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Richmond City Council approves \$9 million withdrawal from city's rainy day fund

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With Richmond officials anticipating a budget shortfall at the end of the fiscal year, the City Council on Monday approved a \$9.4 million withdrawal from the city's rainy day fund.

The council also reduced the city's current \$744.1 million budget by \$1.7 million to balance it through the second half of the fiscal year, which ends June 30.

"Right now it's projected to be out of balance — sooner rather than later," Jay Brown, the city's budget director, said at Monday's council meeting. "We'll very likely come back in the third quarter for another reappropriation when we've got another three months of data."

Administration officials attributed the budget shortfall to the COVID-19 pandemic's ongoing impact on the economy and the need to sanitize government offices and buildings that remain open.

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A staff report on the budget amendment says the city's Department of Public Works has incurred \$6.2 million in "unforeseen" cleaning expenses.

The Department of Fire and Emergency Services, meanwhile, has paid more than \$2.1 million in overtime costs associated with the pandemic, job vacancies and last summer's social justice protests.

The report also notes that the \$1.8 million the city paid to remove the city's Confederate monuments last summer contributed to the spending gap.

Mayor Levar Stoney initially proposed a larger budget for this year last spring, but lowered it by nearly \$40 million as the pandemic took hold.

Last month, budget officials projected that the city is facing a \$37.5 million revenue shortfall in the next fiscal year.

Real estate tax revenue is expected to grow based on the relative strength of the housing market, but the pandemic's impact on service industries has significantly reduced revenues from restaurants, cafes, hotels and entertainment venues.

The mayor will present his budget proposal for the 2021-22 fiscal year to the City Council on March 5.

In other business Monday, the council delayed its decision on the pending sale of a city building for a \$325 million redevelopment project downtown and officially killed a real estate tax relief proposal introduced in 2018.

City officials had expected the council to vote Monday on the proposed \$3.5 million sale of the Public Safety Building at 510 N. 10th St.

The council agreed to vote on it in a special meeting next Monday instead, after the council's finance committee was unable to review the proposal in a meeting that was canceled last week because of the weather.

The council also agreed to officially strike a proposal that would allow property owners to defer payment on any portion of their bill that exceeds 110% of their tax bill from the previous year.

The bill, originally introduced by then-Councilwoman Kim Gray in 2018, was meant to help residents struggling to pay tax increases on rising property assessments.

After administration officials raised concerns about its potential impact on the city's finances, the bill languished through the remainder of the 2nd District representative's term.

On Monday, Councilwoman Kristen Larson implored the council to reconsider the bill or an alternative tax relief measure.

"I think we need to address this issue of folks who live in the city whose assessments continue to go up after decades of living here and are now being pushed out of their homes," the 4th District representative said.

The council recently approved a tax amnesty program that waives interest and penalties on past-due bills for real estate, lodging, meals and admission taxes, but the measure is temporary, Larson noted.

Several council members agreed that there's a need for more permanent tax relief.

Councilman Andreas Addison, who represents the 1st District, said the idea will be discussed further at the council's next land-use and housing committee meeting.

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