

INTRODUCED: January 29, 2018

AN ORDINANCE No. 2018-017

To amend ch. 12, art. II of the City Code by adding therein a new § 12-37, concerning the disposition of certain meals tax proceeds, and to amend City Code § 26-669, concerning the levy of a meals tax, for the purpose of increasing the meals tax from 6% to 7.5% with the intent of making additional funds available for the renovation and replacement of public school facilities in the city.

Patron – Mayor Stoney

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: FEB 12 2018 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That Chapter 12, Article II of the Code of the City of Richmond (2015) be and is hereby amended and reordained by **adding therein a new** section numbered section 12-37 as follows:

Sec. 12-37. Disposition of certain meals tax proceeds.

When the City collects or receives meals taxes levied pursuant to section 26-669, the Director of Finance shall credit one-fifth of the amount so collected to the special reserve assigned

AYES: _____ NOES: _____ ABSTAIN: _____

ADOPTED: _____ REJECTED: _____ STRICKEN: _____

to support public schools in the city established by subsection (b)(1) of section 12-32. Amounts credited to this reserve may be disposed of as provided in subsection (b)(1) of section 12-32.

§ 2. That section 26-669 of the Code of the City of Richmond (2015) be and is hereby amended and reordained as follows:

Sec. 26-669. Levy.

There is hereby imposed and levied by the City on each person a tax at the rate of [~~six~~ seven-and-a-half] percent on the amount paid for meals purchased from any food establishment, whether prepared in such food establishment and whether consumed on the premises.

§ 3. This ordinance shall be in force and effect on July 1, 2018.



CITY OF RICHMOND

INTRACITY CORRESPONDENCE

O & R REQUEST

4-7419

JAN 16 2018

Office of the
Chief Administrative Officer

O&R REQUEST

DATE: January 17, 2018

EDITION: 3

TO: The Honorable Members of City Council

RECEIVED

THROUGH: The Honorable Levar M. Stoney, Mayor

JAN 22 2018

THROUGH: Selena Cuffee-Glenn, Chief Administrative Officer

THROUGH: Lenora G. Reid, Deputy CAO, Finance and Administration

OFFICE OF CITY ATTORNEY

THROUGH: Jay A. Brown, Director of Budget & Strategic Planning

FROM: John B. Wack, Director of Finance

RE: Proposed Additional 1.5% Meals Tax Intended for School Facilities' Capital Needs

ORD. OR RES. No. _____

PURPOSE: To amend ch. 12, art. II of the City Code by adding therein a new § 12-37, concerning the disposition of certain meals tax proceeds, and to amend City Code § 26-669, concerning the levy of a meals tax, for the purpose of increasing the meals tax from 6% to 7.5% with the intent of making additional funds available for the renovation and replacement of public school facilities in the city.

REASON: Recent communications to City Council and the School Board have indicated that the City has somewhat limited debt capacity during the upcoming five fiscal years. A presentation by the City's financial advisors, Davenport & Company, at the December 11th Education Compact meeting indicated that the City has approximately \$66 million in debt capacity through FY2023 for City and Schools projects. This is a small fraction of the funding that would be needed to begin to address the facilities plan recently approved by the School Board, and City departments have also requested significant additional funding for the upcoming Capital Improvement Program. A new funding source for Schools facilities is needed in order to increase debt capacity while not negatively impacting core City services and operations.

RECOMMENDATION: The City Administration recommends approval.

BACKGROUND: Staff has reviewed the City's debt capacity during the upcoming five fiscal years in the context of very moderate revenue growth from major general fund sources, while also noting the significant infrastructure needs that cannot be addressed without a new funding source or a dramatic reduction in City services. The meals tax, also referred to as the prepared food tax, is currently set at 6.0%.

The City Administration proposes that an increase in the meals tax rate could establish a new and recurring funding source that would allow for a major expansion of the City's debt capacity and ability to pay for debt service. An additional 1.5%, if effective July 1, 2018, would generate approximately \$9.1 million in additional general fund revenue in FY2019. That amount would be expected to gradually grow each year, conservatively estimated at one percent per annum.

Based on discussions with the City's financial advisors, this new revenue source could accompany a just-in-time financing plan and adjustments to borrowing in order to increase the City's debt capacity by over \$150 million (compared to a status quo funding and borrowing approach) for the upcoming five fiscal years, through FY2023. This new borrowing plan and funding source would allow the City to address the vast majority of the near term infrastructure costs outlined in the School Board's facilities plan, staying within current financial policy guidelines approved by Council without negatively impacting other core City services from an affordability standpoint.

FISCAL IMPACT / COST: This change would establish a new funding source (of approximately \$9.1 million in FY2019 and subject to incremental future year growth) to help address the infrastructure needs of Richmond Public Schools while still complying with Council's existing financial policy guidelines. The associated additional infrastructure costs to be funded through long term borrowing would be approximately \$150 million.

FISCAL IMPLICATIONS: This will expand the City's debt capacity and affordability compared to a status quo approach.

BUDGET AMENDMENT NECESSARY: No – if approved, this funding increase will be incorporated into the FY2019 and future year budgets.

REVENUE TO CITY: Approximately \$9.1 million of new revenue per year, beginning in FY2019.

DESIRED EFFECTIVE DATE: July 1, 2018

REQUESTED INTRODUCTION DATE: January 22, 2018

CITY COUNCIL PUBLIC HEARING DATE: February 12, 2018

REQUESTED AGENDA: Consent

RECOMMENDED COUNCIL COMMITTEE: Organizational Development

CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES: None

AFFECTED AGENCIES: Department of Finance, Budget & Strategic Planning

RELATIONSHIP TO EXISTING ORD. OR RES.: Ordinance 2006-54-124

REQUIRED CHANGES TO WORK PROGRAM(S): None

ATTACHMENTS: None

STAFF: John Wack, Director of Finance 646-5776
Jim Duval, Investment and Debt Portfolio Manager 646-6395