// An additional scheduled meeting of the Council of the City of Lynchburg was held on the 6th day of February, 2010, at 9:00 A.M., in the Lynchburg Pubic Library, Memorial Avenue, Joan F. Foster, President, presiding. The purpose of the meeting was to conduct City Council's Annual Budget Retreat. The following Members were present:

Present: Dodson, Gillette, Helgeson, Johnson, Nelson, Perrow, Foster 7

Absent: 0

// City Manager Kimball Payne reviewed the agenda and expectations for the day long retreat. The majority of the morning session focused on pre-planning for the FY2011 Budget development. Mr. Payne explained that based on a mid-year look at revenues and expenditures, it will not be necessary to impose furloughs on employees this Spring, this is the result of keeping positions vacant and diligently watching expenditures. Mr. Payne stated that he wanted to commend all City employees for their role in reducing costs and for putting forth the additional effort necessary to maintain excellent service delivery despite staff cutbacks. Mr. Payne went on to say that we are only half-way through the fiscal year and we need to continue to be disciplined and conservation in managing expenditures. Mr. Payne updated Council on the following concerns for next Fiscal Year:

- Debt Service—initial estimates had debt service increasing about $1.4 million—the actual increase will only be about $0.785 million due to the utilization of Build America Bonds and the refunding of existing debt
- Employee Compensation & Benefits—VRS rate increase of 2.7% was less than the anticipated 4-5% but will still cost an additional $1.4 million; General Assembly action could further increase costs. Medical benefits costs are estimated to increase by approximately $380,000 in the General Fund.
- Energy Costs—increases in excess of 10% have occurred as expected
- Fleet Replacement--$1.5 million is needed to accomplish the replacement schedule; this is about $200,000 less than an earlier estimate (eliminated two large snow trucks!)
- Other Post Employment Benefits--$250,000 should be set aside under the adopted schedule
- State Funding Cuts—as noted previously
- Falling Assessed Values of Motor Vehicles—assessed values have actually shown an increase for about 10% of the vehicles
- Falling property values (Commercial & residential)—real property values are holding steady so far; there is still concern about potential declines in property values; currently we are holding at an overall assessment/sale ratio of 96.5%, for sales since July 1, 2009 compared to the July 2009 assessment.
- Reduction in consumption taxes revenues—sales, meals, and consumer utility taxes are in line with budget estimates; flat but not declining

- Unfunded mandates—a number of bills before the General Assembly would impose new unfunded mandates but nothing of major impact has been adopted yet; there may be some legislation affecting schools
- Infrastructure—Heritage High School, the Grove Street Center, the West Building, City Stadium and a number of bridges need to be addressed; there may be a minimal amount of funds available for pay-as-you-go projects; we are not planning on issuing G.O. bonds in FY 2011 and intend to minimize use of the line of credit
- Loss of Stimulus Funds—this mainly affects schools, although both schools and the City have minimized the use of stimulus funds for ongoing expenditures
- Schools Funding:
  - Increase in Composite Index—from 0.3327 to 0.3643—potential impact of about $1.7 million in additional required local effort
  - State Funding--$4.9 million reduction based on Governor Kaine's proposed budget
  - Local Funding--$3.2 million reduction proposed by City Manager
  - Additional Costs—approximately $2 million for VRS and health benefits
  - Total Deficit--$10 million
  - On top of a reduction of approximately $4.5 million from FY 2009 to FY2010

// Financial Services Director Donna Witt provided an overview regarding the FY 2010 Six Month Revenues and Expenditures Review along with the FY2011 Revenue Budget. Ms. Witt stated that the amended FY 2010 figures reflect Council action to change the Adopted Budget as of December 31, 2009. Ms. Witt also explained that the Revised FY 2010 figures reflect staff projections based on year-to-date information, the current economy, and economic forecasts.

//Director of Human Resources Margaret Schmitt and Director of Communication and Marketing JoAnn Martin did a group exercise in what are the most unconventional, novel, creative or unexpected ideas that would make the most of our available resources, using the Citizens and Employees priority exercise results as a guideline.

// City Council took a brief lunch break and reconvened the meeting at 1:05 p.m.

// The following items were identified for discussion:

- What do we hope to accomplish?
- What would success look like?
- How will we know when we are done?

// City Manager Kimball Payne presented five questions to Council for consideration during the upcoming budget discussion:

- What are Council's priorities with regard to services provided for citizens?
- As cuts are considered, is anything untouchable?

- What services, program, or activities can be stopped?
- Are there any new initiatives that Council would like to consider?
- What are Council's Capital Improvement Program priorities?

// The meeting was adjourned at 5:00 p.m.

Interim Clerk of Council