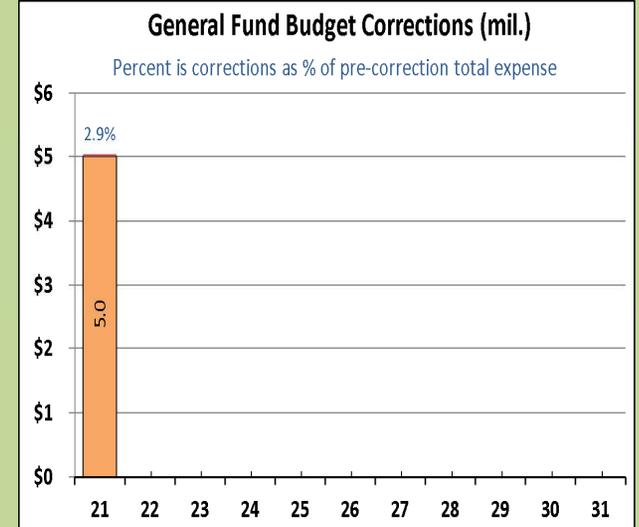
## CITY OF RICHMOND LONG-RANGE FINANCIAL PLAN



Avg Shortfall FY22-31: **-\$17.6M**



Deficit in FY26



\$0M total FY22-31

Alternate Calculation Basis			
Prop Tax	1	UUT	1
Sales Tax	3	RPTT	1
Pension	1	Update Bud	1

FTE Add	FY22	FY23	FY24	FY25	FY26	Ongoing
Police	1.00	1.00	1.00	1.00	1.00	1.00
Fire	0.00	0.00	0.00	0.00	0.00	0.00
Misc	1.00	1.00	1.00	1.00	1.00	1.00
COLA + Pay&Class						

Budget Gap Fill		after changing any budget cut factors, click Update			
Reserve Goal FY	FY26	Update Gap Fill	Zero Out Gap Fill	Decrease Balance	Increase Balance
FY Gap Fill Starts	FY22	0%			
1st Yr % of Fill Level	50%	Impact Reset	Col/Row Toggle	Ribbon Toggle	Comment Toggle
Budget Fix Override		\$0.0M			
Budget Fix Phase-in	2 yrs				
Budget Fix Growth	2.0%				

New Revenues				
Source	1=yes,0=no	Starting	Change	
Sales Tax	0	FY23	0.50%	
UUT	0	FY23	1.00%	
TOT	0	FY23	1.00%	
RPTT	0	FY25	0.20%	
Parcel Tax	0	FY25	\$100	
Add Fees	0	FY22	\$1.0M	
		FY21	FY22	FY23
ARPA aid	\$0.0M	\$0.0M	\$0.0M	
BLT add	\$5.3M	Starting	FY22	

Expense Factors		Other Factors	
COLAs-all years/units	2.00%	Interest Yield	1.5%
Overtime FY22	\$2.0M	City Reserve Policy %	15.0%
Comp Absence FY22	\$1.5M	Net Merit/Turnover	0.50%
Health Growth	6.00%	FY26 SalesTax % of FY19	110%
Vacancies	73.1 3.00%	FY21 YTD Elapsed	62.50%
CIP add FY22	\$2.0M	FY22 City Adds Factor	1.00
		55 FTE Remain Frozen	7.25%
		55 FTE Restored FY22	\$0.00M
		ECIA Backfill FY27	\$0.0M

Recession Factors			
Covid-19			
NONE	MILD	12 Mo	1 year
RECESSION	MODERATE	18 Mo	2 year
PANDEMIC	STRONG	24 Mo	3 year
	SEVERE	36 Mo	4 year
Future			
NONE	FY Start	FY20	see added
RECESSION	Cycle	7 yrs	factors
PANDEMIC	Recover %	100%	below

Pension Cost Scenario		ADP Scenario	
Invest 7%, DR=7%	Invest 6.2%, DR=7%	NO ADP	\$5M x 1yrs
Invest 6.2%, DR=6.5%>5yrs	Invest 6.2%, DR=6%>10yrs	\$1M x 5yrs	\$1M x 10yrs
Invest 6.2%, DR=6%>20yrs		\$2M x 10yrs	
Scenarios		Assumptions	
5-YR PLAN	MP BASELINE	SAVE	RESTORE

Cntl-y goto Dashboard

Cntl-j goto Rev Engine chart

To select a listbox option that is already blue, double-click rather than single click

Cntl-n goto Combined Forecast

Cntl-k goto Exp Engine chart

# Next Steps

- Obtain feedback from City Council on forecast
- Develop and review budget options for Council consideration to address the identified fiscal gap
- Assist the City in engaging the community in the identified budget options to inform City Council's ultimate choices
- Develop a fiscal sustainability implementation action plan based on Council-chosen budget options
- Implement the fiscal sustainability plan

# American Rescue Plan Act (ARPA)

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# American Rescue Plan Act

- Richmond's allocation is \$20.81 million
- Funds received in two equal installments one year apart
  - First: ~June/July 2021 for use in FY 2022
  - Final: 2022 for use in FY 2023
- Funds must now be spent by 12/2024
- Periodic reports to the Treasury Department with a detailed accounting of the use of funds

# National League of Cities Presentation – 3/16/21

## Use of Funds

- Respond to the COVID-19 emergency and address its economic effects, including through aid to households, small businesses, nonprofits, and industries such as tourism and hospitality.
- Provide premium pay to essential employees or grants to their employers. Premium pay couldn't exceed \$13 per hour or \$25,000 per worker.
- Provide government services affected by a revenue reduction resulting from COVID-19.
- Make investments in water, sewer or broadband infrastructure.
- State cannot use the funds towards pensions or to offset revenue resulting from a tax cut enacted since March 3, 2021. Local governments cannot use the funds towards pensions.
- State and local governments could transfer funds to private nonprofit groups, public benefit corporations involved in passenger or cargo transportation, and special-purpose units of state or local governments.

# Steps/Timeline

**April:** Gather ideas on general priorities, specific uses, and expenditure recommendations; Seek answers to outstanding questions

**May 18:** Present information gathered during April to City Council; Receive City Council input

**June 15\*:** Provide expenditure recommendations to City Council for additional input and/or adoption

**July 20:** If necessary, City Council to adopt expenditure plan and/or FY 21-22 budget modifications based on June 15 City Council meeting

\*Subject to having received all final direction, parameters, guidelines and/or regulations regarding spending limitations from the federal government ● 11

# Outreach & Engagement

- Community Input Sessions
  - Session will be recorded for future viewing
- Add ARP information to city website
- Utilize CivicPlus Community Voice
- Online survey
- Union meetings
- Information distribution: City website, City Manager's weekly report, NextDoor, Nixel, KCRT, RNCC, Business organizations and Unions
- Spanish translation

# Outstanding Questions/Unknowns

- When will final specifics on allowable uses be available? (When will the federal government finish writing the regulations?)
- How early in FY 21-22 will the funds be available?
- How can we best leverage the funds?
  - What opportunities are there for partnerships?
  - How can we pool funds regionally?
  - What is the County or State funding locally such that Richmond funds can be spent on other opportunities for additional overall impact?

# Guiding Questions and Discussion

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# Guiding Questions

1. Do you have feedback on the proposed FY 21-22 budget timeline and process?
  - Additional outreach? Additional stakeholders? Other comments/feedback?
2. What budget items should we consider for inclusion in the FY 21-22 budget?
3. Do you want to engage in a mission, vision, values development process?
4. Are there any questions/comments from the March 23rd Management Partners presentation about the 10-year financial forecast and dashboard tool?
5. Do you have feedback on the proposed process and/or ideas on how Richmond should spend its \$20.81 million ARPA allocation?

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