// A special budget work session meeting of the Council of the City of Lynchburg was held on the 6th day of May, 2025, at 4:00 p.m. in the 2nd Floor Training Room, City Hall, Larry Taylor, President, presiding. The following Members were present:

Present: Larry Taylor, Curt Diemer, Stephanie Reed, Chris Faraldi, Sterling A. Wilder, Martin Misjuns, Jacqueline Timmer 7

Absent: 0

// Councilmember Wilder led the invocation, followed by the Pledge of Allegiance.

// In the matter of the Budget, Agenda Item #1, Council conducted a work session regarding the FY 2026 Budget.

Councilmember Reed requested that Councilmember Misjuns remove a sign he was displaying at the work session decrying the City Manager's proposed tax rate and claiming it was the largest tax increase since FY 1998. She said that the sign was a distraction from the work session and an attack on the City Manager.

City Attorney Matthew Freedman said that Councilmembers were not permitted from engaging in intimidating or disruptive behavior during meetings, so if the Mayor ruled that the sign was intimidating or distracting, he could order it to be taken down.

Mayor Taylor requested that Councilmember Misjuns replace the sign with another one depicting a graph; Councilmember Misjuns replaced the sign with one showing a line graph.

Deputy City Manager Greg Patrick and Chief Financial Officer Donna Witt provided a presentation reviewing answers to questions from Councilmembers on a number of items, including structure inventory, the cost of the new police headquarters, 10-year historical police and school funding, department funding submissions, radio funding for the Fire Department, lodging and personal property tax rates, fund balance financial policies, FY 2024 year-end finances and potential budget surpluses, FY 2026 Real Property Tax equalization, Debt Management Financial Policies, and Federal funding concerns.

Vice Mayor Diemer requested a spreadsheet of the property inventory to make it easier to review. He said that the map was helpful, but it was difficult to account for individual properties.

Councilmember Timmer asked why the police headquarters increased in cost by $15 million.

Ms. Witt replied that when the police department was first included in the CIP nine years ago, the cost was simply a place-holding value. She said that after numerous redesigns, a space requirement study, and the substantial increase in the cost of materials, they arrived at the current figure.

Mr. Benda noted that the location of the headquarters had changed because of siting issues, and that contributed to the cost.

Ms. Witt added that about $2 million of the total cost was related to the purchase of the property.

Councilmember Faraldi clarified that the police funding presented by staff included funding from the state, but the school operation funding that was presented only included the local contribution.

Councilmember Reed stated that in the 2024 budget process, Council adopted the rate first which then required working backwards, which ultimately forced a choice between departmental services and school funding. She noted that a correction was made to clarify that what was initially referred to as localized school funding included state funds, and the reference was intended to reflect the local funding level. She also stated that in 2023, local school funding decreased below levelized funding.

Councilmember Timmer said that since there were so many revenue streams for LCS, isolating one did not provide a complete picture.

Councilmember Misjuns added that if state funding for LCS were taken into account, the overall increase over the years would be significant, reflecting a substantial rise in funding from fiscal year 2015 to fiscal year 2024.

Vice Mayor Diemer said that school enrollment was trending downwards.

Councilmember Wilder emphasized the importance of investing in the school system to provide for all children in the City.

Ms. Witt explained that in FY 2015, the 599 funding from the state was $2,653,798, and the proposed funding in FY 2025 was $3,250,000.

Councilmember Misjuns asked why the radio replacements for the Fire Department and the CAD replacement for 911 operations were pushed back.

Ms. Witt said that the department had informed her they were not ready to purchase a CAD system, and it could be postponed. She said she was working with the department to set aside any year-end savings to fund the CAD replacement. She said that regarding the radios, they typically cash-funded them instead of bond-funding or leasing them. She said that they usually contributed some dollar amount annually to accumulate Pay-Go funding to be used when they were ready for replacement.

Councilmember Faraldi said that only reducing the Real Estate Tax rate would not benefit the constituents he represented who rented. He said that they could provide broader impacts by revisiting the lodging, personal property, and other taxes available to Council. He asked why they only had a $1 per room per night fee when other localities, such as Richmond, charged $30 per room per night. He said that the overwhelming majority of this tax was paid by people who were not City residents and would thereby reduce the tax burden on City residents.

Ms. Witt said that a $30 per room per night fee would generate $12 million in revenue.

Mr. Patrick explained that raising the per room per night fee, the bed tax, past a certain level would impact a lodging's ability to charge a room rate, and it could drive down the lodging tax revenue, which was based on the room rate. He said other than that consideration, Councilmember Faraldi's suggestion made sense.

Councilmember Misjuns requested information about what other cities were doing with the lodging tax rate and bed tax.

Councilmember Reed asked if they could request the state to amend the charter to enable a four-year property assessment cycle.

Mr. Patrick said that staff would suggest reducing the period between assessments to annually. He said that the difficulty with two-year assessments was that it produced significant increases for property owners, while an annual assessment would reduce the year-over-year increases. He said that City expenses also increased annually, so they could align revenue growth with expenditure growth by performing assessments annually.

Councilmember Faraldi said he was opposed to equalizing the Real Estate Tax rate without making adjustments to other rates. He said that the debt payment remained the same no matter how they reduced the budget or cut rates, and reducing the budget would only make it more difficult for Council to repay that debt. He noted that the debt was incurred from decisions of previous councils. He requested that Council adopt a resolution containing a sunset clause which specifically allocated dollars to debt payments. He said that year after year, the single issue he saw that plagued Council, regardless of which political party was in the majority, was the major debt service payment obligation. He said that they should consider an approach similar to Virginia Beach, where funds were allocated to a surplus account to facilitate cash payments for projects, which reduced spending, reduced year-over-year debt payments, improved debt capacity, and increased the capacity to improve teacher, police, and firefighter salaries. He said that it took a vision that the public could understand and that Council could use to illustrate their goals. He said that it took multiple budgets to get to this point.

Councilmember Timmer said she would support increases on consumption taxes if the revenue was earmarked to reduce debt payments. She said that she would support a larger fund to facilitate Pay-Go, but she wanted more specific information.

Councilmember Misjuns said that he believed the debt issue was coming from projects that were not needed, and they should have been maintaining their buildings instead. He said that the James River Parkway project in the comprehensive plan was not needed. He speculated that consultants were driving these projects, and he suggested reducing allocations to consultants and discretionary professional development by 50% across the board. He suggested a hiring freeze as well to slow spending.

Vice Mayor Diemer said that he supported any efforts to reduce the debt capacity. He said that personally, he tried his best to avoid credit card debt. He said that long-term planning was important.

Councilmember Wilder emphasized the importance of quality of life for City residents. He said that investments in infrastructure and community drew people to the City and helped it grow. He said that if they lost sight of those investments, the City would die.

Councilmember Faraldi suggested setting the Lodging Tax rate to 10%, and increasing the per room per night fee by the necessary amount to address any budget shortfalls. He said that they should reconsider items in the capital spending program to find any additional savings.

Councilmember Misjuns expressed concerns about raising taxes on the hotels and lodgings in the City because it could deter business. He lamented about the lack of car dealerships in the City because they had moved to Bedford County. He said that this was because of the lack of a gross receipts tax in the county.

Mr. Patrick said that the Mercedes and BMW dealership was in the City, along with a Honda dealership, and a Toyota dealership. He said that space availability was the major consideration. He said that staff would have to research the impact of the gross receipts tax.

Councilmember Misjuns said that they should primarily focus on reducing spending.

Councilmember Timmer emphasized the need to distinguish rising home values from inflation, noting that inflation is a challenge for households and highlighting the importance of keeping housing affordable to help residents manage overall costs.

Councilmember Wilder requested that staff reach out to the car dealerships to find out why they were not located in the City. He noted that dealerships typically wanted to expand, but space was limited in the City.

Mayor Taylor noted high home sales on Washington Street, stressing that such prices raise surrounding property values, driven by out-of-town buyers.

Councilmember Reed suggested using one-time funds to pay for the pool and library in cash, removing them from the budget and splitting $14 million between the projects to avoid debt.

Ms. Witt explained that $13 million could be reallocated by pulling funds from maintenance projects, but warned this would leave a two-year gap in maintenance. The amount isn’t enough to fully fund both the pool and library, but Council could choose to split it or reduce bond funding for each.

Councilmember Misjuns cautioned that reallocating $13 million would cut critical projects like school funding, radio replacements, and building repairs, emphasizing the need to prioritize maintenance and establish a long-term reserve.

Councilmember Wilder suggested that Council compromise on a Real Estate Tax rate and consider setting it at $0.80 while also increasing other revenues, such as the Lodging Tax rate. He said that this would enable Council to keep the budget as proposed and reduce stresses on staff and City services.

Councilmember Reed inquired whether the Fire Department has submitted any new funding requests for Council consideration.

Ms. Witt responded that new radios and an alert system is needed, requiring cash funding as they are not eligible for bond financing.

Councilmember Reed noted that one-time funds could be used to provide additional school building repair funding beyond the current $60 million budgeted for the next five years.

Councilmember Misjuns expressed concerns about the impact on the hotel industry by increasing the per room per night charge. He said that he could not remember the last time he stayed in a hotel in the City, so he did not know what the cost was. He asked how Councilmember Faraldi's proposal would impact the short-term rental market.

Mr. Patrick noted that cutting all CIP projects wouldn’t affect debt service in 2026, as debt impacts occur 18-24 months after spending. Increasing the lodging tax would raise costs, likely causing hotels to adjust room rates.

Councilmember Faraldi noted that there would be a sunset clause associated with the increased fees and taxes.

Councilmember Misjuns asked for clarification about the 150% allowable billing to Medicare and Medicaid for ambulance service fees.

Ms. Witt said that staff met with the provider, but she had not had a chance to review the meeting.

Vice Mayor Diemer expressed concerns about kicking the can down the road regarding debt. He said that at some point, they had to stop and switch to a Pay Go plan and reduce the proverbial credit card debt. He believed that consumer debt was not much different from municipal debt, noting that his wife would chide him if he told her they would not have to pay off debt for a number of years, because it was not wise, fiscally. He said there was a philosophical part, which was that they could not borrow or tax themselves into prosperity, and they should focus on reducing spending. He supported the idea of a tariff on people coming into the City.

Mr. Patrick explained that if they were to reduce the capital program to create savings in the general fund, it would not have an impact in FY 2026. He said that if they were to equalize the Real Estate Tax rate, staff would strongly recommend lowering the number of projects in the CIP. He explained that municipal debt was not necessarily bad, but too much debt could be. He said that municipal debt allowed for the cost of large infrastructure projects to be spread over a number of years, which made it so that the people who actually used the infrastructure ended up paying for it through the debt service.

Councilmember Faraldi agreed with prior points, noting projects are often replaced once paid off, and advocated phasing out debt by focusing on cash-funded projects to stabilize finances and expectations.

Ms. Witt explained that as a city, it was important that they maintained transportation infrastructure to ensure it did not need replaced any sooner than necessary. She explained that due to the high cost of transportation projects, even with VDOT providing 50% assistance, it was still a substantial cost to fund with cash, and there would always be more roads and bridges. She saw no other way to fund transportation projects other than with debt.

Councilmember Faraldi emphasized prioritizing infrastructure and projects, noting that as debt capacity improves over time, new initiatives like an elementary school could be funded through debt.

Councilmember Timmer said that it was important to tighten spending in the CIP and on operations. She said that if they lost sight of that, they would derail any efforts to improve the debt. She said that there were several opportunities for cost-effective private partnerships to expand outreach into the community. She suggested moving the libraries into community centers.

Councilmember Misjuns believed they needed to reduce operational expenditures. He expressed concerns that the FY 2025 budget showed 10 FTEs in the Department of Communications and Public Engagement, however, in the salary spreadsheet that was provided to him of all City employees, there were 15 FTEs. He asked for clarification on how this was possible.

Mr. Benda explained that when they performed a communications audit, they found some departments had a public information officer and others did not. He said that they moved those positions from other departments into the Communications Department to centralize staff resources. He emphasized that they were not expanding the number of positions.

Councilmember Misjuns asked who had authority to add more FTEs to a department when Council only approved 10.

Mr. Benda explained that as the City Manager, he had the authority to reorganize his existing personnel, in this case, to achieve efficiencies.

Councilmember Misjuns asked if they moved any enterprise fund FTEs into the general fund.

Ms. Witt replied that they moved one FTE from Water Resources into Communications. She said that the position would now be partially funded by the indirect cost program.

Councilmember Misjuns said that Council did not approve those changes.

Mr. Patrick explained that if no new FTEs were created, it did not require approval from Council.

Mr. Freedman explained that if Council created the position, as long as the funding remained in place, personnel decisions related to organization and job duties were at the discretion of the City Manager.

Councilmember Misjuns asked where the four dispatcher positions went. He said that the personnel summary for the general fund showed four dispatcher positions were eliminated.

Mr. Benda said that one position went to the IT Department. He explained that there were vacancies that had not been filled, and they were trying to address staffing needs using existing FTEs. He explained that the new police headquarters required a dedicated IT staff member.

Councilmember Misjuns expressed interest in a hiring freeze with an exception for public safety.

Mr. Patrick said that unless they stopped providing certain services and moved the remaining personnel into the services where they lost staff, then the City's ability to provide its current level of service would diminish, and they would end up providing those services less efficiently. He explained that once they implemented a hiring freeze, they would then need to find additional funds to unfreeze the positions. He said that in practice, a hiring freeze resulted in a permanent reduction in services. He said that hiring freezes were typically done as an effort to meet budget obligations when projected revenues fell drastically under expectations. He said that as a budgeting strategy, hiring freezes created significant difficulties in delivering services in the future, and it was more effective to identify and eliminate the services they should not be providing. He said that a hiring freeze would hollow out the organization and lower quality and efficiency across the whole organization.

Councilmember Misjuns requested that City staff provide a monthly report on personnel similar to the School Board's reports of the same nature. He said he was interested in knowing if there were any other positions that had not been filled that could be reorganized to other departments. He asked if they had performed a buy-out for employees who were eligible for retirement in the past.

Ms. Witt replied that she could think of one instance during her tenure, and it resulted in the wrong people retiring. She said that the intention was to fill the position with a lower salary employee, but they found that people were retiring from critical positions, so they had to replace them at essentially the same salary. She said that it did not benefit the City as intended.

Councilmember Misjuns expressed interest in a buy-out, noting that there were about 100 employees who had worked with the City for over 25 years, and their salaries accounted for about 10% of payroll. He said that this could provide the opportunity to bring in new leadership. He suggested using one-time funds to incentivize people to retire.

Mr. Patrick explained that if the intent was to create cultural changes in the organization and provide leadership opportunities to younger employees, then, from his experience, a voluntary retirement incentive program was the wrong strategy. He explained that the wrong people tended to leave, being those who already brought the workplace culture they were seeking. He said it was not a long-term savings strategy because the salaries of the new employees would not be any less than the people who were leaving. He said that long-term, sustainable savings strategies included performing fewer services.

Councilmember Misjuns said that they should focus on funding the services mandated by federal and state code, as well as the City charter and other regional and grant agreements. He said that anything that was not mandated should be the first thing Council considered when reducing expenses.

Councilmember Reed clarified for the public that the City Manager had the authority over all City employees, and he did not have to report to Council regarding personnel organization. She explained that the City Manager only came before Council out of courtesy or to request amendments to the budget. She expressed concerns about how councilmembers treated, patronized, and communicated with staff, via email, in person, or in public meetings. She said that councilmembers made such statements on camera to sew doubt amongst the public and make them question the acts of staff and other councilmembers.

Vice Mayor Diemer asked for staff to follow up regarding the 33 positions for the emergency communication center.

Councilmember Wilder expressed concerns about micromanaging staff and the need to respect their tenure. He said that CDBG funds were used to redevelop several community centers, and most already had computer labs. He said that the City had several infrastructure needs due to its age, and debt funding through capital projects enabled them to address these needs effectively. He asked staff to provide information about the impacts of an $0.80 Real Estate Tax rate, maintaining the currently proposed CIP. He said he agreed with the suggestion to draw revenue from other sources, such as the meals tax and lodging tax.

Councilmember Misjuns said he appreciated the passion and emotions that Councilmember Reed used to defend staff, but they should remain objective and logical. He said that they should not be emotional about every little thing. He said that Council was supposed to hold staff accountable.

Councilmember Faraldi requested that Council take a poll on his concept regarding the lodging and bed tax. He requested information from staff regarding the impacts of a $0.76 and $0.80 Real Estate Tax rate. He requested that staff provide a memo outlining the budget impacts of his concept.

Councilmember Timmer requested that Council conduct a special meeting to discuss the Real Estate Tax rate further.

Councilmember Faraldi said that he would not vote on a tax rate without a full consideration of the budget impacts. He said that he did not trust councilmembers to properly manage or address the impacts.

Vice Mayor Diemer motioned to hold a special meeting to discuss the tax rate and receive more information on Councilmember Faraldi's proposal.

Councilmember Misjuns called a point of order. He said that Council could not make a motion at a work session without a super-majority vote to allow the motion. He said that this rule should be removed from the rules of procedure.

Councilmember Faraldi explained that the Mayor could call a special meeting without a motion from Council. He explained that the rule regarding motions at work sessions was adopted because councilmembers were abusing the privilege by bringing up motions without providing Council time to review them.

Councilmember Reed requested that if Council were to hold a special meeting, it be scheduled for Monday, May 12.

Councilmember Faraldi said he did not want to consider equalizing the Real Estate Tax rate at all without meeting the objectives he campaigned on, which were increasing salaries for teachers, firefighters, and police, and increasing funding for LCS.

Councilmember Wilder said he would prefer to address these matters at the regular meeting on Tuesday.

Councilmember Misjuns supported holding a special meeting and amending the budget calendar as appropriate. He said that he was not comfortable with the first reading of the budget being conducted at the Tuesday meeting, but he was happy to have a discussion on the tax rate at the meeting.

Councilmember Faraldi emphasized that setting the rate and adopting the budget minutes apart is procedurally sound. He expressed concern that creating a separate special meeting could lead to unnecessary complications or attempts to derail the process.

Councilmember Timmer supported addressing these matters at the Tuesday meeting and amending the budget calendar.

Councilmember Reed suggested discussing the tax rate at the work session.

Councilmember Faraldi expressed concerns that staff would not have time before the regular meeting to make any necessary amendments if Council were to request changes to the budget during the work session or special meeting.

Mr. Freedman noted that if they were to change the fees associated with the lodging tax or nightly fee, a public hearing may be required.

Councilmember Misjuns said he was comfortable not holding a special meeting if the budget calendar was pushed back by two weeks. He asked staff if an additional two weeks to adjust the budget would be helpful. He said that he was asking objectively for staff's feelings.

Mr. Benda said more time would help, but staff was able to meet Council's needs, whether they needed more or less time.

Mayor Taylor said that they would discuss these matters at the meeting on Tuesday, May 13, and in two weeks, they would conduct the first reading of the budget.

Mr. Benda clarified that Council would discuss the tax rates and budget at the Tuesday work session, then the first reading of the budget would be conducted at the May 27 regular meeting.

Councilmember Misjuns accepted the apology from Councilmember Reed.

Mayor Taylor said that there was consensus from Council to amend the budget calendar.

// The meeting adjourned at 6:57 p.m.