

Mayoral Candidate Briefing



Questions and Answers

September 2024

Functional Overview: Money

Question

How does Richmond decide which services to deliver directly and which to outsource?

Answer

It starts with a cost-benefit analysis. We look at cost and sustainability. We may outsource if we don't see it as a long-term activity. We simply can't offer some services internally, especially when special subject matter experts are needed. Also, it's easier to contract in areas where there is high turnover. For example, we hire police and invest and train them, and they can have careers here in RPD. But building security experiences very high levels of turnover, so using contractors is much more sustainable and efficient for continuity of services.

PILOT-Related Questions

Question

How much are we missing out on tax-exempt real property?

Answer

All tax-exempt real property amounts to about \$133 million in real estate tax that the city is not receiving. Of that, about \$57 million is attributed to 397 state-owned, tax-exempt real properties. The state sets the PILOT (Payment In Lieu of Taxes) in accordance with the Code of Virginia, which for Richmond is currently \$3.0-\$4.0 million/year paid on 32 of the state-owned, tax-exempt parcels. We hope to move the needle at some point. But the state has property in other localities, so if they increase the PILOT here, they will likely need to increase it everywhere. The state's question to us is, What makes Richmond unique?

Question

Is there a conversation around the state PILOT and VCU? Or is it two separate negotiations? Could there more room for VCU to pay?

Answer

We are not able to negotiate anything. It's state legislation. With a land deal, we can negotiate a PILOT. We've had some success with some VCU projects, especially as they have entered into more public-private housing-related projects. Some of those are generating tax revenue, but it's a drop in the bucket. Our local General Assembly delegation is very supportive of changing this, but they must balance it, because VCU is also very important to

them too. Also, other localities are home to state universities, and they would be affected by a state change.

Question

Does the Federal government pay a PILOT?

Answer

Not in Richmond.

Tax Revenue-Related Questions

Question

Are churches taxed on real estate?

Answer

No. Also, localities have the choice to give non-profits an exemption. A moratorium was put in place because it was a big revenue drain due to the large number of non-profits located in the city. It was a significant reduction in real estate revenue for the city. We would caution against lifting the moratorium, although we are looking at some exceptions around housing.

Question

What does it mean if Richmond decreases the real estate tax by 1-cent?

Answer

A 1-cent decrease would save the average residential real estate taxpayer about \$40/year, but the City would take a \$4.0 million hit. The primary beneficiaries would be the largest property owners – generally, large corporations who are the top real estate taxpayers. The 1-cent is proportionate to the tax liability. One less penny is one less school in the City (because 1 cent can leverage about \$50 million in capital borrowing).

People often ask, Why can't we cut the rate? City Council can, of course cut the rate, but we are working to educate and detail a better policy path for issuing targeted relief. For example, we have raised the threshold for senior and disabled real estate tax relief so they can more easily age in their homes.

Every year, we try and work with the General Assembly to advocate for income-based tax relief for long-term owners/occupants to cap the tax burden if they have been in their homes longer than 5 or 10 years. The Virginia Constitution bars us from being able to do this yet. This relief currently is available only to seniors, veterans, and disabled homeowners.

We have also looked at a flat rate of \$200/home, believing a more positive impact than the 1-cent or %-based. We ran into a legal barrier, and tax equity must be applied so we had to do it based on pennies. So that's what led to the 5-cent rebate 2 years ago (which cost the City about \$18 million). We are looking at targeted relief options.

Question

What is the variance between the tax revenue and the City's debt?

Answer

The tax revenue collected helps pay for the debt. We have a debt service budget from which we pay for capital projects. Each penny of the real estate tax allows us to borrow \$50 million for capital projects. The capital budget currently is over \$1.0 billion for the next 5 years. This includes utility expenditures and investments in transportation (new roads, interchanges, etc.), parks, and schools. Mayor Stoney has committed to investing in schools and has allocated \$200 million every 5 years as part of the capital budget.

The City has been steadily increasing its collection rate, currently at 98%, and working to get as close to 100% as possible. We have brought an economist on staff who is developing more realistic projections. One metric we use is real estate, which is a volatile market. Another is building permits, which help us project out future revenue.

Question

Are we looking at 10-year expenses compared to revenues?

Answer

Yes. The personnel budget increased when we added 500-600 positions over the past decade and as wages increased across the board. That growth adds up. From an employee's perspective, inflation was also 12-13% when they got an 8% increase, so they feel it's just staying up with inflation.

As part of our commitment to employees and the collective bargaining agreements, each year we will have about \$25 million in incremental personnel increases. We are always strategizing how to meet these costs, but every budget is going to require tough decisions and prioritization. We're still paying today for decisions that did not provide employees salary increases in the past. This made Richmond less competitive and prevented us from getting top-tier talent. We're now building budgets with compensation as non-discretionary and set at the start.

COLA-Related Questions

Question

Do City retirees receive cost of living adjustments, or Cost of Living Adjustment (COLAs)?

Answer

There's also been some confusion. COLAs were never guaranteed, but they were given yearly, creating an expectation. With the change in accounting rules around 2014, it causes a permanent liability for the pension fund. We're now more cautious, sometimes opting for bonuses or pre-funding COLAs instead.

As of the most recent valuation, the Richmond Retirement System (RRS) was only 67.9% funded. So, when the City considered a 1% COLA, making that adjustment would have either increased the unfunded liability or required \$6.0 - \$8.0 million in cash – a huge challenge. The RRS has not been collecting from employees to fund future COLAs. When you use pension bonds to pay the annual contribution for the year it can become a debt spiral. This is what happened in Portsmouth.

However, our financial strategy to transition to the Virginia Retirement System (VRS) included the issuance of \$120 million to get the funded status of RRS above 80%. The goal

now is to maintain that level and eventually hit 85% before considering future COLAs. New legislation says that future COLAs can only happen if RRS' funded status stays above 85%.

As of January 2024, new hires are going into VRS, which requires a 5% employee contribution, unlike the RRS, which had employees contributing very little to zero. Also, as of January 1, 2024, we require every employee to pay a minimum of 5% to their retirement. We did this as required to equalize the employee contribution regardless of which retirement system an employee is in (RRS or VRS). The 5% contribution makes us comparable to our neighbors where their employees pay 5% because they are VRS employers. Additionally, it encourages employee participation in their retirement. We have until December 31 to complete the transition to VRS.

Systems-Related Questions

Question

How are RAPIDS and other systems working? They seem to be working in Henrico, but not in Richmond. How confident are you in the shelf life of the new system? Trends change and suddenly, we must change to a new system. Are we using all the modules of RAPIDS?

Answer

We will continue to use RAPIDS, now called CORERP, for the foreseeable future. We are trying to end our use of MUNIS. Neither one was set up right at the start. That causes problems today. For example, our payroll and shift workers cannot be programmed into the system. It was set up as a one-size-fits-all system, but that's not how our shift workers are organized.

We are starting to look at a new time and attendance software to handle that core function and then integrate it into RAPIDS. We are not currently using all the modules in RAPIDS, but we are looking to which ones would work for us. We don't need all of them because we have other solutions in place.

If you recall, the city had a reconciliation issue. Sheila White and her team spent over 3,000 staff hours to figure out the problem. It seems the problem may have been created when the city implemented RAPIDS. That was back when there were 5 different Directors in that first couple of years of RAPIDS.

One of the consistent themes in our challenges with the current systems is that many were built, developed, and rolled out by individual departments rather than being managed by IT. IT needs to build them with input from department subject matter experts. At one time, IT did not receive support from top leaders, and this caused departments to go their own way. This is no longer the reality, and we are requiring departments to work through IT.

We are focused on examining all our systems, identifying what is working and what is not. This takes time. We must fix the business processes and then move it into the systems vs. taking a bad process and integrating it into a new multi-million system, which was often done in the past. Many organizations make the same mistake we did.

Education Funding-Related Questions

Question

If the K-12 formula does move up at the state level, how much does that help RPS?

Answer

Support for public schools is apportioned between the state and the locality. The state uses various formulas to fund public education. One methodology used is the Local Composite index (LCI). In this formula each locality is assigned a value up to 0.8. The lower the number, the more state funding the school system receives. The City's LCI is higher than all our neighbors, which means we get less state funding for our schools. You shouldn't use a variable formula when you have fixed costs, however that is what the state does. Also, as part of the budget cuts during the Great Recession, they simply took away funding for school construction. We can't count on the state fixing that problem for us.

Questions on Borrowing & Saving

Question

Are Richmond's bonds cheaper than state-level university bonds?

Answer

The state probably gets a better interest rate on their General Obligation Bonds, because of its long-standing AAA credit rating with all three rating agencies. They also have a longer history of good financial management and consistency in leadership.

However, because of the recent AAA credit rating by Fitch ratings, the city can issue general obligation bonds at lower interest rates than before.

Question

What is the calculation for reserves? How is the reserve calculated?

Answer

It is calculated as a percentage of the adopted budget. Today, we have \$130-140 million in reserves. If we touch those reserves, we may have a credit downgrade a lot of explaining to do with the credit rating agencies and investors.

Functional Overview: People

Question

It seems like there has been a big lapse in customer service. Is that true?

Answer

Having sufficient staffing has a big piece of this challenge. For example, it really impacts 311 and our ability to manage calls. We now over-hire to prepare for the high turnover in 311.

We have embarked on an initiative to make 311 services better. Expanding hours into evenings and Saturdays. Adding "call-backs," because now, when 311 reaches a certain call threshold in the queue, the system just drops the calls. We are looking add a chat feature. AI is another opportunity.

Recruiting-Related Questions

Question

How has recruiting been?

Answer

We have hosted several very successful recruiting events. We learned a few lessons along the way. Managers are having to step up and take responsibility. We are also rolling out mandatory training for managers, which was something they requested.

We have made a concerted effort to increase staffing levels in critical service areas, such as the internal service departments. In FY 2023, we did a full reset on funded positions. Prior to this clean up, the This led the finance department to go from 101 to 150 funded positions. We're now focusing on first floor positions.

Question

How are we doing on attracting and retaining Millennials and Gen Z talent? For the younger generation, it's about culture, and investing in them. Are we a place they can grow? It seems like, culturally, this has been a hard place to come into.

Answer

We are doing well and are getting better. We are trying to make changes that cause people to want to stay here, to choose to stay here. We have a tuition assistance program and a homebuyer's assistance program (for up to \$25,000). We now have in-depth, all-day onboarding every other Monday. We are developing a mentorship program. We have an employee engagement committee that creates fun activities.

Question

One other palpable culture challenge has been around race dynamics. In the past, it seemed that factions of the black church community and sorority/frat community had many people employed with the city. Is this still the case and how are you addressing it?

Answer

HR has specific directives: You may not hire anyone who is not qualified. It does not matter who they know, or who they are related to. HR has the authority to say No to any hire.

HR has been empowered to prevent this. If we don't empower directors to make decisions, this place moves very slowly and ineffectively. At the same time, HR must be empowered to tell directors they can't hire that person who is not qualified.

Question

Who we believe our competitors are? How do we stack up against them?

Answer

It varies position by position. For example, Public Utilities competes with Dominion Energy. Social Services competes with other cities and localities. Finance competes with accounting firms. The City is working on becoming an Employer of Choice and we have made great strides in this through raises, opening health clinics, moving to VRS system, and other steps.

Compensation-Related Questions

Question

Do the full-time wage negotiations extend to contractors?

Answer

No. Contractors are hired through a company who sets their wages. City Council is now reviewing a prevailing wage ordinance. We have to see about the contractual ones, the company is not going to just say they will pay them more. So, we have to consider how we go about it and what the legal obstacles are. But it is often not fair: In some cases, you may have a contractor making \$12/hour while a City employee is earning \$20/hour.

Functional Overview: Planning

Question

What happens if we don't meet the outcomes in a plan, such as Richmond 300?

Answer

Most of the plans establish a vision and goals, rather than being more compliance-based. Each plan has different measures of effectiveness and implementation. Plans help us prioritize investments, so we don't get distracted by a loud voice. Needs always outweigh resources, so the plans help us prioritize and identify what we can get to first.

Question

With Richmond 300, how often do we go back and see where we are? For example, grocery stores say they choose locations based on "how many rooftops are nearby." But Manchester looks different now—it's home to a whole lot more people, but still no grocery store.

Answer

We're only a year away from when Richmond 300 needs to be revised (2025). We are going to look at where we are and what needs updating. Several of the five big initiatives, we are in flight. We're on a parallel track with overall zoning changes. We're looking at updating the zoning code based on state laws and process improvements

As far as grocery stores go, the market will tell us, when a retailer comes to us. Now that said, we're going to have to play an active role with grocery stores. Retailers usually conduct their own market research and base new locations in growth areas.

Question

How are we thinking about broader changes, beyond just rising rents? For example, on Richmond Highway, rents are above \$2,000/month, but there are gunshots across the street? How should we think about this?

Answer

Code enforcement has and is the majority of the answer. We are putting "feet on the street" to help uplift the area. We tasked the code enforcement team with identifying areas with repeated complaints and zones for sweeps. This includes overall sweeps of the 8th and 9th

districts. We issued lots of citations. These included anything from irresponsible clubs to businesses, some with permits and some without. We had late-night code enforcement going out between 10 p.m. and 2 a.m., where places were operating over capacity or operating without proper permits, etc.

It's been a long time since the City has purchased land for economic development. We have set aside \$10 million for economic development in Southside. We have one potential acquisition that we think could be a development opportunity. In doing so, we can say what kind of development comes in and be intentional about lifting up the community.

Question

How does the City handle stormwater run-off?

Answer

The stormwater fee is our newest fee, put in place about a decade ago. The priority is catching up on infrastructure promises made to the annexed areas in the 1960s and 1970s—sidewalks, additional transportation, curb/gutter, stormwater, etc.

80%- 90% of these issues are in the annexed portions of south Richmond. We have roughly \$100 million in stormwater plans in the 8th and 9th districts alone. For example, the McGuire area has \$30 million allocated to address stormwater issues.

The catch is that short of federal grants, the revenue from stormwater fee sets the amount we can bond against. So, we have one of the highest stormwater rates in Virginia. The CSO project is incredibly important, but we cannot afford to put the next \$600+ million related to that CSO change on the backs of our ratepayers. That would make us 3x higher than the next highest rate. So, we're pushing hard for state and federal funding to keep from burdening ratepayers.

This is not part of the general fund, so it must be supported by ratepayers and needs to raise enough revenue to support the projects. Since 2009, Richmond has invested \$60 million in projects and have another \$130 million planned and approved. Many other localities set their rates decades ago, so Richmond really is just catching up.

Question

Are stormwater funds paying for the Mayo Island acquisition?

Answer

It really is a stormwater improvement project, so we have \$9.0 million coming back in state grants through the Department of Conservation and Recreation. In the event of flooding, Mayo Island will become part of the mitigation solution. That is part of the reason we acquired it. This includes the Mayo Bridge as well. We're working closely with VDOT and holding community meetings to ensure we align Mayo Island planning with the bridge project and priorities identified by the community.

Other Questions

Question

What are you looking for in a new Chief Executive during the transition?

Answer

Being a servant leader starts with listening, and that listening ear is critical. Take the opportunity to get to know and listen to the department leaders, there's an incredible amount of talent. Get to know City Council and hear from them. One of the things we work on is marrying the priorities of the Mayor and City Council and how to move things forward in a productive and effective way. That starts with listening.

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