FINANCE COMMITTEE NOTES
Tuesday, February 28, 2023

Meeting commenced at 3:00 p.m. in 2nd Floor Training Room – City Hall.

ATTENDEES
Committee Members: *Vice Mayor Chris Faraldi, Chair; Council Member MaryJane Dolan; Council Member Larry Taylor; Mayor Stephanie Reed, Ex-Officio.*
Others: *Greg Patrick, Deputy City Manager; John H. Hughes, IV, Assistant City Manager; Donna Witt, Chief Financial Officer; Rhonda Allbeck, Assistant Director of Financial Services; Reid Lanham, Accounting Manager; Starlette Early, Budget Analyst.*

1. Approval of the Draft Finance Committee Meeting Notes from January 24, 2023.

   Chief Financial Officer Donna Witt presented this item. She indicated a revised copy with date corrections was provided and replaces the draft meeting notes in the electronic packet.

   The meeting notes for January 24, 2023, with corrected dates notated on the revised draft, were approved by a 3-0 vote.

2. Report on the General Fund Reserve for Contingencies.

   Chief Financial Officer Donna Witt presented this item. She reported there were two items being introduced for the General Fund Reserve for Contingencies. Both requested items are local matches for Fire Department grant awards that are not available in their department budget: 1) Department of Homeland Security and FEMA Grant, and 2) Rescue Squad Assistance Fund Emergency Medical Services Grant.

3. Consider a request to adopt a resolution to amend the FY 2023 City/Federal/State Aid Fund budget and appropriate $34,950 with resources from a grant from the Library of Virginia to preserve Deed Book 38 M-M, 1886; Deed Book 39 N-N, 1886-1887; Deed Book 43 R-R, 1889-1890; Marriage Licenses 1859-1860; Marriage Licenses 1861-1863; Will Book F, 1872-1877.

   Circuit Court Clerk Todd Swisher presented this item. He noted this grant is fully reimbursable following completion of the preservation work.

   The item was approved, by a 3-0 vote, to move forward for consideration by City Council at the February 28, 2023 meeting.

4. Consider a request to adopt a resolution to amend the FY 2023 City/Federal/State Aid Fund budget and appropriate $913,700 with resources of $830,636 from the Department of Homeland Security (DHS) and FEMA and $83,064 from the FY 2023 General Fund Reserve for Contingencies budget to purchase Self-Contained Breathing Apparatus (SCBA) and related equipment for the Fire Department.

Fire Chief Greg Wormser presented this item. The local match is requested from the General Fund Reserve for Contingencies, as funding is not currently available in their department budget.

The item was approved, by a 3-0 vote, to move forward for consideration by City Council at the February 28, 2023 meeting.

5. Consider a request to adopt a resolution to amend the FY 2023 City/Federal/State Aid Fund budget and appropriate $54,163 with resources of $27,081 from the Virginia Office of Emergency Medical Services Grant Program through the Rescue Squad Assistance Fund (RSAF) and $27,082 from the FY 2023 General Fund Reserve for Contingencies budget to purchase one (1) Lifepak 15 monitor/defibrillator and one (1) Lucas 3 chest compression system for the Fire Department.

   Fire Chief Greg Wormser presented this item. The local match is requested from the General Fund Reserve for Contingencies, as funding is not currently available in their department budget.

   The item was approved, by a 3-0 vote, to move forward for consideration by City Council at the February 28, 2023 meeting.

6. Review highlights of attached quarterly financial reports for the Greater Lynchburg Transit Company (GLTC) as well as the Regional Airport, Lynchburg Regional Juvenile Detention Center, Children's Services Act, Water Operating, Sewer Operating, Stormwater Operating, and General Funds for the quarter ending December 31, 2022.

   GLTC: Joshua Moore, General Manager, reported GLTC is overall where they expect to be for this time of year. They are running a slight deficit on paper for the year, due to timing of a reimbursable grant of $99,371 that will be reflected in the upcoming third quarter, as well as the inability to draw down the standard State and Federal 5307 funds until all ARPA funds have been utilized. They have experienced a spike in diesel prices during the first two quarters, but are now seeing prices begin to drop back down. Several projects that had been deferred to make sure they were in a good financial position are now moving forward, including the rehabilitation of paratransit vehicles to extend their life and ensure they are operational due to the increased lead time in the production cycles of these vehicles. Fare revenues are up with increased ridership and IT expenditures are currently over budget due to the transition of certain projects. Ridership and several automated informational systems and mobile applications that are assisting with pushing out more real-time location and route service information to patrons were noted.

   Airport: Airport Director Andrew LaGala reported the Airport's overall financial results for second quarter continue to track in a positive direction with year to date operating revenue through December up 23% compared to the same period in FY 2022. Revenues are showing growth and up in many areas including: Airline landing fees – 20%; parking and concessions – 31%; FBO rents – 31%. Overall total operating revenue (less COVID related funds) are now projected to finish the year at $238,000 above budget compared to $171,000 reported last quarter. Expenses at the end of second quarter remain in-line with budget and are *anticipated to finish the year near budget levels. Total COVID-related grants (CARES/CRRSA/ARPA) have $2.23 million remaining to draw down and are earmarked for capital reserves and upcoming pay-as-you-go revenue building capital projects. The Airport is projecting an operating surplus for FY 2023 of approximately $217,000 (less COVID related funds). Calendar year 2022 airline results including passengers served, flight, and service levels were noted. The Airport's biggest challenge this year will be the continuing pilot shortage especially impacting regional airlines with currently more than 500 aircraft parked for lack of pilots. Virginia is especially vulnerable as regional airlines provide 57% of all air service in the state. The major airlines are pulling pilots from regional positions to fill their own demand for pilots, leaving regional airlines without the needed pilots. Despite the high passenger demand, small commercial service airports similar to Lynchburg will not realize pre-pandemic levels until 2024 or later. The Airport's recently updated air service strategic plan targets a total of four airlines for new service to Lynchburg.*

Lynchburg Regional Juvenile Detention Center: Kathy Collins, Human Services Accountant, reported in the absence of Preston Sellers, Director of Human Services. Revenues between FY 2022 and FY 2023 have been steady, noting the primary change is no longer having the Community Placement Program (CPP) revenues and expenditures due to elimination of this program. Placements in the Lynchburg CPP have either matriculated out or have transferred to other facilities.

Children's Services Act (CSA): Kathy Collins, Human Services Accountant, reported in the absence of Preston Sellers, Director of Human Services. This fund is currently within budget, noting the primary difference between FY 2022 and FY 2023 were expenditures for Special Education.

Water: Tim Mitchell, Director of Water Resources, reported overall Water Fund revenues were approximately $366,000 more than budget, with the majority of the increase in higher than projected interest earnings ($271,000), and some variations in water contracts. Expenses are expected to be approximately $47,000 below budget with primary variances in personnel savings due to vacancies, offset by increases in chemical and utility costs. Capital Outlay and Debt Service is projected to be above budget by $5,000 and $50,000 respectively. Overall the fund is in good condition with debt coverage ratio for the fiscal year at 1.34 (target minimum: 1.20), and the projected fund balance ratio is 42% compared to the target range of 25% - 40%.

Sewer: Tim Mitchell reported Sewer Fund revenues are expected to be approximately $578,000 above budget primarily due to increased interest earnings ($441,000) and variations in sewer contracts by $226,000. Sewer Fund expenditures are expected to be approximately $1.2 million greater than budget primarily due to increases in chemical and power costs. The average monthly utility costs increased from $65,000 to $105,000 and some chemical costs have increased by 110%. Capital Outlay is projected to be approximately $9,500 under budget and Debt Service is projected to be above budget by $80,000. Overall, debt coverage ratio for the fiscal year is projected at 1.37 compared to a target range of 1.20 to 1.50 and the fund balance ratio is 36% compared to a target range of 25% - 40%.

Stormwater: Tim Mitchell reported Stormwater Fund revenues are expected to exceed budget by $107,000 with $91,000 related to interest earnings. Expenditures are expected to be $88,000 less than budget with variances related to vacancies and less materials/supplies. The projected debt coverage ratio for the fiscal year is projected at 2.35 and the fund balance ratio is 31%.

General Fund: Chief Financial Officer Donna Witt reported revenues are coming in strong. One real estate installment has come in and looks normal; Personal Property tax installment due December 5th is at 55.9%, which is up $562,000 compared to last year; other revenues are trending as expected; Business License Tax is not due until May 1; Meals Tax continues to trend up primarily due to higher cost of meals; Lodging Tax is significantly up due to receiving Airbnb payments as of October 2022 with monthly averages of about $40,000; Investment revenues will come in substantially over budget due to not anticipating higher interest rates. Expenditures are tracking on budget at 51.2% at the end of December.

7. Investment Summary.

   Chief Financial Officer Donna Witt presented this item. The summary pages from Davenport were reviewed, noting the weighted average is at 2.89% for the end of December. This yield was at 0.02% when projections were made for the FY 2023 budget, which helps to explain why projections are so difficult to make and the revenues received during the current quarter were not anticipated. The City works with Davenport and follows state code to determine the type of investments that can be made, with the Asset Allocation summary showing details of current investment holdings. Investment revenue has historically been budgeted conservatively. The investment revenue of $1.3 million will fall to fund balance and available to use at the end of the year.

8. Review collections received from five of the City's revenue sources.

   Chief Financial Officer Donna Witt presented this item. Sales and Use Tax revenue of $2.3 million for December is the highest amount ever received in a month. It is up almost $300,000 compared to the prior year, primarily due to inflation. Consumer Utility Tax – Electric, always budgeted at $3.5 million, is related to weather patterns and is on par with budget. Meals Tax is up $166,000 over last month and above adopted by $222,000. December is always a strong month for Meals Tax at $1.7 million. Lodging Tax is at $1.8 million for the year, $76,000 ahead of adopted budget with an average of $40,000 monthly from short term rentals. Amusement Tax is trending similar to prior year.

9. Roll Call.

   There were no roll call items.

Meeting adjourned at 3:56 p.m.