

May 2, 2023

// A special meeting of the Council of the City of Lynchburg was held on the 2nd day of May 2023, at 4:00 p.m. in the 2nd Floor Training Room, 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 the FY 2024 Budget Reconciliation, Agenda Item #1, Chief Financial Officer Ms. Donna Witt provided the presentation to Council related to baseline assumptions about the budget.

Vice Mayor Faraldi asked what the balance was of the reserve fund for snow clearing. Ms. Witt responded that the balance was \$250K. Vice Mayor Faraldi asked what typical expenditures from the fund were. Ms. Witt responded that in recent years, they did not have to use the fund, and the last usage was to fully stock the salt barn. She responded that the cost included the cost for the contractor because it was part of the Highway Maintenance Fund reimbursement from VDOT. She said that the proposal reduced the contracted amount and left the City's part untouched, and if they required more funding, the reserve balance was available. Vice Mayor Faraldi clarified that the service would not necessarily be impacted. Ms. Witt responded that was correct, but if the City received a heavy snow, they would have to depend on the reserve fund. Vice Mayor Faraldi asked when the last time the reserve fund was used. Ms. Witt said it was probably four or five years ago when there were several heavy snows that required all the reserve fund. Vice Mayor Faraldi asked how much 1% was of the 5% general wage increase. Ms. Witt said it was just over \$500K, and it was lower than before because public safety had been moved into its own progression plans.

Councilmember Helgeson asked for clarification regarding the proposed BPOL changes. Commissioner of Revenue Mr. Mitch Nuckles responded that in terms of reducing the rate, revenue should be controlled by the rate, but they also looked at the exclusion possibility. He said that the City would have generated \$650K, and when they investigated the exclusion, they found they could only do the exclusion of gross receipts if they required the flat fee. He said that they wanted to move away from the flat fee which still required small businesses to file. He stated that they had reviewed a \$200K exclusion allowed by state code. Councilmember Helgeson said that they should find ways to reduce the

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rate to help all businesses, not just small businesses, and the proposal before the Council was different from that goal. Deputy City Manager Mr. Greg Patrick responded that the intent of the proposal was to eliminate the first \$150K of gross receipts from taxation for all businesses, but there was no enabling state legislation, so they were not able to do it. He said that the \$150K exemption had the largest impact on businesses with \$2M or less in gross receipts. He said that if they changed the rate, the greatest impact would be on the largest businesses in the City. He explained that the intent of the proposal appeared to be to impact small and medium sized businesses the most, they decided that maximizing the filing exemption would better achieve that goal than a rate reduction. Councilmember Helgeson suggested lowering the rate to encourage businesses to expand and grow in the City. Mr. Patrick responded that the reduction would equate to a 6.2% reduction, and if they went forward with the 6.2% reduction instead of the \$200K exemption, then they would be at the same point, but the total \$1.4M in budget reductions would be reincluded.

Councilmember Helgeson said some budget items could be funded through one-time allocations from the general fund unassigned fund balance. Vice Mayor Faraldi said he agreed with Councilmember Helgeson's suggestion to utilize as much of those one-time funds, such as funding for the Lynchburg Regional Business Alliance, to pay for one-time expenditures.

Councilmember Wilder stated that they had to include the allocation to the Lynchburg Regional Business Alliance to stay a business-friendly city. He stated his support for increasing youth access to activities and entertainment rather than closing services to help prevent and protect kids from getting involved with crime. He expressed support for funding as much of the Lynchburg City Schools budget as possible.

City Attorney Mr. Matthew Freedmen stated that staff required guidance on what the Council wanted to do in regard to councilmember's salaries and closing the gap related to FY 24. He explained he sent the councilmembers options for discussion—Option 1 was to waive City Council's salaries in their entirety for FY 24; Option 2 was to reduce Council's salaries by 3% or more; Option 3 provided that Council could voluntarily and councilmembers could individually donate part or all of their salaries to the City; and the last option, Option 4, was for Council to take no action related to its salaries.

Councilmember Helgeson said they should consider the impact on the whole City and taking no action

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would be appropriate. Councilmember Dolan said she would support foregoing the Council's salaries, and she suggested diverting the funds to the Clerk of Council's Office. Vice Mayor Faraldi expressed concerns about having to pay taxes on income that they would not receive if they decided to waive the salaries. He suggested reducing the Council salaries rather than eliminating them, and he stated that it was not good practice to put a financial burden on councilmembers for doing the job. Councilmember Misjuns suggested drafting a policy that would prevent changes to the Council's salaries from taking effect until the next election. He said that serving on the Council was not only for the wealthy or the elite, and many potential candidates would not be able to dedicate time to the job if they were not compensated. Councilmember Wilder asked if they reduced the salaries whether they would pay taxes on the reduced amount or the full amount. Ms. Witt responded that they would only pay taxes on what was received. Mr. Freedmen responded that there may be a minimum salary requirement, so if Council wanted to reduce the salaries, he suggested reducing it to the minimum. Councilmember Wilder requested follow-up information about the minimum salaries. Vice Mayor Faraldi responded that VA Code § 15.2-1414.6 did not specify a minimum salary, but it did specify a maximum based on population. He said that the maximum allowed salary for the City would be \$23K. He stated further that the code section provided that no increase to the salary of a councilmember shall take effect until July 1 after the next regularly scheduled general election.

Mayor Reed requested clarification in terms of the BPOL whether to implement the \$1.3M in department cuts or apply cuts to the school budget. She asked how the Clerk's Office would be impacted if the department cuts were restored. She noted that \$55K was required for the part-time position and the transcription service for the Clerk's Office. Mr. Patrick responded that to prevent departmental budget cuts and include the Clerk's request, the school budget would need to be reduced by about \$1.5M. Councilmember Taylor expressed his support for funding the Lynchburg Regional Business Alliance and the Clerk's Office. Mr. Freedmen said that the direction of Council appeared to recommend a voluntary donation of the salary at individual councilmember's discretion. Vice Mayor Faraldi said the most critical projects should be funded through one-time dollars, and they should emphasize the Lynchburg Regional Business Alliance and the pool hours. Councilmember Helgeson said that the elimination of external

service providers should remain as a reduction because they were discretionary and that he was in favor of the resolution option that provided no action.

// In the matter of Schools, Councilmember Misjuns presented to the Council a proposed funding schema to achieve categorical funding for LCS in FY 24.

Councilmember Wilder asked whether Councilmember Misjuns' presentation had been shown to the School Board. Councilmember Misjuns responded that it had not yet been presented, but it would be. Councilmember Wilder expressed concerns about presenting information that the School Board had not reviewed, and he suggested having a meeting with the School Board to discuss the information prior to making decisions. Mayor Reed asked whether staff had verified the information presented by Councilmember Misjuns. Mr. Patrick responded that it would be important for the School Board to review the information and provide context for the questions raised in the presentation. He said that data was a good place to start, but it could not provide all the context, so it was critical for the School Board to weigh in on the impact. Mayor Reed asked when Councilmember Misjuns would be able to deliver the presentation to the School Board. Councilmember Misjuns said he would email the presentation to Council, staff, and the school division that evening. Councilmember Dolan noted that the average teacher salary decreased because they lost many experienced teachers, and she asked why it was used as a criterion for lowering the funding. Councilmember Misjuns responded that the school division would operate a surplus, and if they did not spend the entirety of the funds on instruction, they could use the funds for other purposes. Councilmember Misjuns disclosed that his wife was a schoolteacher for LCS, but he was able to weigh in on the matter objectively, fairly, and impartially.

Vice Mayor Faraldi asked staff what information was required from the Council related to the categorical funding data. Mr. Benda responded that if the Council agreed to level fund LCS at FY 22 levels, then the proposed reductions to the City-side budget would no longer be required. Mayor Reed clarified that if the schools affirmed the data and findings in Councilmember Misjuns' presentation, then there would be \$1.4M in savings that could be used to fund the department cuts. Mr. Patrick stated that the funding level approved for FY 22 was \$39.828M, and to balance the budget cuts and provide funding to the Clerk's Office, they would have to reduce the school funding to about \$39.4M, below the FY 22 funding level. Councilmember Misjuns noted that there was an expected increase in funding from the

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state to consider. Councilmember Wilder stated that he did not agree with reducing the LCS budget allocation from \$40.8M to \$39.4M. Councilmember Helgeson said that the purpose of the composite index was to enable localities to lower allocations to school systems and reduce the impact on local taxpayers by increasing state funding when localities were poorer.

Mayor Reed asked whether staff had enough direction. Mr. Benda responded that they did, and they would prepare ordinances. He noted that there was a work session scheduled for Tuesday in advance of the regular meeting, and he suggested cancelling it to provide a break. He said that they had developed a path forward with the Horizon Behavioral Health matter, and they would be able to apply for a grant and receive as much as \$1.9M. He said that the total need was \$4.1M, so he was working with the CFO and City Attorney to position and assign funding resources to bring back to the Council for approval when it was necessary. He asked Council whether there was a consensus to support Horizon Behavioral Health and establish the center. Vice Mayor Faraldi noted that he had advocated for the project, and it was a critical element to address mental health in the community and reduce strain on law enforcement. He said that State Senator Steve Newman had made a significant effort to achieve state funding for the project, and the project would be one of the best ways to increase the number of officers on the street. Councilmember Misjuns stated that he fully supported the project, and it should be a budget priority moving forward. Councilmember Helgeson noted Campbell County's involvement. Mr. Benda responded that Campbell County's participation was only for the grant, and the City would serve as the fiscal agent. He noted that they had until May 5 to apply.

// The meeting was adjourned at 5:50 p.m.

Clerk of Council