AGENDA ITEM #: 5

// A budget retreat special meeting of the Council of the City of Lynchburg was held on the 26th day of January, 2021, at 2:00 P.M. in the Aviary, 400 Grove Street, MaryJane Dolan, President, presiding. The following Members were present:

Present: MaryJane Dolan, Beau Wright, Jeff Helgeson, Treney Tweedy, Sterling A. Wilder, Chris Faraldi 6

Absent: J. Randy Nelson 1

// Interim City Manager Dr. Reid Wodicka briefly went over the agenda for the budget retreat. He explained that staff would like to start off having a conversation about where the state of the local economy is and how different it is across the various sectors.

// Mr. Mitch Nuckles, Commissioner of the Revenue, presented Council with the Meals, Lodging, Amusement, Sales, and Use Tax trends before the pandemic and during the pandemic. He compared trends from each of the following years; 2017, 2018, 2019, and 2020 the average of months July – December and March – June for each revenue source.

Mr. Nuckles examined the Sales Tax collected for the top 20 businesses which are comprised of residential, manufacturer, and wholesalers. He noted that from July to December this year, there was an increase of over 10% between the top 20 business, with an overall Sales Tax increase of over 2% from 2019 – 2020. He said that this can be attributed to citizens not eating out as much, so they are buying more groceries. Also the hardware stores sales have increased dramatically.

From March – June 2019 to March – June 2020, the top 20 businesses had an overall increase of 4.5%, however, the overall Sales Tax collected had decreased 10.5%. Councilmember Helgeson offered that it is great the top 20 businesses are doing so well, however, it is important to remember the businesses that are going out of business.

In regards to Use Tax, Mr. Nuckles mentioned the Wayfair Act that says states can mandate that businesses without a physical presence in a state but who collect a certain amount on in-state sales must remit sales tax in that state. Comparing July – March 2019 to the same grouping in 2020, there has been a 32.6% increase.

Meals Tax collected for the City has seen a sharp decline from March – June 2020 by over 34%, but then recovered a little bit but is still down by almost 11%. Mr. Nuckles contributed this to restaurant businesses adapting by figuring out how to offer curbside and drive-through options.

Lodging and Amusement Tax continue to stay down. Personal Property Tax has seen some growth but that could be the way taxes are collected as far as timeline goes.

Councilmember Helgeson asked about the BPOL Tax numbers. Mr. Nuckles stated that a lot of professions were closed for a few months in the beginning of the pandemic, so staff is expecting a decrease in this collection by about 10%.

// City Assessor Mr. Jeff Bandy provided Council with the following market overview:

Real Estate Markets - So far, the local real estate market is holding up well overall. Long term there are many unknowns. Residential Markets are very strong. Demand is significantly higher than available supply for price points below $250,000. According to The Long & Foster Market Minute report for December 2020 (Greater Lynchburg Housing Market-Year over Year Comparison) units sold is up (33%), active inventory is down 37%, Median Sale prices are up 20%, Days on Market (26 days) is down 46% with Months of Supply of 1.1 months down 58%. Another factor driving prices upward is that mortgage rates are at historically low levels. Bank Rate published 30-year fixed mortgages rates average 2.88% recently. Proposed residential neighborhoods are increasing in value ranges from zero to 25%. The wide range is mostly due to price points with the higher value properties (over $250K) going up. Supply and demand are out of balance currently.

Apartment Market - The apartment market is also very strong. Most of the new projects that are being leased are having no problems leasing units. Some projects are leasing more units in 2020 than they were leasing in 2019. Recent sales (2020) of older apartment communities indicate strong demand such as Walden Pond and Dumont apartment complexes.

Commercial Market - Commercial markets are also holding up better than expected. Petsmart recently sold for $3.8 million or $199/SF; which is about 23% higher than current assessment. Aaron's rentals sold for $1.525 million or $188/SF; which is 20% higher than current assessment. The problem areas include: hotels/extended stays, some retail/shopping centers, theaters and restaurants and office. It is too early to understand the long term affects for these property types. Most provided little if any data to self-reporting surveys to help staff better understand their operating positions.

Industrial Market - The industrial market has also proven to be resilient. This sector never had a complete shutdown during COVID-19 and the future looks promising. Porter Steel (3726 Cohen Pl) sold for $5.42 million and then resold for $7.56 million after company was bought out by May Steel. These sales are 25%-76% higher than current assessments. R R Donnelley plant recently sold ($6.75 million) to an Industrial investor from Mid-West who specializes in repositioning older industrial properties.

// Ms. Donna Witt, Chief Financial Officer, provided Council with a brief overview of the major revenue sources collected so far:

- Net Real Property Tax has an increase of 7.2% over actual FY 2020
- Net Personal Property Tax has a decrease of 3.6% below Actual FY 2020
- Motor Vehicle Licenses Tax decrease of 2.6% below Actual FY 2020
- Net Local Sales and Use Tax increase of 2.7% over Actual FY 2020
- Net Business License Tax decrease of 11.3% below Actual FY 2020
- Net Lodging Tax decrease of 1.1% below Actual FY 2020
- Net Meals Tax has an increase of .6% over actual FY 2020
- Amusement Tax decrease of 67.1% below actual FY 2020

// Interim City Manager Dr. Reid Wodicka, Interim Deputy City Manager Mr. Kent White, and Assistant City Manager Mr. John Hughes presented Council with a list of FY 2022 potential budget priorities based on budget submissions and the city's strategic plan. Council members then reviewed these priorities and ranked them in order from highest to lowest priority. The cumulative results are as follows, ranked highest priority to lowest:

- Implementation of a Public Safety Staffing Plan - *The Lynchburg Plan Goals: Creating a Culture of Exceptional Public Service Delivery*
    - City Council has received presentations regarding staffing from the City's Fire and Police Departments, and there are additional staffing needs in the Department of Emergency Services. Over several years, the Police Department has indicated a need for 25 additional officers, the Fire Department has a need for 14 additional Firefighters, and

Emergency Services needs an additional 4 communications officers. While there are also non-sworn positions that have been requested in these departments, this priority area would focus primarily on the direct service delivery functions of these departments. This was a specific issue identified in The Lynchburg Plan.

- Reinforcing the Innovative, Inclusive, and Competitive Public School System in Lynchburg - *The Lynchburg Plan Goal: Creating a Culture of Exceptional Public Service Delivery*
  - The development and continual reinforcement of a strong public school system for any city is critical to its long-term success. Lynchburg is no different and one of the reasons that Lynchburg has been successful is that the public schools have been outstanding – this attracts people to our community, improves life-long wellbeing of members of our community, and creates an environment that is dedicated to excellence. To be sure, though, there have always been challenges related to equity among learners and other matters that are opportunities for improvements. These issues are as old as Lynchburg and, while apparent at the schools, are really reflective of larger social issues in our community. Our opportunity is to collaboratively create policies and programs that strategically address these challenges in our community. While the details have not yet been finalized regarding their proposals, the Lynchburg City Schools will forward requests for funding that are designed to innovate and improve on the success we've seen and provide targeted interventions to address student achievement and opportunity, while being a competitive employer for their most critical resource: teachers.
- Implementation of City-wide salary study (with an emphasis on front-line workers) - *The Lynchburg Plan Goal: A Competitive and Innovative Employer*
  - Implementation of the next phase of the salary study would be focused on direct service delivery staff members and hard-to-attract positions. While the details of this plan are still being ironed out, the idea is that generally, this would be focused on the lower paid positions in the organization, though we will also be cognizant of salary compression issues, as well. We also have several positions that are not necessarily lower paid, but are extremely difficult to fill at the present rates of pay

- Refuse Collection System Personnel - *The Lynchburg Plan Goals: Creating a Culture of Exceptional Public Service Delivery*
    - Brush and bulk collection has been a challenge in our City for many years. We made considerable progress this year with the implementation of the new brush and bulk schedule. While there have been some minor hiccups along the way, it is clear that this new structure has helped to improve the appearance of the City. However, we still struggle to get all of the brush and bulk collected with our existing personnel. We utilized CARES funds to add two additional "knuckleboom" trucks to the fleet and have since been using Public Works staff from other divisions to assist in collection of these materials. As you can imagine, this has come at the cost of other functions not being completed in as timely a manner. This priority would fund the addition of two full time refuse collection employees to staff the knuckleboom trucks, allowing these units to be used full time. This was a specific issue identified in The Lynchburg Plan.
- Diversity, Equity, and Inclusion – Chief DEI Officer and City-wide Training Programs - *The Lynchburg Plan Goal: A Competitive and Innovative Employer*
    - Champions of Diversity, Equity and Inclusion (DEI) are the mark of employers serious about attracting and maintaining a talented workforce in the 21st Century. This priority would focus resources on the appointment of a Chief DEI Officer, at the C-Suite level, (leading to a supportive Office of DEI). Resources, policy direction, and ideological reinforcement from leadership must also be in place and funding would be made available for training the City's workforce. The Chief DEI Officer will work to suggest plans for greater implementation of DEI principles and identify initiatives that an Office of DEI will implement in order to benefit the City organization based on best-practices.
- Refuse Collection System Improvements – Refuse Truck Reserve Fleet - *The Lynchburg Plan Goals: Creating a Culture of Exceptional Public Service Delivery; Intentional Long-Term Viability*
    - There is a need to increase the fleet in the Refuse Collection division of Public Works. This priority would include the purchase of one additional refuse collection truck in order to create a reserve refuse collection fleet. As you are aware, there are presently no

reserve refuse trucks, so when one truck goes down for maintenance or breakdown, that route must be completed by the remainder of the crews. We were able to procure two additional trucks with CARES funds. However, it would be valuable to add one additional truck to maintain the reserve fleet. Presently, there are six daily routes and six corresponding trucks in service every day. Having three reserve trucks would allow us to ensure that we are maintaining all of our vehicles and keeping them in service every day.

- Poverty Reduction Programming - *The Lynchburg Plan Goal: Expanding and Developing Workforce*
    - Over the past several years, the City and its partners have worked to address poverty in our community. This has resulted in the creation of a series of community task forces that are designed to address poverty-driving issues in our community. These task forces have been effective in building community buy-in and building an understanding of the need to address poverty concerns in our community. It is now time to re-assess this effort and conduct a new planning exercise with a multi-decade perspective towards improving quality of life for people in our community. This priority would provide funding for a community wealth building (poverty reduction) strategic action plan, utilizing experts in this field to identify policies and programs that help to increase income and reduce barriers to economic independence in our community.
- Parks and Recreation Programming and Public Space Improvements - *The Lynchburg Plan Goal: Creating and Reimagining Beautiful Neighborhoods*
    - Maintenance and enhancement of the City's recreational opportunities are crucial to the stability of neighborhoods and overall livability. While residents and visitors have always enjoyed the experiences available in the City associated with Neighborhood Centers, Parks, Trails, and other amenities, COVID-19 has reintroduced many in our community to the wonderful public spaces we have available. With the addition of available spaces, funding to support adequate staff and industry technologies are imperative. Some specific matters related to this priority include: reopening the Miller Park pool, extending trails, providing access to public internet, and working to keep these areas safe for

employees and patrons. Each of these goals requires dedicated allocations. As a priority, restoration of the Aquatics budget (staff and programs), extension of Recreational Specialist positions at the College Hill Neighborhood Center, and assuring appropriate facility maintenance staff are essential to a successful and sustainable Parks and Recreation system and would be funded with this priority.

- Litter Control - *The Lynchburg Plan Goal: Creating and Reimagining Beautiful Neighborhoods*
    - As you travel throughout the City, you have likely seen the tremendous amount of litter that is around the City. As Public Works picks up litter in an area, it is almost immediately covered by litter again. This priority would provide funding for litter control on City streets and along City streams, where appropriate. This could be based on the Neighborhood Caretaker program or hiring a private company to assist with litter control and beautification efforts in and around neighborhoods. This will both improve the appearance of the City and reduce the environmental impacts of our urban environment.

Council instructed staff to make an effort to present a budget that addresses each of these priorities.

//The meeting was adjourned at 5:10 p.m.