

// A special meeting of the Council of the City of Lynchburg was held on the 6th day of April, 2021, at 4:00 P.M. in the Council Chamber, City Hall, MaryJane Dolan, President, presiding. The following Members were present:

Present: MaryJane Dolan, Beau Wright, Jeff Helgeson, J. Randy Nelson, Treney Tweedy,
Sterling A. Wilder, Chris Faraldi 7

Absent: 0

// In the matter of Budget, Agenda Item #1, Council continued reviewing the budget. Interim City Manager Dr. Reid Wodicka, and Interim Deputy City Manager Mr. Kent White, finished presenting the Proposed FY 2022 – FY 2026 Capital Improvement Program and Enterprise Funds.

Councilmember Faraldi asked staff if the use federal CARES funding could be used for the HVAC equipment in the schools instead of using local tax money. Ms. Witt responded that the schools were working on identifying some equipment where CARES funding could be utilized.

// In the matter of Budget, Agenda Item #2, Council began balancing the budget, but first received a revised report on revenues from Chief Financial Officer Ms. Donna Witt who explained that the Compensation Board is giving all Constitutional Officers a 5% pay increase, however, there is offsetting expenditures associated with the increase. The state also is giving the Department of Human Services staff a 5% increase, also with an associated local match.

The Commissioner of the Revenue and the City Assessor provided the budget staff with updated revenue projections that totaled about \$3.4 million increase to proposed revenue compared to what is reported in the budget book. On the expense side, given the local matches needed for the pay increase to constitutional officers and Human Services' employees, plus the proposal of additional \$200,000 to the fuel increases as the fuel prices go up, the proposed expenses will go up about \$932,000 which leaves a net of about \$2.5 million. This changes things and opens up the options available to Council. Staff propose the following plan: leave the tax rate at \$1.11 since the future economic landscape is unclear; because the state and Human Services employees, surrounding counties, and Lynchburg City Schools employees are receiving a 5% salary increase, staff proposed a 5% increase for all city employees at the

cost of \$3.3 million. The implementation of the Strategic Initiative Budget Priority that addressed the lowest paid employees would not need to be executed, freeing up \$289,000. Staff proposed leaving the fund balance at 11.8% and not growing it to 12.3% and increase the dept service reserve to \$200,000.

Vice Mayor Wright asked when the last time a general wage increase was adopted; staff confirmed a general wage increase was last given on July 1, 2019. He asked what the consequences are if Council doesn't lower the Real Property Tax rate from a \$1.11. Dr. Wodicka commented that if there is a recession in the future, leaving the rate at \$1.11 allows for a stable revenue source. He also explained that increasing the Debt Service Reserve by \$200,000, resulting in \$400,000 total, will help pay the debt service for various CIP projects that are coming up, like the police department. Building that capacity in the Operating Budget to pay the Debt Service Reserve is beneficial and will allow to pay for expenses like furniture, fixtures, and equipment for these CIP projects, like the police department, instead of borrowing the funds. He said that staff recommend adding to this reserve over the next couple of years to avoid potential shocks in the debt service needs.

Councilmember Faraldi stated that he would be in favor of working out some sort of compromise with the additional revenues that allows the 5% wage increase but also gives relief to the tax payer.

Councilmember Wilder stated that he does not feel comfortable approving a 5% wage increase for only a portion of City employees since every employee has worked during the pandemic. He is also not in favor of equalizing the Real Property Tax rate because projects, like the police headquarters, will need to be funded.

Councilmember Nelson stated that in the past, when assessments increased Council lowered the tax rate to accommodate the burden placed on citizens. Then, with the recession in 2008, Council returned the Real Property Tax rate to its previous amount. He asked staff to clarify what the consequences would be to somewhat equalize the current rate and then raise the rate in the event of a recession. Ms. Witt explained that the way it impacts the organization was each year every department, including public safety and public works, were asked to cut their budgets between 5% and 10%. There was a reduction in services by implementing furlough days, reducing the General Fund to about 60 vacated positions, and enacting a hiring freeze until the rate was able to be put back to \$1.11.

Councilmember Nelson posed the hypothetical question; if additional resources to raise salaries are used, what happens when a recession occurs? Does Council lower employees' salaries? Does Council lay them off? He explained that for the time being, some equalization to the tax rate is a more equitable, just, and an appropriate approach. He also stated that he was inclined to use some of the Debt Reserve Funds to provide the equalization but after talking with Dr. Wodicka, he understands the importance from a bond rating standpoint of maintaining continuity with that amount. Not doing so could potentially compromise building the police department.

Vice Mayor Wright stated that the 5% wage increase would be about employee retention and would essentially be a cost of living raise. He further stated that Sales and Use Tax are holding fairly well which means citizens are spending money where they want.

Councilmember Tweedy commented that she is not in favor of lowering tax rate, stating that she represents citizens across the city, many more than what was in Council Chamber at the March 30, 2021 Public Hearing. She has heard from citizens who appreciate city services and are willing to pay for them.

Dr. Wodicka reviewed the procedures for removing items from The List; staff will ask for a motion for a decision on each one of these items. A motion to remove these items from The List will be that it is funded as presented.

Councilmember Wilder made a motion to remove legal aid from the list, effectively leaving it funded in the budget. Vice mayor wright seconded the motion.

Councilmember Faraldi stated that his predecessor, Mr. Turner Perrow, did not support funding Virginia Legal Aid Society and he does not think it is good practice to give money to an organization that sues the city. Councilmember Helgeson agreed with his sentiments.

Councilmember Nelson stated for the record that Legal Aid did not sue the city; an individual client represented by an attorney sued the city. That client came to that attorney via the Virginia Legal Aid Society. In stating his support for funding the Virginia Legal Aid Society, he metaphorically emphasized that the importance of Legal Aid is that it serves all of the citizens who may be blind to the unknown hazards and obstacles on the road to justice.

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

Ayes: Dolan, Wright, Nelson, Tweedy, Wilder 5

Noes: Helgeson, Faraldi 2

Councilmember Helgeson made the motion to remove item #6 Public Safety Building Reserve from The List, seconded by Vice Mayor Wright.

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

Ayes: Dolan, Wright, Helgeson, Nelson, Tweedy, Wilder, Faraldi 7

Noes: 0

Councilmember Helgeson made the motion to remove item #9 General Fund Reserve for Contingencies from The List stating that he only put this item on The List because he wanted a list of all the dedicated reserves that are budgeted for. Vice Mayor Wright seconded the motion.

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

Ayes: Dolan, Wright, Helgeson, Nelson, Tweedy, Wilder, Faraldi 7

Noes: 0

Vice Mayor Wright made the motion to remove item #7 Concord Turnpike Maintenance Reserve from The List, seconded by Councilmember Wilder.

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

Ayes: Dolan, Wright, Helgeson, Nelson, Tweedy, Wilder, Faraldi 7

Noes: 0

// The meeting adjourned at 5:56 p.m.

Clerk of Council