



The State of Our Cities FY 2015
Report to the Board of Directors



Message from the Executive Director:

I would like to thank you for your support for Virginia First Cities (VFC). As the saying goes, a rising tide raises all ships. The members of VFC face unique and changing demographics and patterns that many other Virginia cities do not. Understanding these issues in order to provide a solution bridge is the reason VFC exists. VFC is here to lift our member cities up.

Virginia First Cities is the only statewide organization that can advocate for the unique needs of core cities; maintaining a constant, yearlong presence before the governor, among cabinet level decision makers and legislators and serving as a resource for committees at the General Assembly.

Virginia First Cities is the “watchdog” for cities on the policy level, keeping pressure at the highest levels in areas critical to member cities’ sustained growth and development. We are proactive, providing studied solutions to city-specific problems, inequitable policies, and funding levels. With the assistance of our policy consultant, Jim Regimbal of Fiscal Analytics, VFC provides detailed, presentation-ready visuals, research and fiscal analysis of legislative and budgetary issues and policies affecting our members.

Virginia First Cities partners and coalesces with many relevant organizations (i.e. VML, VASS, VSBA, VEA, Police Chiefs Association, VACO) on critical issues beneficial to the success of our core cities.

Over the last fiscal year, we faced a measure of internal change with the retirement of our longstanding legislative director, Linda McMinimy. Laura Bateman came on-board in January 2015 as the new legislative director and “hit the ground running.” Building upon Linda’s good work, VFC had an extremely successful 2015 General Assembly session. With our laser focus on the issues of At-Risk Education, Public Safety, and Urban Economic Development, we worked closely with the money committee leadership, staff, the McAuliffe Administration, and aligned interest groups (in a fiscally stressed year) and found budgetary and public policy success.

Virginia First Cities Budget Amendments (in Bold) and Other Budget Items of Interest:

- Joint Subcommittee to provide recommendations for reforming the Virginia Preschool Initiative.
- Adds \$4.0 million GF each year for the Virginia Housing Trust Fund.
- **Out of amounts provided for real property improvement grants, up to \$80,000 in the second year shall be used for a review of the state Enterprise Zone Program.**
- **\$250,000 GF the first year and \$400,000 GF the second year to restore funding to the Enterprise Zone Grant Program to the funding levels in FY 2014.**
- **FY 2016, \$750,000 GF in the second year to be deposited in the Brownfields Restoration and Economic Development Fund.**
- **\$366,000 GF the second year to the Department of Education to assist local school divisions to establish criteria for the professional development of teachers and principals on the subject of high-needs students.**
- \$1,000,000 GF the second year provided through the Department of Education to the University of Virginia to begin statewide implementation of the Virginia Kindergarten Readiness Program.
- \$23,000 GF to study the feasibility of tracking teacher turnover by developing exit questionnaires or other means, as well as options for analyzing the costs of teacher turnover, pursuant to the passage of Senate Joint Resolution 218.
- **\$500,000 GF the second year for grants for two teacher residency partnerships between one or two university teacher preparation programs and the Petersburg and Norfolk school divisions to help improve new teacher training and retention for hard-to-staff schools.**
- **\$4.8 million GF the second year to increase the state's allocation from \$2.4 million to \$7.2 million in funding for a targeted extended school year incentive.**

- Reduces by \$2.9 million in the second year from the general fund as a result of updating the projected fiscal year 2016 kindergarten enrollment used in the Virginia Preschool Initiative (VPI) program based on using actual September 30, 2014, kindergarten enrollment in the projections for each division.
- \$5.0 million in the second year of the General Fund to the Stormwater Local Assistance Fund to supplement funding previously authorized from bond proceeds.
- Reinserted Aid to Police Departments (HB 599) language which was included in previous budgets to clarify that the amounts distributed to each locality in fiscal years 2015 and 2016 shall be the same as the amounts provided in fiscal year 2014.
- Elimination of the Aid to Local Government Reversion Clearing Account.

Virginia First Cities, working with our coalition partners and our legislative liaisons, was incredibly successful on so many of our initiatives. And, so, looking forward to FY 2016, VFC is again focusing on 4 core areas:

- Education of at-risk children and increasing the basic education and workforce skills of adults.
- Building economically integrated neighborhoods with private sector investment incentives and state infrastructure assistance in declining neighborhoods and blighted areas.
- Providing all citizens access to economic opportunities by expanding public transportation and encouraging affordable housing where jobs are located.
- Ensuring that our neighborhoods and cities are healthy, safe, and thriving with opportunities for all.

I thank you for your support of Virginia First Cities Coalition. Together, we are building stronger Virginia cities.

Sincerely,

A handwritten signature in black ink that reads "Kelly Harris-Braxton". The signature is written in a cursive, flowing style.

Kelly Harris-Braxton

Executive Summary

- Across the country, city revitalization is occurring at a fast pace because the economic value and efficiency of cities is being re-discovered. Yet, in the Commonwealth, the higher demand for services in cities and lower relative state aid explains why tax rates are higher in the central cities than the surrounding counties. This places cities at a competitive disadvantage for economic development. Virginia First Cities' localities continue to have significantly lower median household incomes, lower average owner-occupied property values, lower average levels of educational attainment, and significantly higher levels of fiscal stress than statewide averages.
- Ongoing VFC priorities include:
 - ✓ Encouraging adoption of policies to improve urban economic growth and vitality;
 - ✓ Closing the achievement gap for at-risk students;
 - ✓ Reducing the fiscal and service burden on cities from inadequate state aid given their demographics realities.
- **2014-15 Success for VFC.** This year, Virginia First Cities was able to build on programs it has successfully championed in prior years. Even with large state budget reductions on the table during the 2015 General Assembly Session, VFC successfully made its case to provide additional funding for at-risk education needs and targeted economic development programs. These efforts included additional funding for the extended school year program for struggling schools; restoring funds to the Virginia Enterprise Zone Program; re-capitalizing the Brownfields Restoration Fund; and state funds for expansion of a successful teacher residency program for urban schools.
- **At Risk Education Funding.** The Coalition should be given much credit for the increase in state at-risk education funds over the last 10 years – even through the recession when almost all other state aid programs to localities were cut.
 - **Extended School Year.** In 2015, VFC built on its 2014 success in giving school divisions the option of extending their school year to target schools with an achievement gap. Virginia First Cities successfully pushed for \$4.8 million per year in new funding on top of the \$2.4 million provided in the 2014 Session to help schools implement extended school year plans. **(Legislative Sponsors: Sen. Tommy Norment, Sen. Rosalyn Dance, Sen. Donald McEachin, and Del. Daun Hester)**
 - **Teacher Residency Program.** VFC championed a \$500,000 grant for extending a nationally-recognized teacher residency model for urban schools to an additional partnership between one or two university teacher preparation programs and the Petersburg and Norfolk school divisions. Currently, there is a teacher residency program

partnership with Virginia Commonwealth University and Richmond Public Schools. **(Legislative Sponsors: Sen. Tommy Norment, Sen. Rosalyn Dance, Del. Mamyé BaCote)**

- **Virginia Pre-School Initiative.** As in prior years, VFC continues to champion the Virginia Pre-school Initiative (VPI) by working for reasonable eligibility rules and adequate per pupil payments from the state. During the 2015 Session, the House adopted budget language that eliminated the hold harmless language preventing a significant reduction in slots below what was actually used by many VFC school divisions in the 2013-2014 school year. This would have cost seven VFC localities over 500 slots – including 251 in Norfolk alone. VFC was successful in having this language removed in the adopted budget. In addition, VFC successfully worked to postpone the adoption of new, more restrictive eligibility language until after FY 2016. VFC is working with its partners to adopt appropriate eligibility policies through a new Joint Subcommittee that has been established to study VPI policies over the coming year. **(Legislative Sponsors: Sen. John Miller, Sen. Jill Vogel, Del. Daun Hester)**
- **Economic Development.** The **Brownfield Restoration** and Economic Development Assistance Fund was re-capitalized with \$750,000. **Enterprise Zone Program** funding cuts of \$650,000 were restored and language was adopted to examine the economic impact through a comprehensive **Study of the Enterprise Zone Program**. These budget actions were solely due to the efforts of the Virginia First Cities coalition. In addition, the Housing Trust Fund was capitalized with \$4 million per year with help from Virginia First Cities' efforts. **(Legislative Sponsors: Brownfields Restoration - Sen. Watkins, Del. Matthew James; Enterprise Zone Study - Sen. Kenneth Alexander, Del. Mamyé BaCote)**
- **Transportation.** Our ongoing efforts and those of our partners to improve urban transportation funding were rewarded during the 2015 Session by the additional \$40 million per year provided for public transportation. Virginia First Cities is also monitoring the progress of House Bill 2 which will implement a new prioritization process for state construction funding. VFC needs to ensure that cities receive their fair share under the new funding formula being implemented by 2016.
- Policy changes often do not occur immediately, but require continuing efforts. Over time, however, policy direction can and does change in our favor. Other funding initiatives sponsored by the VFC during the 2015 Session, but not yet adopted included:
 - **Pre-school Education.** A VFC amendment to increase the Virginia Preschool Initiative per pupil payment by 2 percent from \$6,000 to \$6,120 was not adopted. VFC will continue to press for rebenchmarking the VPI payment rate, which has not been increased

since 2008. (**Legislative Sponsors: Sen. John Miller, Sen. Jill Vogel, Del. Daun Hester**)

- **K-3 Education.** Increasing funding for reading/math specialists in all 485 schools (not just the 26 without accreditation) required to implement plans to narrow achievement gaps under Virginia's No Child Left Behind waiver.
- **Aid-to-Police.** VFC localities receive about 36 percent of state Aid to Police funding, or about \$62 million in FY 2015. VFC proposed an amendment to increase the aid-to-police payment by \$5.3 million in FY 2016. This amendment, although not adopted, matched the amount of additional funding required by statute to equal growth in general fund revenues. Virginia First Cities will also work to ensure that when new funding is added, that a formula re-calculation does not negatively impact our localities.
(**Legislative Sponsors: Sen. Mamie Locke; Del. Betsy Carr**)
- **Juvenile Justice.** Increasing the amount of funding available for the Virginia Juvenile Community Crime Control Act (VJCCCA). State funding has been reduced from \$30 million per year in FY 2002 to \$10.3 million. Adequate funding for VJCCCA is a critical component for reducing juvenile crime in Virginia, which is a much cheaper alternative than institutional detention.

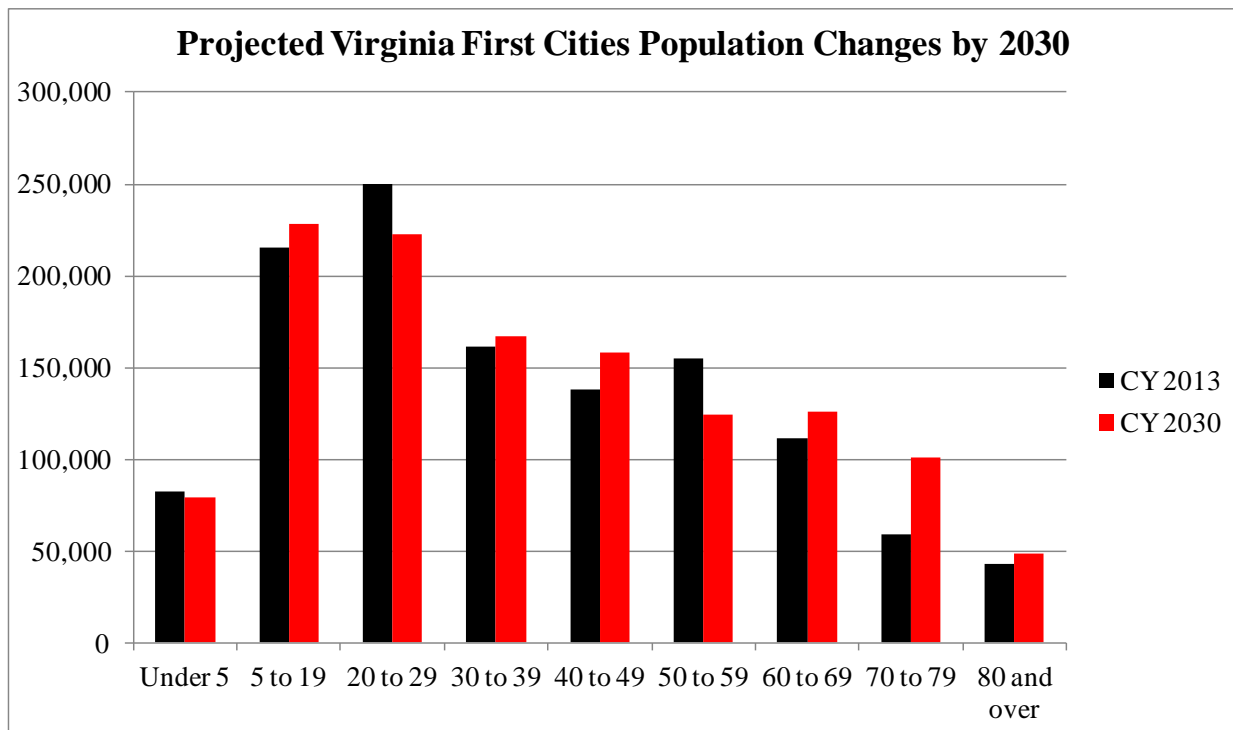
Note of Appreciation: We sincerely appreciate the efforts and advocacy of our legislative sponsors, as well as the support of the Governor and his staff for issues of mutual concern.

Introduction

The Virginia First Cities Coalition (VFC) is a group of sister cities that focuses on mutual policy concerns and advocates for the unique needs of core cities by concentrating on issues with a disproportionate impact on cities. The Coalition is proactive in providing studied solutions to city-specific problems, inequitable state policies, and funding levels. The role of the Coalition is to convince Virginia that it is in the best interests of the Commonwealth to implement policies that support and encourage urban health and revitalization.

New opportunities are appearing for Virginia First Cities. More people are realizing that the trend towards city revitalization is occurring because the economic value and efficiency of cities is being re-discovered, especially by young people and “empty nesters”. To further this trend, there is common interest with the new administration and VFC Coalition in concentrating economic development efforts in cities to leverage the value of our urban assets and historical traditions. To further the appeal of our cities we must continue to improve our urban education systems by reducing the achievement gap for at-risk students and improving workforce training.

Underscoring the need to broaden its appeal, projections for the Virginia First Cities expect the average age of our residents to increase. Our current cohort of 20 to 29 year-olds will age into their 30’s and 40s, while populations over the age of 60 will increase dramatically.



Source: <http://www.coopercenter.org/demographics/population-data>

In their role as cultural and job centers, cities must maintain complex infrastructure and provide attractive public amenities, necessitating high levels of expenditures beyond the specific needs of their residents. Core cities are also where housing, health and welfare services, and public transportation are brought together to meet the needs of lower income families and the disadvantaged. Thus, a large number of people needing these services live in cities, resulting in higher levels of poverty and a weaker tax base than surrounding suburbs.

Even prior to the recession, Virginia cities received relatively little state aid in serving this dual role of economic engine and service provider for the poor. Since the last recession, state aid continues to be scarce for all localities. Most state programs supporting locally provided services are still lower than before the recession. The largest program – K-12 support – is only at the per pupil level of 2007, unadjusted for inflation. Furthermore, K-12 education state aid to localities is based on per student formulas and most core cities have been losing students. Other local budget needs that are critical to cities -- law enforcement, health and welfare, and public infrastructure -- receive relatively little state assistance and have also been reduced. This requires our central cities to have to rely on local “own-source” revenues in excess of surrounding jurisdictions despite the fact the tax base of the cities is narrow and weak. The higher demand for services and lower relative state aid explains why tax rates are higher in the central cities than the surrounding counties, placing cities at a competitive disadvantage for economic development.

% VFC Budget From State Funding	33.6%
VFC Avg Real Property Tax Rate	1.13
% Surrounding Counties Budget From State Funding	38.4%
Surrounding Counties Avg Real Property Tax Rate	0.70

(See footnote for list of surrounding counties¹)

While the Virginia First Cities Coalition has been very successful in changing the debate and directing additional funds from limited state resources to priority programs such as at-risk student education funding, city street maintenance, and public transportation funding, much more needs to be done. Virginia’s education, transportation and economic development policies continue to favor suburban growth at the expense of urban redevelopment. The state’s education aid formula and local ability-to-pay index (local composite index) are weighted towards localities that have high numbers of students relative to the overall population, and do not account for cities’ high revenue effort and municipal spending burdens, or the difficulty of

¹ Surrounding counties include Albemarle, Augusta, Bedford, Campbell, Chesterfield, Frederick, Henrico, Henry, James City, Prince George, Roanoke, York

teaching concentrations of low-income students. Only six percent of state K-12 education aid is specifically devoted to at-risk student funding.

State transportation policy is also weighted toward suburbanizing development. VDOT reserves its highest priority for building and maintaining a commuter highway system. On the other hand, the cities are largely responsible for their own roads and for the public transportation systems necessary to serve their population. State aid formulas for city street maintenance assistance do not take into account the age, complexity and usage levels of older cities' streets. State aid for public transportation is insufficient, requiring significant local funding to operate, and provides little money for expansion. The same cities that are already squeezed for revenue are required to maintain a viable public transportation system. Successfully implementing and expanding Richmond's planned bus rapid transit system, and Norfolk's light rail system are prime examples of where the state can help with expanding urban transportation networks.

Local land-use and state tax policies also encourage low-income housing concentrations in cities. Instead of state policies that encourage urban rehabilitation and middle class housing in cities, state policies encourage development trends in suburbs. The result is expensive new suburban infrastructure demands, ever-increasing vehicle-miles traveled, and state and local budget pressures in education and transportation. The health and welfare of urban citizens is also of vital importance to improving the future of our entire state. We must strive to provide better access to healthcare for low-income populations and improve public safety by lowering crime rates.

It is clear that the economic health of our state is intertwined with the health of our cities and urban areas. State policies must continue to be modernized if Virginia is going to remain an attractive place to live and work.

Economic and Financial Condition of VFC Localities

VFC locally-generated revenues did not grow at all from FY 2009-14. Including state and federal support, available local revenues actually declined 1.3 percent. This is putting severe stress on VFC locality finances.

Virginia First Cities Revenue Growth			
	<u>Real Property Tax</u>	<u>Total Local Revenue</u>	<u>All Revenue</u>
FY 2009	\$1,068,456,137	\$2,626,738,101	\$4,856,504,054
FY 2014 *	\$1,063,723,291	\$2,632,716,367	\$4,794,929,501
Growth	-0.44%	0.23%	-1.3%
<i>* Includes FY 2013 revenue data for Richmond and Hopewell</i>			

While Virginia First Cities' unemployment rates still remain 1.2 percent above the statewide average, in 2014, VFC localities began to grow faster than the state as a whole, measured by both employment and particularly wage growth. VFC appears to be making improvements on its core urban revitalization efforts.

2014 Economic Growth Comparison

	<u>VFC</u>	<u>State</u>
Annualized Employment Growth	0.7%	0.5%
Annualized Wage Growth	3.2%	1.3%
Unemployment Rate	5.7%	4.5%
Taxable Sales Growth (2014)	1.6%	1.7%

Source: Virginia Employment Commission, VA Tax Department

Still, the most recent comparative financial information from the U.S. Census Bureau and Commission on Local Government Fiscal Stress Index reveals VFC localities continue to have significantly lower median household incomes, lower average owner-occupied property values, lower average levels of educational attainment, and significantly higher levels of fiscal stress than statewide averages. Therefore, much work still needs to be done to improve the conditions in our urban core cities.

	2013 Median Household Income	Median Owner-Occupied House Value	Bachelor's Degree or Higher	FY 13 CLG Fiscal Stress Rank
CHARLOTTESVILLE	\$44,604	\$293,000	49.9%	24
HAMPTON	\$50,705	\$195,400	22.5%	15
HOPEWELL	\$37,933	\$139,400	10.2%	10
LYNCHBURG	\$38,138	\$145,800	31.2%	6
MARTINSVILLE	\$28,116	\$86,800	16.7%	8
NEWPORT NEWS	\$51,027	\$200,100	23.9%	17
NORFOLK	\$44,747	\$202,800	25.3%	12
PETERSBURG	\$34,424	\$122,500	14.9%	3
PORTSMOUTH	\$46,166	\$175,600	19.5%	13
RICHMOND CITY	\$40,496	\$196,400	34.8%	20
ROANOKE CITY	\$38,145	\$134,700	23.6%	16
STAUNTON	\$38,501	\$169,400	28.0%	26
WINCHESTER	<u>\$44,200</u>	<u>\$224,100</u>	<u>28.6%</u>	<u>36</u>
VFC Average	\$41,323	\$175,846	25.3%	16
State	\$63,907	\$244,600	34.7%	

Source: U.S. Census Bureau, State and County Quick Facts

Ongoing VFC Priorities

Help Remove Barriers to City Growth and Economic Vitality: Cities often have to make significant expenditures before economic development can take place. Blighted land, old infrastructure and environmental issues need to be addressed. Lack of developable land and site assembly for larger projects can be difficult. Job opportunities for city residents are often in the surrounding suburbs. What can the state do? Adequately fund the Brownfield Revitalization and Derelict Structures programs for blight site assessment, and clean-up assistance. For rebuilding efforts, continue to support the successful Historic Rehabilitation tax credit program, and fully fund the state grant incentives in the Enterprise Zone program. Entice more qualified businesses to locate in cities using the Governor’s Opportunity Fund and other Virginia Economic Development Partnership programs. Use the Housing Trust Fund, and Virginia Housing Development Authority to help reduce concentrated poverty in cities and provide mixed income housing opportunities in cities. Ensure public transportation can reach all major regional employment centers.

Close the Achievement Gap for At-Risk Students: The Standards of Quality and the local composite index ability-to-pay measure do not explicitly recognize the additional costs of educating at-risk students. At-risk student education funding comprises only about 6 percent of total state public education aid. Virginia First Cities’ localities have 70 percent of their students free or reduced lunch qualified, or 24 percent of the statewide total. Research consistently shows a direct link between SOL test scores and poverty and confirms that it takes significantly more funding to adequately educate at-risk students. In the 2013-14 school year, there was a 20-30 point achievement gap for economically-disadvantaged students. Additional state support is needed to prepare at-risk four-year olds for school, attract and retain quality teachers in central cities, reduce class sizes, and fund remediation, mentoring, and adult education efforts.

	<u>VFC Number</u>	<u>Share of State</u>
Population - July 2014	1,224,439	14.7%
K-12 ADM (FY15)	155,097	12.5%
Free Lunch Program (FY15)	106,199	24.1%

Reduce the Fiscal and Service Burden on Cities: State aid to cities is inadequate given their demographics realities. This includes disproportionately low state aid for public safety to cities even though violent crime rates and other public safety issues are much greater than suburban and rural localities. Cities and counties with police departments receive 10 percent of their total public safety budgets from the state mainly through HB 599 funding, while counties without police departments receive about 30 percent of their total public safety budgets from the state mainly through Compensation Board payments for sheriffs. Other examples of inadequate state aid include cities having to provide local funds to operate necessary public transportation services. In FY 2013, over 30 percent of total public transportation operating funds (\$260 mil.) had to be supplied from local general fund sources. Significant local funding is also necessary to maintain city streets and infrastructure. Virginia First Cities consistently provide about 30 percent of the total funding to maintain their local roads. Local match funding for human services, such as CSA and Auxiliary Grant beds, also fall disproportionately on cities.

Virginia First Cities taxpayers also have a much lower percentage of their income tax represented by high income families. As seen in the Table B Appendix, VFC has 14.7 percent of the state’s population, but only 6.6% of the state’s adjusted gross income over \$100,000. Despite a few small changes in 2004, Virginia’s income tax deductions, exemptions and bracket levels have changed little over the last 30 years. Virginia should continue to strengthen its low-

income tax credit and help ensure all Virginians who qualify receive their federal Earned Income Tax Credits.

Percentage of State Aid Programs Received by VFC Localities		
FY 2015	<u>VFC Amount</u>	<u>VFC % of State</u>
Total K-12 State Aid	965,479,408	15.5%
Major K-12 At-Risk Programs	127,018,787	31.4%
Street Maintenance Payments	137,395,096	39.7%
HB 599 Aid to Police	\$62,201,545	36.1%
CSA Non-Medicaid State Pool Fund	31,022,504	22.6%
Juvenile Justice VJCCCA	\$3,157,244	30.4%

2015 General Assembly Session VFC Successes

In any given year, VFC focuses on issues that have the greatest chance of success to further our long-term goals. We also present policies that are important to our membership that may require additional time, strategic partnerships and advocacy to make them more viable to a majority of legislators.

Virginia First Cities Continued to Target Improvements in At-Risk Student K-12 Education

- 1) This year VFC continued to build on its success in giving school divisions the option of extending their school year as recommended by a JLARC study in 2012. In the 2013 Session, VFC helped initiate planning grants for schools that wanted to investigate whether to establish extended school year schedules. In the 2014 Session, VFC successfully pushed for \$2.4 million per year in new funding to help schools implement extended school year plans. In the 2015 Session, VFC sponsored a budget amendment that ultimately provided an additional \$4.8 million GF the second year to increase the state's allocation from \$2.4 million to \$7.2 million in funding for a targeted extended school year incentive. Over 30 schools have either started or expressed interest in the

extended school year program, including schools in Petersburg, Roanoke, Lynchburg, Richmond, and Winchester.

- 2) VFC sponsored a budget amendment that added \$500,000 to expand the highly successful teacher residency partnership between Virginia Commonwealth University's School of Education and the Richmond Public School District to other university's education schools and hard-to-staff urban school divisions such as Petersburg and Norfolk. The VCU teacher residency program - in existence since 2010 - is an intensive, school-based teacher preparation training program that operates similar to a medical school residency program. Students admitted into the highly competitive program commit to a full residency year and a minimum of three years of teaching in the participating local school division. During the residency year, the students are paired with a Clinical Resident Coach. The program helps address the unique challenges of teaching in an urban environment. JLARC in its June 2014 study of "Low Performing Schools in Urban High Poverty Communities" recommended expanding the teacher residency program to additional school divisions such as Petersburg and Norfolk. JLARC stated in its report: "The state could support the development of similar teacher residency programs in other urban school divisions where teacher shortages may contribute to low school performance and where a nearby college or university offers a master's degree in teaching." The program is helping to address the problem of attracting high quality teachers in hard-to-staff schools, particularly in the area of science, technology and math. Often, the schools where you need the best teachers, you get the teachers with the least amount of training.
- 3) VFC objected to the House budget proposal (ultimately not adopted) to eliminate the hold harmless provision for the Virginia Preschool Initiative included last year to prevent localities from having calculated slots less than what were actually used in fiscal year 2014. Virginia First Cities' localities would have lost 509 slots, including 251 used by the City of Norfolk. VFC was also successful in delaying implementation until after FY 2016 that would tighten local eligibility for filling slots. It is the hope of the VFC Coalition that the Joint Subcommittee established to review the state's role and policy for preschool for students in low-income families will adequately address the issue of eligibility for filling VPI slots.

Budget Amendments Supporting Economic Development Efforts Were Successful

- 1) Virginia First Cities sponsored a \$2.4 million FY 2016 amendment to restore **Enterprise Zone** funding back to its previously funded amounts of \$14.5 million per year. The purpose of this amendment was to eliminate the proration of the real property improvement grant. Proration of the grant discourages developers from investing in needed EZ property rehabilitation because they have no assurances that their financial models and rates of return will be accurate. The adopted budget ultimately only restored

\$250,000 the first year and \$400,000 the second year that had been cut in early fall versions of the budget. While VFC was successful in highlighting the need to restore funding, the amount provided will still mean that proration of the real property improvement grants are likely. This will continue to lessen the impact of the grants in encouraging re-development of blighted property.

- 2) VFC researched and initiated a budget amendment to require a **Study of the Enterprise Zone Program**. The study language was adopted. The objective of the study will be to determine how well the EZ Program works to encourage business development. The study is also intended to determine the characteristics, such as geographic location, proximity to markets, infrastructure, zone administration, the effects of proration, etc., associated with zone success. VFC hopes the study will reinforce the need for full funding of the EZ Program.
- 3) VFC was successful in the adoption of a \$750,000 capitalization of the **Brownfields Restoration Fund**. This fund last received an appropriation in FY 2012, which has been fully utilized. The older central cities in the Virginia First Cities Coalition have a significant number of these sites that if re-developed would bring much needed jobs, and increased property values and tax revenue to central cities. Lynchburg, Martinsville, Norfolk, Petersburg, and Staunton received over \$330,000 in funding from the FY 2012 pool for brownfield assessment and remediation work.

Aid to Localities With Police Departments Benefit From VFC Efforts

VFC localities receive about 36 percent of state Aid to Police funding, or about \$62 million in FY 2014. VFC, along with the Virginia Municipal League, has worked to restore the statutory increases in funding due the program. FY 2016 Aid-to-Police distributions are \$34 million less than in FY 2007. VFC has also worked to ensure that the re-benchmarking of the formula does not negatively impact VFC localities.

Unfunded State Aid to Police (HB 599) Since FY 2000*

	Current Appropriation	Annual Loss in FY 2016	Cumulative Loss Since FY 2000
Charlottesville	\$2,012,665	\$1,119,748	\$7,900,954
Hampton	\$6,523,451	\$3,629,328	\$25,409,511
Hopewell	\$1,267,000	\$704,897	\$4,939,084
Lynchburg	\$2,930,790	\$1,630,548	\$11,372,778
Martinsville	\$841,560	\$468,203	\$3,213,158
Newport News	\$8,742,111	\$4,863,682	\$34,191,033
Norfolk	\$11,174,995	\$6,217,220	\$44,601,973
Petersburg	\$2,022,234	\$1,125,072	\$7,921,662
Portsmouth	\$5,786,667	\$3,219,418	\$23,082,817
Richmond	\$13,894,018	\$7,729,951	\$55,675,952
Roanoke	\$5,339,407	\$2,970,585	\$20,525,555
Staunton	\$858,609	\$477,688	\$3,326,919
Winchester	\$812,804	\$452,204	\$3,184,566
Total VFC	\$62,206,312	\$34,608,543	\$245,345,961
Total State	\$172,412,837	\$87,853,786	\$583,951,450
* As compared to the statutory requirement			
to fund at the rate of growth in GF revenues			

Other 2015 Session Issues of Interest

- **Transportation policy.** The VFC Coalition was involved in ensuring a fair public transportation allocation policy was adopted. State allocations to public transportation properties were set to drop dramatically with the loss of bond revenue by FY 2018, and without the allocations planned from the federal adoption of the Marketplace Fairness Act capturing online sales tax revenues. VFC supported HB 1887, increasing Commonwealth Mass Transit Funds by \$40 million per year beginning July 1, 2016.
- **Workforce Development.** A vital component of fighting poverty in our urban cities is workforce development programs to train valuable skills to impoverished residents. State workforce development policies that offer a multi-pronged approach to reducing poverty and building community wealth is vital to VFC member localities. Monitoring progress as the result of passage of HB1986/SB1372, especially the level of fiscal support and incentives, is key to success in tangibly reducing the urban poverty rate.

Virginia First Cities Leadership

Virginia First Cities' board of directors consists of the city manager and an elected city official from each City Council. We are 13 cities strong and growing. For the past year, **Kristin Szakos**, Vice Mayor, City of Charlottesville, serves as **chairperson** for our coalition and we thank her for her leadership, dedication and support.

2014-15 Members of the Executive Committee/Officers include:

The Honorable Ceasor Johnson, Vice Mayor, City of Lynchburg (**Vice Chair**)
The Honorable George Wallace, Mayor, City of Hampton (**Immediate Past Chair**)
The Honorable Ellen F. Robertson, Council Member, City of Richmond (**Member**)
Mr. Kimball Payne, City Manager, City of Lynchburg (**Treasurer**)
Mr. William E. Johnson III, City Manager, City of Petersburg (**Secretary**)
Mr. Chris Morrill, City Manager, City of Roanoke (**Member**)

Other Board Members Include:

Mr. Maurice Jones, City Manager, City of Charlottesville
Ms. Mary Bunting, City Manager, City of Hampton
The Honorable Tony Zevgolis, Council Member, City of Hopewell
Mr. Mark Haley, City Manager, City of Hopewell
The Honorable Mark Stroud, Council Member, City of Martinsville
Mr. Leon Towarnicki, City Manager, City of Martinsville
The Honorable McKinley Price, Mayor, City of Newport News
Mr. James M. Bourey, City Manager, City of Newport News
The Honorable Mamie Johnson, Councilwoman, City of Norfolk
Mr. Marcus Jones, City Manager, City of Norfolk
The Honorable Brian Moore, Councilmember, City of Petersburg
The Honorable Paige Cherry, Council Member, City of Portsmouth
Mr. J. Brannon Godfrey, Jr., Interim City Manager, City of Portsmouth
Ms. Selena Cuffee-Glenn, Chief Administrative Officer, City of Richmond
The Honorable Court Rosen, Council Member, City of Roanoke
The Honorable Ophie Kier, Vice Mayor, City of Staunton
Mr. Steve Owen, City Manager, City of Staunton
The Honorable Elizabeth Minor, Mayor, City of Winchester
Ms. Eden Freeman, City Manager, City of Winchester

VFC Hires a New Legislative Director

In January 2015, Virginia First Cities hired Laura Bateman as its new Legislative Director. Laura is an experienced advocate for cities and has wide ranging skills that have proven to be an asset for the Coalition.

VFC Staff

Executive Director /Chief Operating Officer - Kelly Harris-Braxton

Fiscal Policy Consultant - Jim Regimbal, Fiscal Analytics, LLC

Legislative Director - Laura Bateman, Bateman Consulting

Program Manager - Jamie Crawford



VFC Chiefs of Police – 2015 VFC Annual Meeting, Charlottesville

New Membership Opportunities for VFC

VFC welcomes new members consistent with the underlying demographics of its charter. The following is a list of cities that have at least some of the characteristics of existing VFC members.

	Population	% Free Lunch	2013 Median Household Income	FY 13 CLG Fiscal Stress Rank
Alexandria	155,230	50.0%	\$85,706	125
Bristol City	17,690	57.4%	\$32,221	7
Buena Vista	6,867	42.4%	\$36,591	5
Covington	6,233	44.2%	\$34,319	2
Danville*	42,975	70.3%	\$30,786	14
Emporia	6,153	72.0%	\$32,155	1
Franklin City	8,560	93.1%	\$31,928	11
Fredericksburg*	28,213	53.4%	\$47,040	47
Galax	7,141	60.0%	\$30,325	9
Harrisonburg*	52,612	64.1%	\$38,048	18
Norton	4,013	50.7%	\$39,416	21
Radford	17,441	36.4%	\$30,714	4
Salem	25,330	24.5%	\$48,733	25
Suffolk	89,586	40.6%	\$66,085	61
Waynesboro	21,661	48.5%	\$44,847	28
VFC average		63.8%	\$41,323	16
State Avg		35.2%	\$63,907	

*Former VFC members

Appendices

A. VFC Employment and Job Growth

(Growth in employment was slower, while wage growth was faster in VFC localities over the past year than the state as a whole. However, there was much variation by specific locality.)

	Employment 3q 2014	Wages 3q 2014	Employment 3q 2013	Wages 3q 2013	% Growth Employ	% Growth Wages
CHARLOTTESVILLE	37,606	\$437,229,620	36,068	\$401,603,227	4.3%	8.9%
HAMPTON	53,072	\$596,687,970	53,939	\$575,231,392	-1.6%	3.7%
HOPEWELL	8,037	\$95,335,864	7,956	\$93,410,139	1.0%	2.1%
LYNCHBURG	51,090	\$517,645,594	50,406	\$504,764,913	1.4%	2.6%
MARTINSVILLE	9,754	\$74,247,982	10,295	\$75,327,471	-5.3%	-1.4%
NEWPORT NEWS	97,600	\$1,177,639,696	97,008	\$1,142,179,288	0.6%	3.1%
NORFOLK	134,219	\$1,639,870,103	136,120	\$1,602,045,639	-1.4%	2.4%
PETERSBURG	12,638	\$123,625,798	12,402	\$125,492,013	1.9%	-1.5%
PORTSMOUTH	43,963	\$554,996,357	44,091	\$527,390,086	-0.3%	5.2%
RICHMOND CITY	149,329	\$2,020,415,327	147,791	\$1,962,703,954	1.0%	2.9%
ROANOKE CITY	66,860	\$702,632,155	66,861	\$687,386,524	0.0%	2.2%
STAUNTON	10,955	\$88,107,573	11,091	\$86,352,082	-1.2%	2.0%
WINCHESTER	24,555	\$270,115,164	24,630	\$269,181,902	-0.3%	0.3%
VFC Total	699,678	\$8,298,549,203	698,658	\$8,053,068,630	0.1%	3.0%
State	3,659,758	\$47,074,489,853	3,638,853	\$45,926,374,390	0.6%	2.5%
% of State	19.1%	17.6%	19.2%	17.5%		

B. VFC Individual State Income Taxes

(VFC localities have a much smaller share of state income tax liabilities -- particularly high earners --than share of Virginia population.)

TY 2012 Percent of State Income Taxes

	Population	Over \$100,000 Adj. Gross Inc.	Total Adj. Gross Inc.	Total Income Tax Liability
Charlottesville	0.57%	0.48%	0.52%	0.49%
Hampton	1.66%	0.51%	0.99%	0.83%
Hopewell	0.27%	0.04%	0.14%	0.11%
Lynchburg	0.94%	0.42%	0.56%	0.53%
Martinsville	0.17%	0.06%	0.09%	0.08%
Newport News	2.20%	0.73%	1.33%	1.17%
Norfolk	2.96%	1.06%	1.56%	1.41%
Petersburg	0.39%	0.05%	0.18%	0.14%
Portsmouth	1.16%	0.28%	0.67%	0.54%
Richmond	2.56%	2.15%	2.02%	2.26%
Roanoke	1.19%	0.49%	0.75%	0.70%
Staunton	0.30%	0.11%	0.20%	0.17%
Winchester	<u>0.33%</u>	<u>0.21%</u>	<u>0.26%</u>	<u>0.25%</u>
Virginia First Cities	14.71%	6.58%	9.31%	8.69%
All Cities	30.61%	19.83%	23.74%	22.85%
Counties	69.39%	77.98%	74.02%	74.70%
Unassigned		2.19%	2.24%	2.44%

C. Taxable Sales

(VFC localities have a slightly higher share of taxable sales – 15.4%, than their share of state population – 14.7%. In total, VFC sales grew at about the same rate as the state in FY 2014.)

Locality	<u>2014</u>	<u>2013</u>	<u>% Growth</u>
CHARLOTTESVILLE	\$942,420,773	\$910,847,462	3.5%
HAMPTON	\$1,365,676,976	\$1,341,696,078	1.8%
HOPEWELL	\$171,866,743	\$168,620,446	1.9%
LYNCHBURG	\$1,279,815,746	\$1,240,113,906	3.2%
MARTINSVILLE	\$149,170,084	\$148,068,391	0.7%
NEWPORT NEWS	\$2,018,911,218	\$2,061,726,939	-2.1%
NORFOLK	\$2,621,266,232	\$2,635,223,970	-0.5%
PETERSBURG	\$296,276,637	\$285,860,538	3.6%
PORTSMOUTH	\$613,854,126	\$603,127,114	1.8%
RICHMOND CITY	\$2,465,691,544	\$2,357,213,207	4.6%
ROANOKE CITY	\$1,785,467,436	\$1,746,710,461	2.2%
STAUNTON	\$346,995,741	\$338,455,500	2.5%
WINCHESTER	<u>\$778,776,375</u>	<u>\$767,114,146</u>	<u>1.5%</u>
VFC Total	\$14,836,191,646	\$14,604,780,171	1.6%
Statewide	\$96,243,826,673	\$94,597,893,918	1.7%
VFC % of State	15.4%	15.4%	91.1%

D. Growth in FY 2014 VFC Local Tax Revenues

	<u>Total</u>	<u>Real</u> <u>Property</u>	<u>Personal</u> <u>Property</u>	<u>Local</u> <u>Sales</u>	<u>BPOL</u>	<u>M&T</u>	<u>Meals</u>	<u>All Other</u>
CHARLOTTESVILLE	0.4%	3.8%	4.7%	8.5%	-6.4%	12.1%	0.7%	-3.6%
HAMPTON	7.0%	12.6%	4.7%	2.4%	1.9%	4.0%	4.9%	2.1%
HOPEWELL								
LYNCHBURG	1.8%	0.1%	6.4%	1.9%	7.9%	0.7%	6.7%	0.6%
MARTINSVILLE	5.0%	-1.3%	-2.9%	6.9%	2.1%	41.8%	2.1%	11.3%
NEWPORT NEWS	4.1%	9.6%	3.8%	-2.2%	-2.8%	5.7%	3.6%	-1.3%
NORFOLK	2.5%	3.9%	2.5%	-0.9%	2.0%	0.5%	0.9%	1.7%
PETERSBURG	-1.1%	-4.7%	10.8%	-5.6%	-5.2%	-3.7%	9.6%	2.4%
PORTSMOUTH	3.8%	-0.6%	3.7%	2.2%	0.7%	-1.5%	7.4%	11.1%
RICHMOND CITY								
ROANOKE CITY	-0.3%	-0.7%	8.1%	-1.0%	2.1%	-3.5%	2.7%	-2.8%
STAUNTON	5.7%	3.0%	4.1%	0.8%	-4.8%	-0.5%	5.0%	13.4%
WINCHESTER	3.2%	1.8%	10.2%	-6.9%	4.8%	16.0%	5.6%	5.5%

E. VFC Real Property Tax Rates

Real Property Tax Rates					
	<u>CY 2006</u>	<u>CY 11/FY 12</u>	<u>CY 12/FY 13</u>	<u>CY 13/FY 14</u>	<u>CY 14/FY 15</u>
CHARLOTTESVILLE	0.99	0.95	0.95	0.95	0.95
HAMPTON	1.20	1.04	1.04	1.24	1.24
HOPEWELL	1.20	0.99	1.02	1.08	1.11
LYNCHBURG	1.11	1.05	1.11	1.11	1.11
MARTINSVILLE	1.08	1.02	1.02	1.06	1.06
NEWPORT NEWS	1.20	1.10	1.10	1.22	1.22
NORFOLK	1.27	1.11	1.11	1.11	1.15
PETERSBURG	1.38	1.35	1.35	1.35	1.35
PORTSMOUTH	1.44	1.24	1.24	1.24	1.21
RICHMOND CITY	1.29	1.20	1.20	1.20	1.20
ROANOKE CITY	1.21	1.19	1.19	1.19	1.19
STAUNTON	0.96	0.90	0.90	0.95	0.95
WINCHESTER	0.69	0.86	0.95	0.95	0.95

F. VFC Local Composite Index (LCI) - State Education Factor for Funding

Change in the 2014-16 Local Composite Index for School Divisions

	<u>Actual 2014-16</u>	<u>Actual 2012-14</u>	<u>Change</u>
CHARLOTTESVILLE	0.6680	.6861	(0.0181)
HAMPTON	0.2949	.2912	0.0037
HOPEWELL	0.2298	.2376	(0.0078)
LYNCHBURG	0.3679	.3727	(0.0048)
MARTINSVILLE	0.2221	.2175	0.0046
NEWPORT NEWS	0.2907	.2934	(0.0027)
NORFOLK	0.3122	.3102	0.0020
PETERSBURG	0.2473	.2516	(0.0043)
PORTSMOUTH	0.2677	.2755	(0.0078)
RICHMOND CITY	0.4635	.4779	(0.0144)
ROANOKE CITY	0.3591	.3728	(0.0137)
STAUNTON	0.3922	.3987	(0.0065)
WINCHESTER	0.4374	.4645	(0.0271)

G. FY 2015 K-12 Education Funding

(VFC localities have a smaller share of K-12 students, but due to a much higher share of state at-risk student funding and relatively low local composite indexes, receive a larger proportion of state aid to K-12)

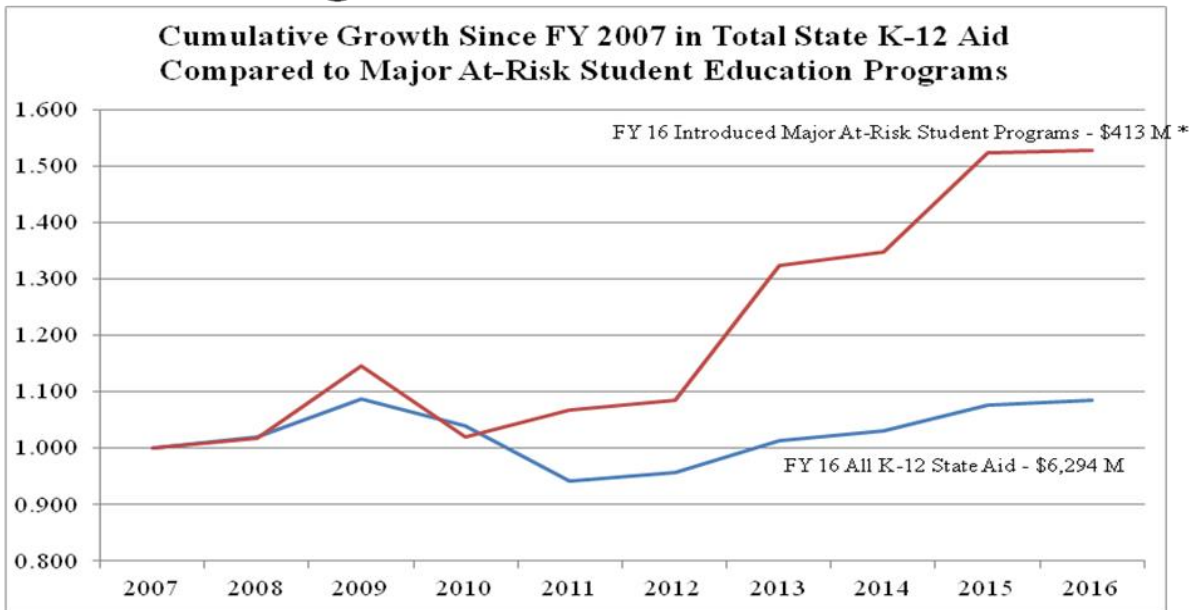
	<u>ADM</u>	<u>Total K-12 State Aid</u>	<u>Major K-12 At-Risk Programs *</u>	<u>At-Risk % of Total</u>
CHARLOTTESVILLE	4,004	\$18,211,789	\$1,546,000	8.5%
HAMPTON	19,896	\$121,231,817	\$12,704,652	10.5%
HOPEWELL	4,005	\$26,858,838	\$4,454,788	16.6%
LYNCHBURG	8,228	\$49,963,377	\$5,886,439	11.8%
MARTINSVILLE	2,165	\$15,221,900	\$2,394,377	15.7%
NEWPORT NEWS	27,553	\$173,703,883	\$20,525,269	11.8%
NORFOLK	26,692	\$188,143,296	\$27,908,809	14.8%
PETERSBURG	3,913	\$28,234,309	\$5,366,023	19.0%
PORTSMOUTH	14,175	\$90,864,804	\$12,343,414	13.6%
RICHMOND CITY	22,003	\$133,238,913	\$18,775,136	14.1%
ROANOKE CITY	12,748	\$80,898,992	\$11,606,528	14.3%
STAUNTON	2,587	\$17,347,646	\$1,448,317	8.3%
WINCHESTER	4,128	\$21,559,844	\$2,059,035	9.6%
VFC Total	152,097	\$965,479,408	\$127,018,787	13.2%
Statewide	1,236,529	\$6,217,515,263	\$405,006,558	6.5%
VFC % of State	12.3%	15.5%	31.4%	
Major K-12 At-Risk Programs Include SOQ PIR, At-Risk, K-3 Class Size, VPI, Algebra Readiness , Early Reading				

I. At-Risk Students have Increased Statewide as Reflected in the Percent of Eligible Free-Lunch Students

	<u>2008</u>	<u>2011</u>	<u>2015</u>
CHARLOTTESVILLE	45.3%	47.6%	48.3%
HAMPTON	35.3%	42.8%	51.0%
HOPEWELL	54.3%	64.1%	65.9%
LYNCHBURG	45.2%	53.2%	56.0%
MARTINSVILLE	54.2%	63.1%	71.5%
NEWPORT NEWS	40.0%	46.5%	55.5%
NORFOLK	47.4%	56.3%	59.3%
PETERSBURG	52.6%	70.4%	100.0%
PORTSMOUTH	45.5%	54.0%	58.2%
RICHMOND CITY	64.1%	68.0%	97.6%
ROANOKE CITY	54.2%	61.1%	68.6%
STAUNTON	37.2%	46.0%	46.4%
WINCHESTER	<u>36.0%</u>	<u>46.1%</u>	<u>51.4%</u>
VFC Average	47.0%	55.3%	63.8%
Statewide	25.8%	32.0%	35.2%

H. Helping to Cause At- Risk Education Funding to Grow Faster than Overall State K-12 Funding

State At-Risk Student Education Aid Growing Faster Than Overall Aid



*Includes state funds for SOQ Prevention, Intervention, Remediation, and Lottery-funded At-Risk, K-3 Class Size, VPI, Algebra Readiness, Early Reading programs

I. VFC Criminal Justice and Social Welfare Data

	2013 Median Household Income	Non-Marital Births %	2013 All Poverty Rate	2013 Child Poverty Rate	2014 On-Time HS Graduation	2011-13 Violent Crime per 100,000	2011-13 Property Crime per 100,000	2011-13 Drug Arrests per 100,000	Crime Change from 2007-09
Charlottesville	\$45,320	33.7%	22.9%	25.3%	88.8%	446	3,370	584	Down (Drug up)
Hampton	\$45,293	47.1%	15.6%	21.0%	84.0%	236	3,513	739	Down
Hopewell	\$39,440	65.8%	22.6%	31.4%	79.5%	493	3,891	886	Down (Drug up)
Lynchburg	\$39,918	40.7%	22.6%	28.0%	81.2%	376	2,826	522	Down (Drug up)
Martinsville	\$31,046	67.6%	25.8%	37.8%	86.7%	342	3,417	506	Down (Drug up)
Newport News	\$47,421	49.2%	17.5%	26.7%	88.0%	437	3,180	1,024	Down
Norfolk	\$42,949	48.1%	23.3%	33.1%	78.9%	562	4,645	410	Down (Drug up)
Petersburg	\$32,623	70.7%	28.1%	51.8%	82.6%	507	3,986	1,958	Down (Drug up)
Portsmouth	\$43,041	54.8%	20.9%	33.7%	85.1%	553	5,337	649	Down
Richmond	\$39,249	64.4%	25.4%	36.6%	80.5%	649	4,175	956	Down
Roanoke	\$37,223	55.9%	23.3%	35.6%	83.4%	537	4,724	1,212	Down
Staunton	\$39,712	44.9%	15.8%	24.1%	90.0%	187	2,264	754	Down
Winchester	\$43,943	51.9%	14.1%	22.2%	90.2%	245	4,117	1,101	Down (Drug up)
Total State	\$62,745	34.6%	11.7%	14.4%	89.9%	191	2,139	533	Down (Drug up)

