// A special called meeting of the Council of the City of Lynchburg was held on the 21st day of March 2023, at 4:00 p.m. in the Second Floor Training Room, City Hall, Stephanie Reed, President, presiding. The following Members of the Council were present:

Present: Stephanie Reed, Chris Faraldi, MaryJane Dolan, Sterling Wilder, Jeff Helgeson, Marty Misjuns, Larry Taylor 7

Absent: 0

// In the matter of Water Resources and the Lynchburg Regional Airport, Agenda Item 1, Enterprise Funds Operating and Capital Budget Overview, Director of Water Resources Mr. Tim Mitchell provided a summary of the proposed rate increases and the water and sewer CIP. City Council received a briefing on the need to update the City's water, sewer, and stormwater rates. The primary drivers for the rate increases include significant cost increases, especially in chemicals and power; increasing regulatory requirements, the need to invest in our critical infrastructure, employee compensation. The most significant increase is in the sewer rate as required for continuing compliance with the financial criteria of the Combined Sewer Overflow (CSO) Consent Order.

Vice Mayor Faraldi clarified that the rate increases were mandated, but the cost increases were associated with staffing and ongoing costs for mandated requirements. He said that once the mandates no longer applied, the costs would no longer exist. Mr. Mitchell responded that once they completed the last project of the CSO program, they would have to prove that the infrastructure improvements worked for a period of time and met the compliance goals of the long-term control plan. He said after they met those requirements, they would no longer be mandated to meet the 1.25% of median household income. He said the consent order stipulated that operating needs were to be covered by the 1.25% rate, and then generated revenue would fund the CSO program. He said there would still be debt service associated with the CSO program, but they would no longer be required to keep the rate at 1.25%. He said there were several operational increases that needed to be funded, but those were addressed through the mandated rate increase. Vice Mayor Faraldi asked if there were ways to offset the cost without a mandate. Mr. Mitchell stated that the mandate was from the state. Vice Mayor Faraldi asked if the stated mandated the additional staff. Mr. Mitchell responded no. He stated the state mandated the rate, and the additional staff were due to operational needs. He said that even without the CSO, the City had significant amounts of sewer infrastructure needs that they needed to address. Vice Mayor Faraldi asked why the neighborhoods or districts did not fund their own sewer improvements. Mr. Mitchell responded that the sewer rates had to be equal for all customers. Vice Mayor Faraldi asked what the expected total dollar increase would be. Mr. Mitchell responded that the water and sewer fund revenues were generated from more than the rates, and they had several revenue sources, such as county contract revenue. He said the adopted budget for the storm water fund was about $3.8M, and the proposed revenues for 2024 were about $4.2M. Vice Mayor Faraldi asked what would happen if they did not approve the mandate. Mr. Mitchell responded that the City could potentially receive enforcement action and be subject to lawsuits from environmental groups because they were in non-compliance with the consent order. Vice Mayor Faraldi asked if the lawsuits would come from the state or environmental groups. Mr. Mitchel responded that there could be private lawsuits for non-compliance, but the City could also receive additional enforcement action from the state. He noted that the City did not have a deadline to finish its program.

Councilmember Misjuns asked what the tap fees were for water and sewer. Mr. Mitchell responded that the tap fees, or connection fees, for sewer were $130 for the connection, and the availability fee was $1,950. He noted the combined water connection fees were slightly less. Councilmember Misjuns asked how many they received per year. Mr. Mitchell said they did not receive many. Councilmember Misjuns asked what was possible to lower the connection fees. Mr. Mitchell responded that they were currently considering different avenues and researching what legal opportunities there were. He said that they wanted to increase the customer base to offset the cost. Councilmember Misjuns asked what the water tap fees were. Mr. Mitchell responded it was $1,100 for the connection fee, and it was less than county fees. He said that the additional revenue generated by the increase in the sewer fund was $1.9M. He said the water fund increase was about $900K.

Councilmember Wilder asked if the need in Tyreeanna and Pleasant Valley was similar to the need in Richland Hills. Mr. Mitchell responded that there was a similar need, and they had 19 neighborhoods throughout the City without sewer service. He said that sewer extensions were not cost effective, where the average cost per household for a sewer extension was $70K to $80K. He explained they intended to do Richland Hills in two phases.

Mayor Reed asked when the estimated start time would be. Mr. Mitchell responded that it was being designed. He noted that the ARPA funding for the project had to be spent by December 2026, and they had to have construction under contract by December 2024. He said they intended to begin construction in one year in Richland Hills. He said they had to acquire 19 easements in the neighborhood, but the pipe would be predominantly routed through the streets which did not require easements. Mayor Reed asked what the average cost increase for materials was. Mr. Mitchell stated chemical cost increases were the most significant, and some had increased by 110%. He said other materials had supply chain issues. Mayor Reed clarified the new positions were to address the new workload in sewer. Mr. Mitchell explained most of the sewer lines in the City were off-road, and they were difficult to access and maintained. He said they needed a dedicated crew to inspect the lines.

Assistant Airport Director Mr. Cedric Simon provided a presentation on the Airport CIP following the discussion of the water and sewer CIP.

// In the matter of Water Resources, Agenda Item 2, Consideration of adopting Resolution #R-23-028 approving a change order to the Black Water Creek Bank Stabilization Phase II, Director of Water Resources Mr. Tim Mitchell provided a presentation of the staff report. The Blackwater Creek Bank Stabilization Phase II project is stabilizing approximately 165 linear feet of stream channel along the north bank of Blackwater Creek near Point of Honor. The purpose of the project is to maintain the structural integrity of existing adjacent infrastructure, including the James River Heritage Trail and the 60-inch sanitary sewer interceptor, which are threatened by severe bank erosion. The project area is immediately downstream of prior bank stabilization efforts and is being implemented due to the rapid failure of an existing sheet pile wall. This activity will protect public infrastructure while improving the overall downstream water quality by reducing the amount of sediment entering the waterway from the eroding bank. The original contract amount is $386,725.60 and the amount of the change order is $124,214.45 making the new contract amount $510,940.05. The contractor, KBS Earthworks, Inc. is requesting the additional amount primarily due to unforeseen subsurface conditions that resulted in additional work and significantly more materials including stone, four-ton boulders, and offsite disposal cost increases. The contractor currently has equipment mobilized for the project. Any delay in approving the change order may result in additional remobilization costs if the contractor removed the equipment from the site. The

Virginia Public Procurement Act requires change orders over 25% of the contract or $50,000 whichever is greater, requires the approval of the governing body. The duration of the project is short with completion expected next month. Without approval or delayed approval of the change order, the contractor will likely leave the project unfinished or have additional costs associated with time delays or remobilization.

Vice Mayor Faraldi asked where the funds for the adjustment were sourced. Mr. Mitchell responded that they would come from the sewer fund and the capital program.

Councilmember Misjuns made the motion, seconded by Councilmember Wilder, to approve the Resolution #R-23-028.

Councilmember Helgeson clarified that there were bids on the project; Mr. Mitchell responded yes. He said they were installing based on the plans, but they required more material based on the subsurface conditions. He explained they did not perform any geotechnical survey for the project to determine the subsurface conditions because of the costs. Councilmember Helgeson asked how the bid was awarded. Mr. Mitchell responded that it would have been an estimated quantity on the bid form.

Councilmember Taylor asked if the funding would complete the project; Mr. Mitchell responded yes.

Councilmember Dolan asked if they reviewed the bidding history of contract bidders. Mr. Mitchell explained that by law, they had to accept the lowest bidder. He said some projects would pre-qualify contract bidders to ensure they would be able to complete the project.

With no further discussion from Council, the following voice vote was recorded:

Ayes: Stephanie Reed, Chris Faraldi, Sterling Wilder, MaryJane Dolan, Jeff Helgeson, Marty Misjuns, Larry Taylor 7

Noes: 0

// In the matter of Budget, Agenda Item 3, FY 2024 Proposed Budget Reconciliation, Mayor Reed stated they would hold a roundtable discussion to address questions from councilmembers, and Chief Financial Officer Ms. Donna Witt would provide an explanation and clarification to Council regarding the previously mentioned budget surplus.

Ms. Witt stated that at the end of FY 2022, the unassigned fund balance was $66.4M. She said that about $25M of the unassigned fund balance was dedicated as an emergency fund. She explained that in the FY 23 budget, Council allocated unassigned fund balance funds for Pay Go capital, a $0.02 real estate tax rebate, one-time operating expenses, and a correction for the water resources fund, reducing the fund balance to about $23M. She explained that the FY 24 budget proposed an estimated use of about $21M of the one-time funds. She said they tried to use the funds for one-time costs in the operating fund. She said they did not account for funds which would be allocated to the unassigned fund balance at the end of FY 23. She said that between $10M to $15M would likely fall to the unassigned fund balance at the end of the fiscal year.

Mayor Reed asked for clarification of the difference between what the counties offered and what the City offered. Deputy City Manager Mr. Greg Patrick responded that cities were economic, arts, and culture hubs for the regions, and many of the reasons the surrounding counties flourished because they were suburban communities to the City. He said the state funded cities and counties differently, and cities saw significantly higher poverty which required greater support. He said there were significant economic development differences, such as land availability. He said counties had, on average, 10.5 times more land than the City. He said overall, they spent 30% more per capita on services in the City compared to the counties. He said cities and counties had different competitive advantages, and they appealed to different people.

Councilmember Helgeson stated that the proposed real estate tax rate had to change. He said that they should look for ways to not raise the tax rate at all to reduce the burden on the residents in the City.

Councilmember Misjuns said that they could not discuss budget reconciliation until they decided on a tax rate.

Councilmember Taylor stated that they needed to address poverty in the City, and reducing the real estate tax rate would help.

Vice Mayor Faraldi stated that the real estate rate should decrease, but they should also look to reduce other rates, such as personal property taxes, trash collection rates, and meals taxes. He noted that 52% of the City residents rented and may not see the savings from real estate property tax relief. He said if they equalized the real estate property tax rate and performed a $0.50 personal property tax reduction, it would total $5.3M. He asked if the City Manager's proposal would still be funded with his suggested rates. Mr. Benda responded that the refuse waiver and motor vehicle waiver were based on one-time funding. Vice Mayor Faraldi asked how they could use one-time funding to pay the fee, which was an ongoing cost. Mr. Benda clarified that the relief was for a finite period of time. He said that equalizing the rate at $0.92 meant that was the rate to provide the same services as the year before. He said if they adopted a $0.92 rate, then none of the proposed additions to the budget, such as public safety projects, would be funded—they were not being cut, but they would not happen. Vice Mayor Faraldi suggested reducing the capital contribution to reduce the budget. He noted that it was one-time funding, but the funds had been available for multiple years. Mr. Benda responded that it was according to the financial policies of the Council. He explained that Pay Go projects were those that needed to happen, so they would be done. He continued that as part of their fiscal policy, they allocated Pay Go funding to decrease debt allocation in the CIP. Vice Mayor Faraldi said that they could not do projects instead of finding other ways to fund them. Mr. Benda responded that was possible. He noted that the City had aging infrastructure, and there were several needs for improvements. He said that the year-over-year cost increase was about 5%.

Mayor Reed asked for information about the current restrictions for the elderly tax relief program. She suggested expanding the program to provide relief to elderly individuals on a fixed income.

Councilmember Helgeson responded that the relief was for a small number of people and only applied to people who were disabled or over 65. He noted there were income and net-worth requirements.

Mayor Reed asked for information about the number of homeowners living in poverty. Mr. Patrick stated that they could review the census data.

Vice Mayor Faraldi asked if residents who lived in HOAs received the trash fee reduction. Mr. Benda responded that it was dependent on whether the private owner passed the savings on to the tenants.

Councilmember Wilder stated that he supported the investments and the proposed reductions in the City Manager's budget.

Councilmember Helgeson said that the Council should focus on essential services and consider reducing funding for other items. He said that they should reduce the tax burden on residents. He said that they should reconsider the funding for schools.

// The meeting was adjourned at 5:55 p.m.

// A special called meeting of the Council of the City of Lynchburg was held on the 21st day of March 2023, at 6:00 p.m. in the Council Chamber, City Hall, Stephanie Reed, President, presiding. The following Members of the Council were present:

Present: Stephanie Reed, Chris Faraldi, Sterling Wilder, Jeff Helgeson, Marty Misjuns, Larry Taylor, MaryJane Dolan 7

Absent: 0

// In the matter of Water Resources, Agenda Item 1, a public hearing was held and Council considered the first reading of Resolution #R-23-029 amending the FY 2023 Sewer Capital Projects Fund budget and appropriating $6,600,000 American Rescue Plan Act (ARPA) Grant awarded by the Department of Environmental Quality (DEQ) for the Richland Hills Sewer Project, Director of Water Resources Mr. Tim Mitchell provided the staff report. In December 2022 the City submitted a grant application to the Department of Environmental Quality requesting a total of $6,600,000 in grant funds for the Richland Hills Sewer Extension Project. The Department of Water Resources was notified on March 6, 2023 that we have been awarded $6,600,000 in ARPA funds through DEQ's Sewer Collection System Program for this project. The DEQ based the awards on factors such as: project type, environmental impacts, fiscal stress, readiness to proceed, among other criteria. In order to accept these funds, the City must notify DEQ in writing including a project description, timeline, and budget by April 5, 2023. Failure to accept the funds by this date will result in the forfeiture of the grant. The grant does not require a local match. These funds will enable the project to be completed all at once instead of in phases and will save $6,600,000 in local funding.

Citizen Jason Snyder, speaking in favor and as a board member of the Richland Hills Neighborhood Association, stated the association supported the sewer project and funding to increase sewer access. He stated that septic systems were aging and failing in their neighborhood, and residents benefited from the lower costs of sewer access.

There was no one to speak in opposition, and there were no phone calls or emails. Mayor Reed closed the public hearing and brought the matter before the Council.

Vice Mayor Faraldi made the motion, seconded by Councilmember Wilder, to approve Resolution #R-23-029. With no further discussion from the Council, the following vote was recorded:

Ayes: Stephanie Reed, Chris Faraldi, Jeff Helgeson, Larry Taylor, Marty Misjuns, MaryJane Dolan, Sterling Wilder 7

Noes: 0

// The meeting adjourned at 6:12 p.m.