



Potential Impact of Navy Hill Project on School Funding

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Budgeted Local Funding for Schools

	FY2018	FY2019	FY2020
GF Transfer to RPS from Recurring Revenues	156,675,683	156,675,683	175,193,143
Schools Capital Maintenance	5,165,236	1,562,000	19,000,000

- In the FY2020 budget, the Mayor and City Council fully funded the School Board's request
- This included an \$18.5 million increase in recurring funds, plus \$19 million for capital maintenance
- Please note that FY2020 is the second year of the 1.5% meals tax increase that is providing \$150 million for 3 new schools, in addition to the above

Note: Above also does not include use of prior year fund balance or debt service



Budgeted State Funding for Schools

	FY2018	FY2019	FY2020
State Revenues in RPS General Fund	104,207,113	103,358,540	106,274,416
State Sales Taxes (not subject to LCI)	<u>26,213,079</u>	<u>27,107,353</u>	<u>28,247,705</u>
Total State Funds	130,420,192	130,465,893	134,522,121

- The State has provided relatively flat funding, with added FY2020 funding for a portion of Teacher salary increases
- The City has used local funding to make up the difference
- The FY2020 required local share of Standards of Quality costs is \$104.4 million; the City provides \$70.8 million more



Budgeted General Fund Revenues

	FY2018	FY2019	FY2020
Current Real Estate Taxes	241,980,882	261,699,765	289,820,834
Other Local Taxes	245,174,381	247,711,339	256,326,260
Other Sources	<u>204,711,498</u>	<u>210,491,115</u>	<u>200,014,511</u>
Total Revenues	691,866,761	719,902,219	746,161,605

- General fund budget has grown about \$27 million per year
- This growth has allowed the City to invest in Schools and compensate for the lack of State funding
- State Board of Education recently recommended the State increase School funding by over \$1 billion



Composite Index: Background

- Composite Index of Local Ability to Pay determines Richmond's funding from the Commonwealth to pay education costs to meet the Standards of Quality
- Composite Index is calculated using three indicators of economic growth:
 - True value of real property (weighted 50 percent)
 - Adjusted gross income (weighted 40 percent)
 - Taxable retail sales (weighted 10 percent)
- **Changes in the Composite Index for any locality, including Richmond, must be viewed in relation to all other localities in the Commonwealth**



Observations: Potential Impact on State SOQ Funding from Navy Hill

- Concerns that Navy Hill would cause RPS' State funding to drop by millions of dollars are unfounded
- Change in the Composite Index is based on relative growth of Richmond versus all Virginia localities
- Northern Virginia continues to benefit from larger growth than Central Virginia (e.g. Loudoun County high tech growth, Amazon's HQ2 in Arlington/Alexandria)
- When allowing 2% statewide growth in Composite Index calculation, Richmond wouldn't be adversely affected



What is Happening to Richmond's Composite Index?

- ✓ Richmond's Composite Index is decreasing from the current .4925 to .4688 in the next biennium, even after two years of robust growth

	LCI
Richmond LCI: FY2020	.4925
Richmond LCI: FY2021	.4688

- ✓ Lower LCI means the state share of funding from the Commonwealth will increase
- ✓ The reduction is primarily due to Richmond's growth being less robust than that of other localities



Illustration of Flawed Analysis of Composite Index

- ✓ When not allowing for growth in other localities, and applying Richmond's real estate growth of 8%, then one arrives at a false conclusion

Scenario	LCI
Richmond LCI: FY2020 Actual	.4925
Richmond LCI: if 8% local growth applied and no State growth	.5101

- ✓ To reiterate, Richmond's Composite Index must be evaluated in the context of statewide growth



Why Focus on the Project Impact on State SOQ Funding?

- If one only focuses on the impact of economic activity and real estate values, then this means the City Government should pursue the following to get more State funding for Schools:
 - **Suppress local jobs and wages to limit AGI**
 - **Discourage taxable retail sales**
 - **Decrease local real estate values**



Recent Economic Development Projects Directly Supported by Council

Project	Jobs Impact	Real Estate Investment
Phillip Morris (Altria) Research and Development Center	500	\$266 million
Westrock (MeadWestvaco) Corporate Headquarters	400	\$80 million
Armada Hoffler Richmond Office Tower	350	\$60 million
Gateway Plaza	250	\$110 million
400 Hull Street	100	\$50 million
CoStar Realty	732	125ksf Lease
Owens & Minor	500	85ksf Lease





ECONOMIC DEVELOPMENT PROJECT MATRIX

General/Moral Up Front City Cash
Cash or Tax Incentives
Reduced Public Transportation
Affordable Food Deserts
Increased Housing
Job Creation
Increased Tourism

PROJECT	YEAR	COSTS			BENEFITS				
Navy Hill	Present				✓	✓	✓	✓	✓
GRTC Pulse	2017	X	X		✓			✓	✓
Stone Brewery	2014	X	X	X				✓	✓
Gateway Plaza Building	2013	X	X	X					✓
Bon Secours/Redskins	2013	X	X	X				✓	✓
Landmark Theater (Altria) Renovation	2012	X	X					✓	✓
MeadWestvaco (WestRock)	2009			X					✓
Philip Morris (Altria) Research Building	2005			X					✓
Broad Street CDA	2003	X	X					✓	✓
Convention Center (GRCC)	2000	X		X				✓	✓
Crestar (SunTrust) Old Manchester	1999	X	X	X					✓
6th Street Marketplace	1985	X	X			✓		✓	✓
The Diamond	1984	X	X	X				✓	✓
Downtown Marriott	1982	X						✓	✓
The Richmond Coliseum	1968		X					✓	✓



Impact of Navy Hill Project on Local Funding for Schools

- Current City Council policy (Resolution 2019-R009) is to appropriate 55.4% of real estate taxes for Schools
- Navy Hill is projected to generate \$1 billion in surplus revenues, including meals, admission, and lodging taxes
- Mayor's resolution would provide 50% of that surplus, or \$500 million for Schools
- RPS would only receive about \$200 million in the “Do Nothing Scenario” tied to 55.4% of real estate taxes
- Project would also add about \$31.7 million from 1.5% meals taxes for RPS facilities, not tied to arena debt



Conclusion Regarding School Funding

- Economic development in other Virginia localities could fully offset the impact of the Navy Hill project on State funding for Schools
- RPS would gain additional State revenue as the Average Daily Membership increases
- Navy Hill project would diversify the local economy and better insulate the City from a downturn
- Potential reduction in State funding for Schools would be more than offset by additional local funding from meals, lodging, admission, and other taxes



Questions?



APPENDIX



IFA Incremental Real Estate Revenue

- Revenues from the Project Block Components are projected to fully repay the Non-Recourse Debt Service
- The IFA Incremental Real Estate Revenue is necessary in order to provide coverage so that the City's General Obligation or Moral Obligation will not be required
- The Project would have to perform at less than 46% of projections for the IFA Incremental Real Estate Revenue to be at risk



Comparison of 17 Localities in Richmond Metropolitan Statistical Area

Locality	Poverty Rate *	Local Composite Index for 2020	State Share of SOQ Costs
Goochland	6.1%	.8000	20.0%
Charles City	12.0%	.5175	48.3%
Richmond	24.0%	.4925	50.8%
Hanover	5.4%	.4468	55.3%
Powhatan	5.4%	.4302	57.0%
Henrico	9.5%	.4183	58.2%
Colonial Heights	9.8%	.4179	58.2%
New Kent	5.5%	.4172	58.3%
Chesterfield	6.7%	.3522	64.8%
Sussex	22.4%	.3482	65.2%
Caroline	9.6%	.3446	65.5%
King William	6.8%	.3283	67.2%
Amelia	11.4%	.3231	67.7%
Dinwiddie	10.1%	.2783	72.2%
Petersburg	21.8%	.2430	75.7%
Prince George	10.7%	.2391	76.1%
Hopewell	19.9%	.2032	79.7%
Average	11.6%	.3883	61.2%

* Poverty Rate per U.S. Census Bureau 2017 Small Area Income and Poverty Estimates



Richmond's Composite Index in Relation to Other Localities

Richmond's relatively high FY2020 Composite Index can be quantified as follows:

- If Richmond were to have the same Composite Index as Henrico County or Colonial Heights, we would have received over \$15 million more in FY2020 State funding for education
- If the City had Chesterfield County's Composite Index, we would have received nearly \$30 million more this fiscal year
- Clearly Richmond taxpayers are paying more than the local share of many other Virginia school divisions



History of State Funding for Schools

	Year End		
	Avg Daily	Total State	Per Student
Year	Attendance	RPS Funding	RPS Funding
2015	20,432	123,309,547	6,035
2016	22,221	123,266,394	5,547
2017	21,368	128,864,668	6,031
2018	21,504	132,022,970	6,139
2019	20,226	129,091,995	6,382
Growth 2015-19	-1.0%	4.7%	5.8%

* Per Richmond Public Schools CAFR



History of Taxable Real Estate

Year	Real Estate	<div>% Change</div>
2015	20,031,295,000	2.3%
2016	20,881,840,000	4.2%
2017	21,595,770,000	3.4%
2018	22,710,883,000	5.2%
2019	24,723,042,000	8.9%

** Per Richmond CAFR*



City of Richmond

Deputy Chief Administrative Officer

Reggie Gordon

Our goal is to help this family thrive. We want the children to reach their full potential.



In addition to fully funding RPS in the last budget, the City of Richmond makes intentional investments in strategies that will encourage upward economic mobility for families and the success of the whole child.

The ultimate goal is to reduce the poverty rate by 40% by 2030.

Our Philosophy and Momentum

- Children need safety, nurturing environments, support, food security, recreation and education
- We believe in a multi-generational approach
- We have a wide, dynamic array of programs, and we partner with myriad organizations, including RPS, in an effort to pave the path for success for our children

Momentum continued . . .

The City of Richmond added \$2.9 million to the Affordable Housing Trust Fund this fiscal year, the largest one-time contribution since the fund was created in 2004

- As a result of our efforts, the poverty rate has decreased from 26% to 21% in the past two years. We are on the right course. The interventions and investments supported by the Mayor and the Council are moving us toward our shared vision for success. One Richmond. A place where everyone has the opportunity to thrive.
- Economic development in the City, coupled with equitable opportunity for access to pathways to jobs and careers that will lead to financial stability is the critical factor.

PROGRAM/INITIATIVE	AGENCY	FY2019	FY2020
Children and Youth	Office of the DCAO for Human Services	73,629	73,997
Children and Family	Richmond Public Library	871,547	848,595
Young Adult Services		690,773	686,234
Child Day Care	Dept. of Social Services	738,066	741,163
Child Protective Service		2,689,245	2,641,455
Foster Care		7,262,400	7,210,092
Foster Parents Training		489,503	491,314
Adoption		8,062,028	8,063,998
Family Preservation		70,000	70,000
Family Stabilization		1,862,353	1,868,836
Healthy Start - Local Only		111,400	111,150
Human Services/Early Childhood-Local Only		27,378	27,378
After-School Programs	Dept. of Parks, Recreation, & Community Facilities	973,964	983,577
Mayor's Youth Academy (MYA)	Office of Community Wealth Building	463,452	400,576
Workforce Development		921,137	974,617
Building Lives of Independence and Self-Sufficiency (BLISS) Program		126,097	80,711
Community Youth Intervention Ser.	Richmond Police Dept.	2,859,346	2,870,295

Memorial Child Guidance Clinic – Childsavers	Non-Departmental	50,000	50,000
Virginia Treatment Center for Children		30,000	30,000
Transfer to RPS Capital Construction Special Reserve Fund		9,113,276	9,272,758
RPS Education Foundation, Inc. – RVA Future Centers (Promise Scholarships)		320,000	320,000
Communities in Schools of Richmond		400,000	400,000
Middle School Renaissance 2020, LLC. dba NextUP RVA		262,500	262,500
Junior Achievement of Central Virginia, Inc.		16,000	16,000
Virginia Literacy Foundation		63,832	63,832
Literacy Lab		96,250	96,250
Girls for a Change (Camp Diva)		15,000	15,000
Richmond Boys Choir		35,000	35,000
Groundwork RVA (Green Team)		60,000	60,000
Art 180		5,000	5,000
Peter Paul Development Center		50,000	50,000
Higher Achievement		50,000	50,000
YMCA (After-School Programs)		382,000	382,000
Podium Foundation		17,500	17,500
Virginia Cooperative Extension		35,000	35,000
Capital Region Workforce Partnership		62,400	62,400
Conexus		52,038	52,038
Metropolitan Business League		75,000	75,000
Non-Richmond Public Schools Total		39,483,114	39,494,266

