FY 2013 Budget: Where We Are

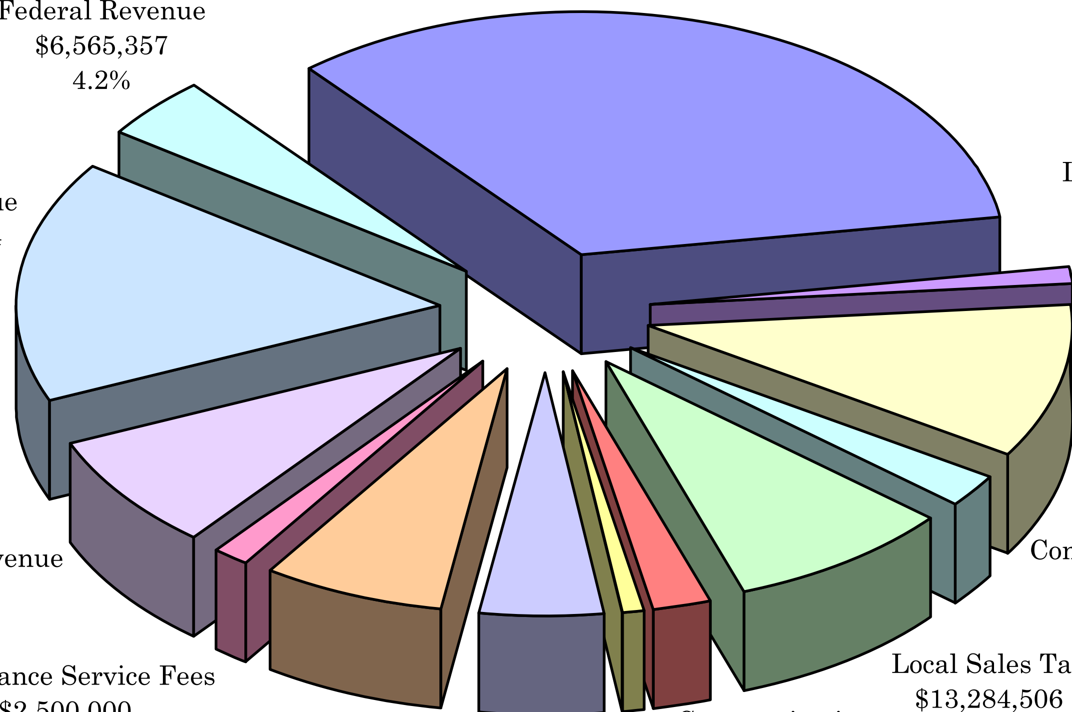
City Council Budget Retreat

January 31, 2012

Where Does The Money Come From? Estimated FY 2013

- Top 10 Revenues for General Fund
  - Real Estate Taxes - $52.5 million
  - Personal Property Taxes - $21.3 million ($12.2m vehicles + $4.8m business equipment + $4.3m machinery & tools)
  - Local Sales Tax - $13.3 million
  - Meals Tax - $10.6 million
  - Business License Tax - $7.2 million
  - Consumer Utility Tax Electric - $3.8 million
  - Communications Sales and Use Tax - $3.5 million
  - Lodging Tax - $1.7 million
  - Ambulance Service Fees - $2.5 million
  - Motor Vehicle Licenses - $1.4 million
- Revenues from State and Federal Government - $31.4 million
- Total Revenues Estimated FY 2013: $155,745,806
  - Top 10 make up 75.7% of Total Revenue

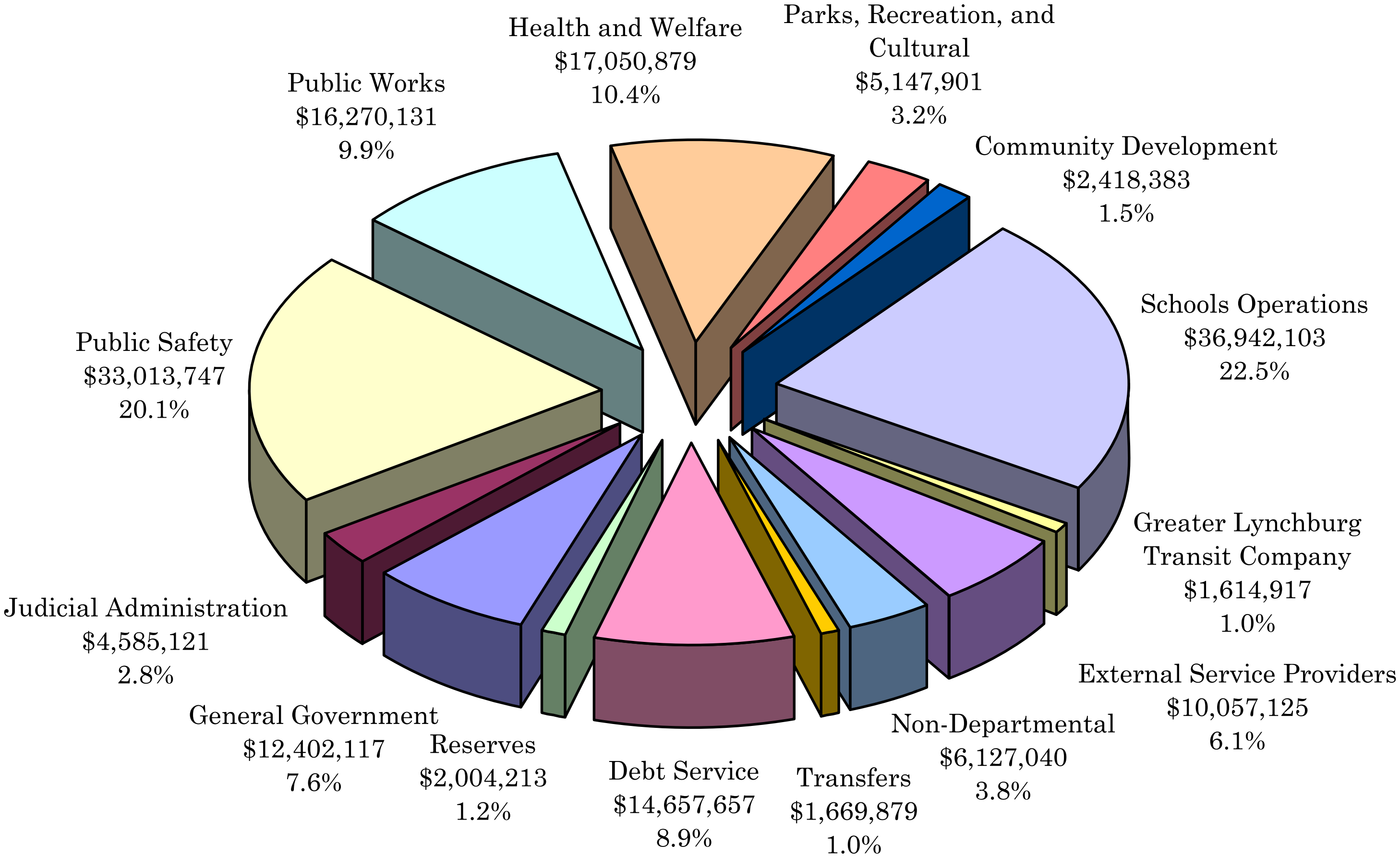
FY 2013 ESTIMATED
GENERAL FUND REVENUES
$155,745,806



Where Does The Money Go?
Requested FY 2013

- Top 5 Expenditures
  - Schools - $36.9 million
  - Juvenile and Social Services - $17.1 million
  - Police - $15.3 million (including Animal Control Unit)
  - Fire - $15.0 million
  - Public Works - $16.3 million
- Total Expenditures Requested FY 2013: $163,961,213
- Top 5 make up 61.4% of Total Expenditures

FY 2013 REQUESTED
GENERAL FUND EXPENDITURES
$163,961,213



Outstanding State Issues

Additional Revenue and/or Reduction in Expense:

- VRS
- Additional HB 599 funds (Budget Item 395)
- Line of Duty administration (SB 125)
- State education funding

Additional Expense and/or Reduction in Revenue:

- VRS
- Unfunded mandates for drug testing (HB 73 and SBs 6, 83, and 318)
- State administrative costs for elections shifted to localities (HB 1131)
- School bus insurance (HB 93)
- Machinery and Tools Tax adjustments (SB 549 and HB 512)
- Real Estate Tax exemption for veterans (SB 22 and SB 540)
- Residential rental property valued using income approach only, not market (SB 73 and HB 1073)
- Limited ability to change an erroneous assessment and collect back real estate taxes (HB 483)
- CDBG/HOME funds
- VDOT funds (HB 477)
- Mandate for arresting officer to ascertain citizenship of arrestee (HB 89 and 320)

FY 2013
BUDGET GAP OVERVIEW

Projected Revenues	**$155,745,806**
Major Assumptions:	
Real Estate increase of 0.75% over Actual FY 2012	$632,998
Personal Property flat with Revised FY 2012	517,010
Sales Tax increased to Actual FY 2011	590,105
Meals, Lodging, and Electric Consumption flat with Adopted FY 2012	
Communications Sales Taxes decreased to Actual FY 2011	(70,000)
Ambulance Service Fees increased to reflect new fees	100,000
Constitutionals, Library, and Juvenile Services revenue from State based on Dept submitted	
Social Services loss of federal funding not picked up by the State	(240,000)
Non-dedicated and HB 599 ($2,930,790) revenue from the State are flat	
Local Aid to the State increased based on historic increase	(150,000)
Projected Expenditures	**$163,961,213**
Major Assumptions:	
Schools increase	$5,000,000
Fully fund the Reserve for Contingencies without help from carryforward	700,000
No Managed Vacancy	635,870
Funds departments based on their submittals	1,300,000
Includes a transfer from the General Fund to Utilities for Stormwater	650,000
Funds GLTC's full request, an increase of $471k	471,000
Funds BRRJ at $7.1m	1,578,148
Flat funding of Contractual and Discretionary External Service Providers	
No compensation adjustments	
No bond sale, will use the Line of Credit; includes $120k for Line of Credit use	120,000
HHS Capital at $1m	60,438
Includes adjustments to VRS, Life, and Health rates	1,700,000
GAP	**($8,215,407)**

POSSIBLE SCENARIO
CLOSING THE FY 2013 GAP

Initial GAP	**($8,215,407)**
Possible Adjustments	
Eliminate 20 Full-Time Classified Positions	1,000,000
Retirement Incentive Savings	500,000
Reduce Police Department budget	500,000
Reduce Schools budget	4,000,000
Increase Meals Tax by 1% for an Eat 4 Education Tax	1,700,000
Offset based on Eat 4 Eduation Tax (Heritage High School)	(700,000)
Eliminate Take Home Vehicles	50,000
Reduce Tourism Contract	200,000
Carryforward Reserve for Contingencies from FY 2012	300,000
Reduce Local Aid to the State	250,000
Managed Vacancy	415,407
Total Possible Adjustments	**$8,215,407**
Final GAP	**$0**

POSSIBLE SCENARIO
CLOSING THE FY 2013 GAP *continued*

Other Ideas	
3% Salary Increase (1% = $532,000)	($1,596,000)
Fund with 1.76% decrease of all department submissions	$1,596,000
Outstanding	
Payment in lieu of taxes	?
Stormwater	$1,600,000
If passed: Employees pay 5% of VRS Retirement	$2,500,000
Add one-time funding from Amherst and Appomattox for BRRJ participation	$320,000
Miller Center Renovation	$5,500,000
Heritage High School	?
Payback to Solid Waste (FY 12 Fund Balance???)	$1,000,000
Flat fund all departments at FY 2012 level	$1,300,000
Increase in landfill costs for refuse	$100,000
Public Safety pay	$700,000 - $2,700,000
ADDITONAL $100k+ ITEMS	
Increase Revenues:	
Increase Real Property Tax by $0.05	$2,000,000
Lodging fees doubled, alter tourism contract	$1,700,000
Reduce Expenditures:	
Health benefit cost flat with FY 2012	$280,000
Parking, leaving enforcement only	$181,505
Use CSA fund balance for local match	$622,168
Tourism contract	$1,200,000

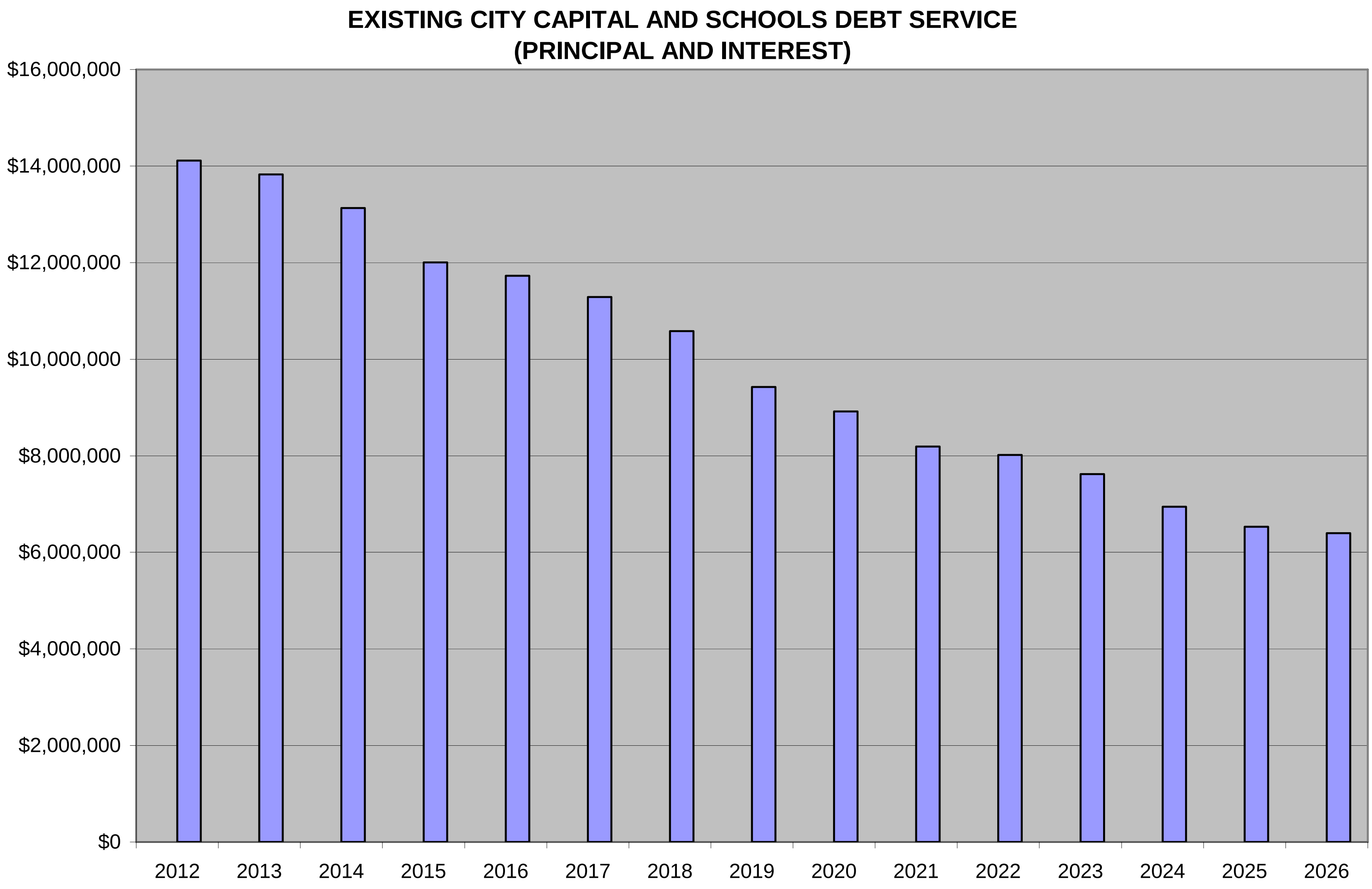
Overage by Department

DEPARTMENT	AMOUNT OVER INSTRUCTION	
Communications and Marketing		$5,049
State Treasurer		830
City Assessor		9,824
Human Resources		15,270
Juvenile and Domestic Relations (J&DR) District Court		868
Office of the Commonwealth's Attorney		19,778
Magistrate		1,200
Circuit Court Clerk (24th Judicial District)		38,031
Police Department	*733,024*	
Animal Control Unit	*11,725*	
Range Operations	*2,500*	
TOTAL DEPARTMENT OVERAGE		747,249
Emergency Services		150,772
Fire and EMS Department		11,751
Public Works		69,843
Social Services		175,510
Community Development		11,671
Office of Economic Development		28,595
TOTAL		**$1,286,241**

Debt Assumptions and Projections

City Council Budget Retreat

January 31, 2012


EXISTING CITY CAPITAL AND SCHOOLS DEBT SERVICE
(PRINCIPAL AND INTEREST)
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$0
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026

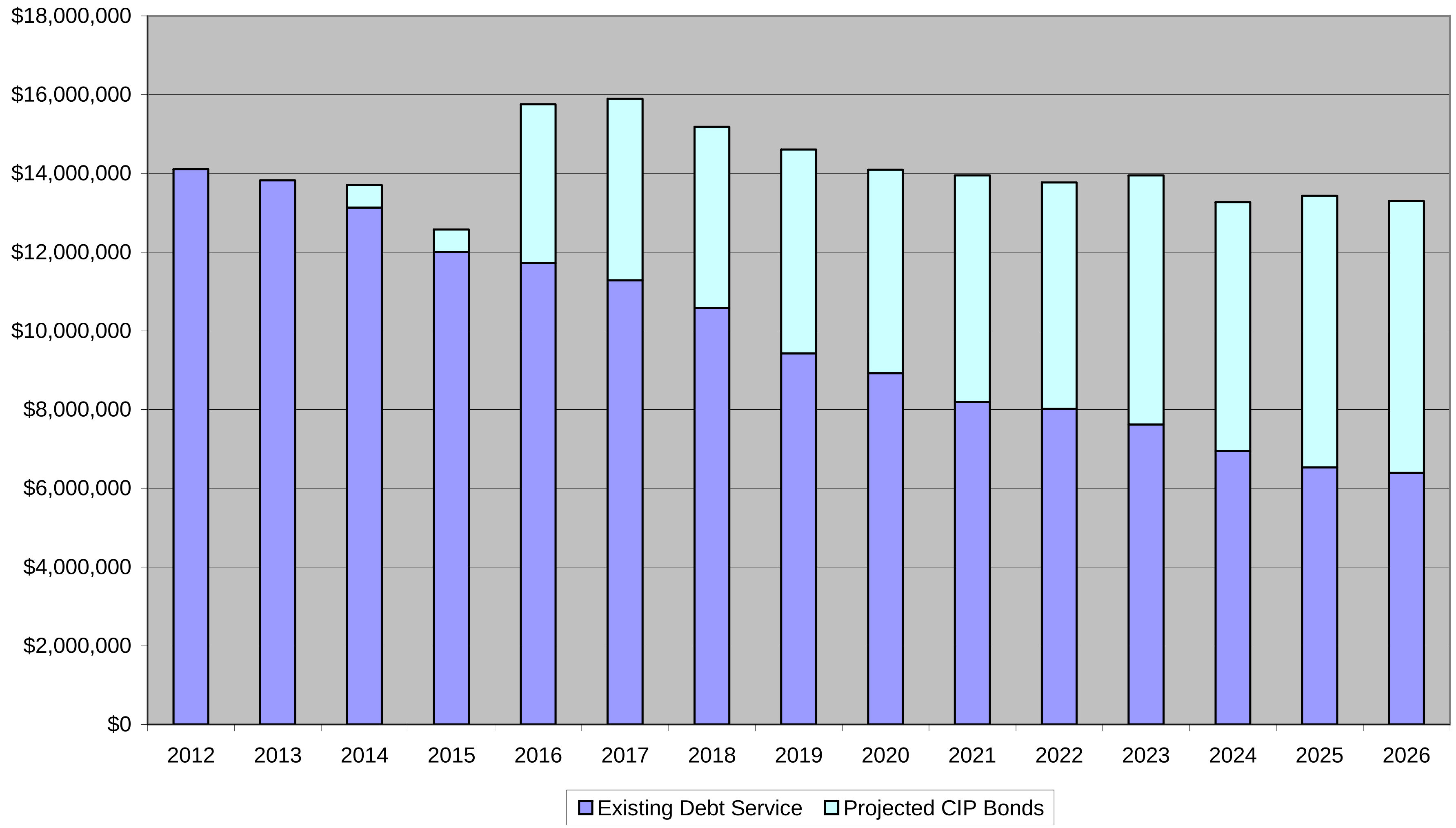
DEBT ASSUMPTIONS

- FY 2014 - $10m bond issue for City Capital (*4%, 30 years*)

- FY 2016 - $60m bond issue for Heritage High School (*4%, 30 years*)

- FY 2017, FY 2019, FY 2021, FY 2023 and FY 2025 - $10m bond issue for City Capital (*4%, 30 years*)

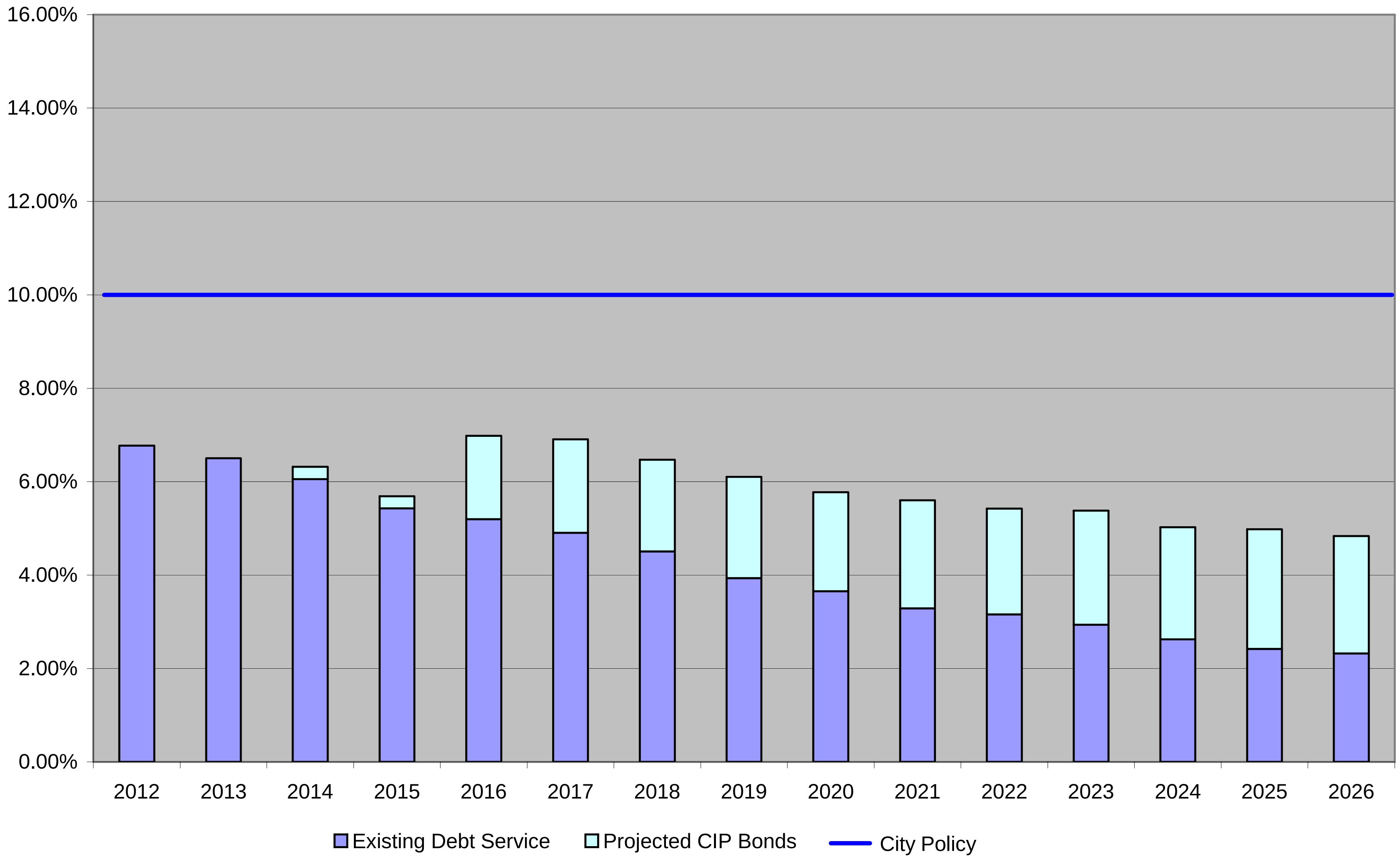
CITY AND SCHOOLS CAPITAL FUNDS DEBT SERVICE
WITH HERITAGE HIGH SCHOOL AND OTHER PROJECTS



FINANCIAL POLICY – DEBT MANAGEMENT

Annual debt service expenditures for tax-supported debt should not exceed 10% of total General Fund Expenditures plus School Component Unit Expenditures minus the General Fund Transfer to Schools.

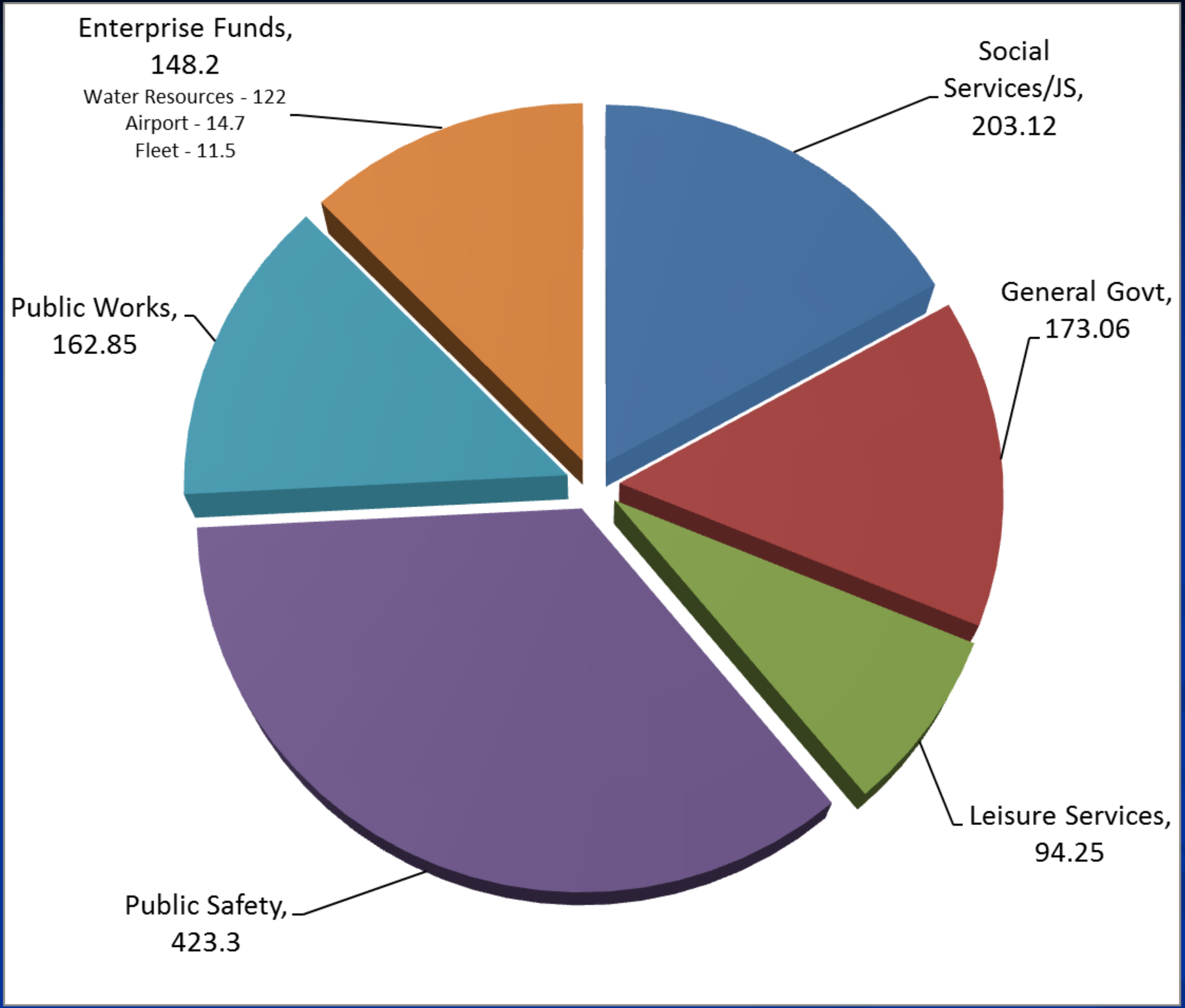
DEBT SERVICE CAPACITY



City of Lynchburg Workforce Overview

Calendar Year 2011

January 31, 2012



Total of 1204.78 FTE

Citywide Turnover
CY 2011

- Turnover rates generally stable
  - 4.98% Voluntary
    - Voluntary Resignations
  - 9.44% Total
    - About 2% below last year
    - All Reasons: Resignation, Resignation in lieu of Dismissal, Release during Initial Employment Period, Dismissal, Retirement, Death

City-Wide Turnover Trend

Calendar Year Turnover

Year	Voluntary (Resignations)	Total (All Reasons)
2011	4.98%	9.44%
2010	5.10%	11.56%
2009	3.00%	8.00%
2008	5.37%	9.78%
2007	5.31%	8.16%

Large Department Turnover Trend

Sworn Police

	Voluntary	Total
2011	**6.32%**	**12.07%**
2010	9.47%	12.43%
2009	4.17%	6.55%
2008	3.53%	7.65%
2007	5.79%	8.95%

Fire/EMS

	Voluntary	Total
2011	**1.13%**	**4.52%**
2010	2.29%	6.29%
2009	1.69%	6.74%
2008	1.12%	6.74%
2007	1.09%	1.64%

Large Department Turnover Trend

Emergency Services

	Voluntary	Total
2011	**5.41%**	**10.81%**
2010	0	8.11%
2009	11.76%	17.95%
2008	9.09%	12.12%

Social Services

	Voluntary	Total
2011	**9.92%**	**14.05%**
2010	4.88%	14.63%
2009	9.84%	13.93%
2008	10.57%	12.20%

Large Department Turnover Trend

Public Works

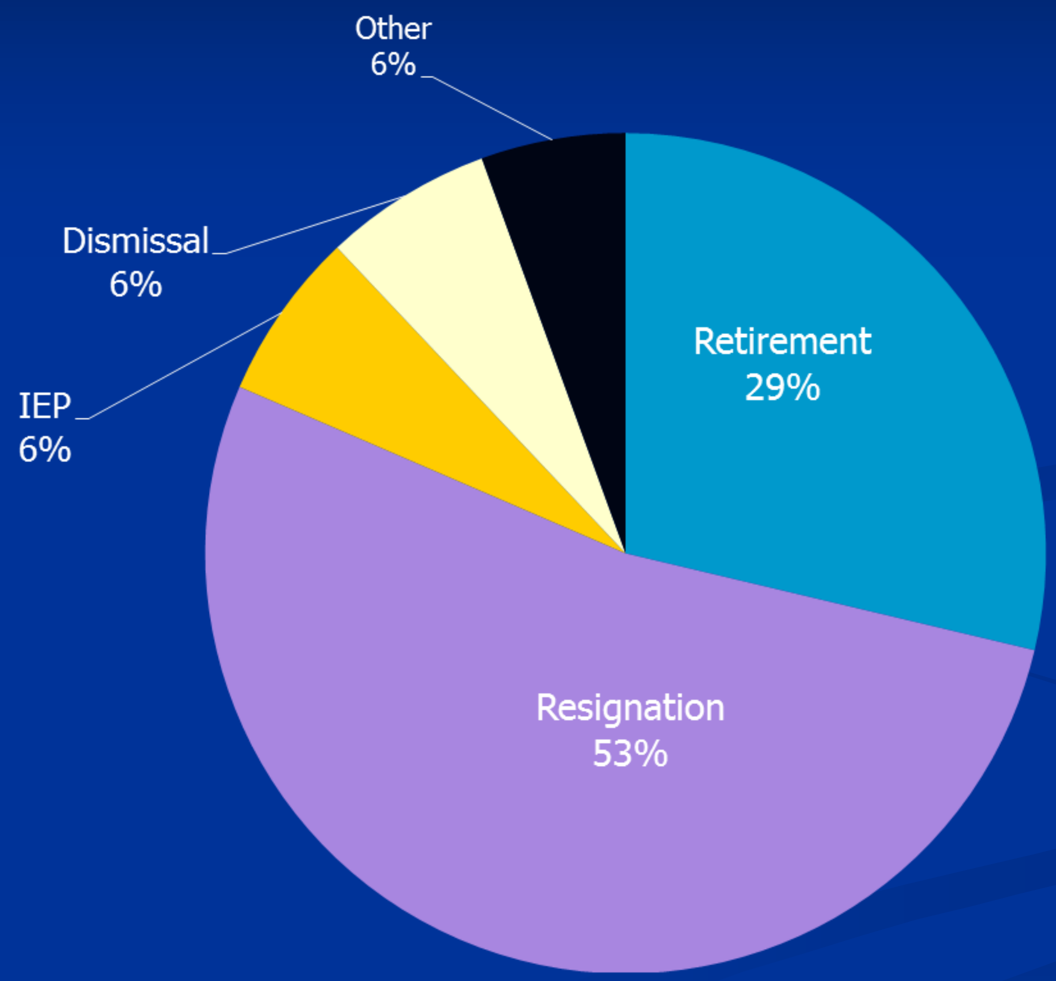
	Voluntary	Total
2011	**5.13%**	**12.18%**
2010	3.64%	13.33%
2009	3.91%	10.16%
2008	8.05%	12.08%

Water Resources

	Voluntary	Total
2011	**7.44%**	**11.57%**
2010	5%	10.83%
2009	.88%	7.02%
2008	3.67%	11.93%

CY 2011 Turnover

By Type of Termination



2011 Attraction

- 7223 City wide applicants and 104 Hires
- Many Public Safety applicants – few ultimately hired

PD
- 1145 Applicants
- 23 Hires

Fire
- 320 Applicants
- Process Underway

ES
- 499 Applicants
- 6 Hires

Market Comparison Trend
Salaries as of January 2012

	Pay Range Min to Avg Mkt Min	Employee Avg Pay to Mkt Avg Pay
2012	**92.28%**	**93.96%**
2011	90.25%	91.52%
2010	91.96%	93.48%
2009	91.96%	92.86%
2008	90.72%	92.18%
2007	91.91%	92.17%

Public Safety Analysis

Public Safety Analysis of Market, Turnover, Attraction

- Turnover
  - Police and Emergency Services experience moderate voluntary turnover while total turnover is higher
  - Fire has lower turnover of all types
  - Rate of turnover fairly consistent over last two years
- Applicant Attraction
  - Number of applicants for all positions remains high
  - Departments continue to be concerned about the quality of the applicant pool

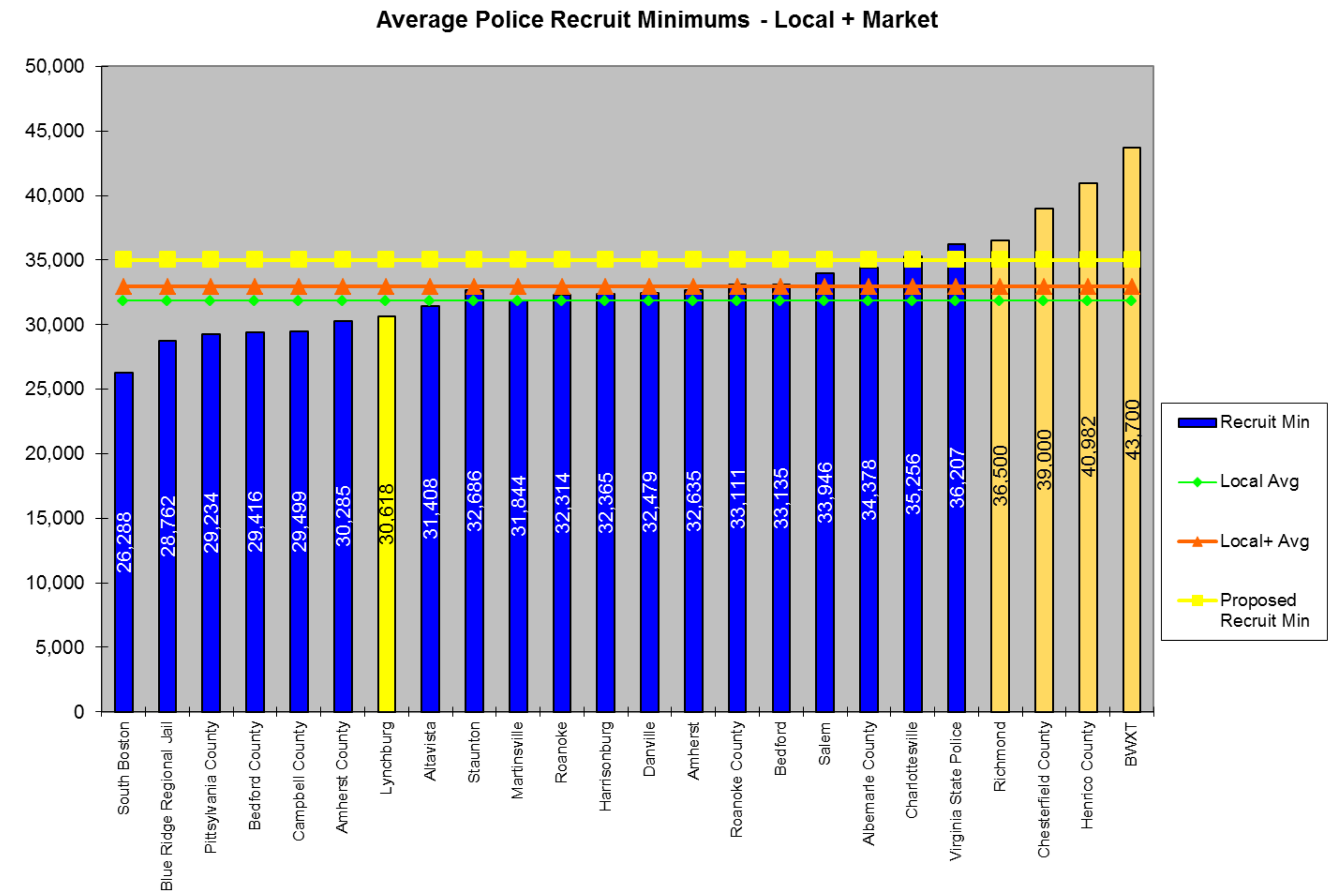
Public Safety Analysis

- Market Competitiveness
  - Compared minimums and actual pay to the local region
  - Generally favorable except at Recruit level
  - Recruit minimum is 13^{th} of 20 localities in region
  - All other cities in the region start recruits at higher pay

- Current Recruit Minimum - $30,618
- Local Market Avg Minimum - $31,855
- Local+ Market Avg Minimum - $33,280

Public Safety Market
Police

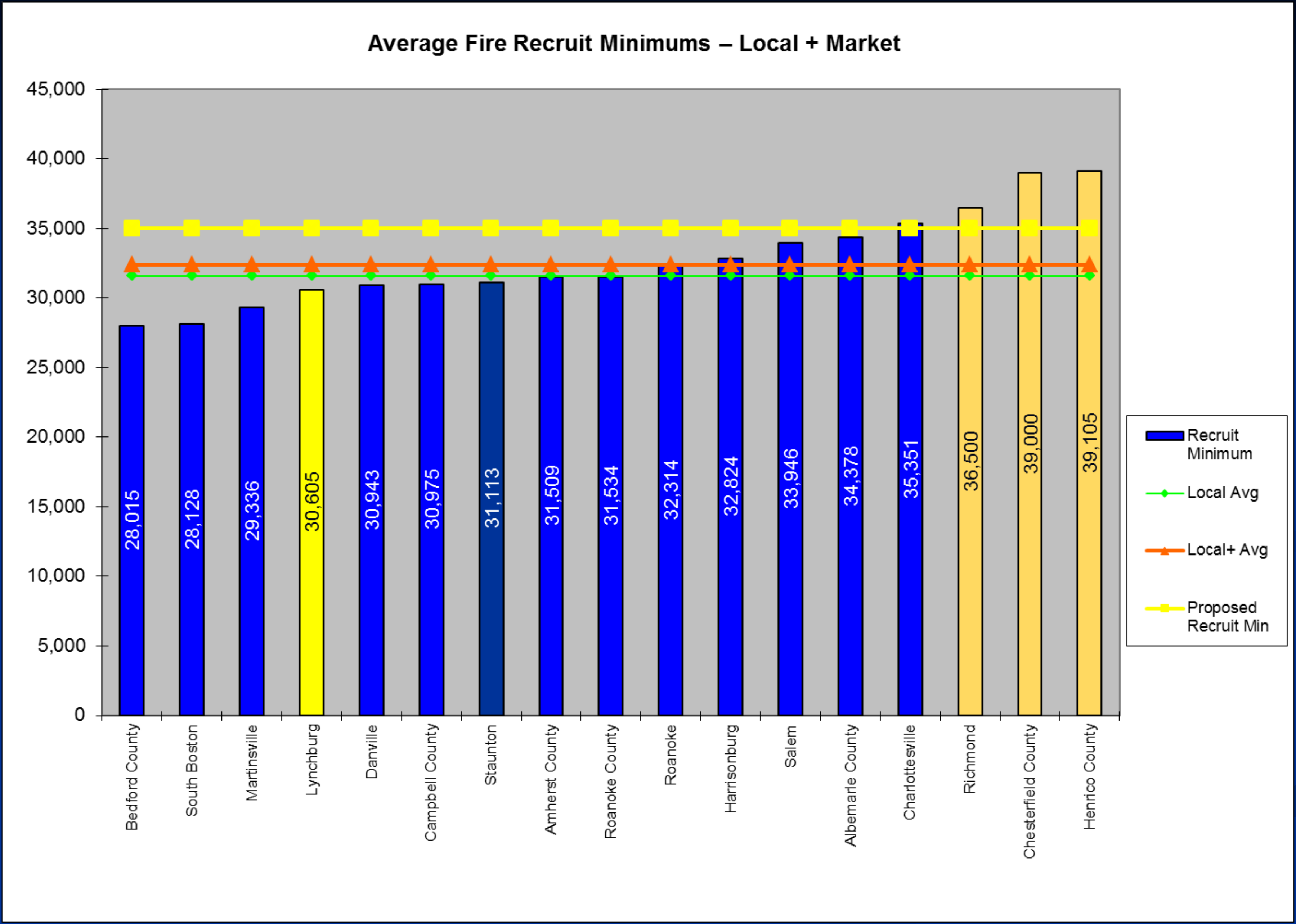
Title	Pay Range Minimum to Average Mkt Minimum	Employee Avg Pay to Market Avg Pay
Police Recruit	96.12%	
PO II	98.66%	94.81%
PO III	103.64%	105.77%
Police Lieutenant	108.63%	111.32%
Police Captain	107.33%	110.43%



Average Police Recruit Minimums - Local + Market
50,000
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
26,288
28,762
29,234
29,416
29,499
30,285
30,618
31,408
32,686
31,844
32,314
32,365
32,479
32,635
33,111
33,135
33,946
34,378
35,256
36,207
36,500
39,000
40,982
43,700
South Boston
Blue Ridge Regional Jail
Pittsylvania County
Bedford County
Campbell County
Amherst County
Lynchburg
Altavista
Staunton
Martinsville
Roanoke
Harrisonburg
Danville
Amherst
Roanoke County
Bedford
Salem
Albemarle County
Charlottesville
Virginia State Police
Richmond
Chesterfield County
Henrico County
BWXT
Recruit Min
Local Avg
Local+ Avg
Proposed Recruit Min

Public Safety Market
Fire

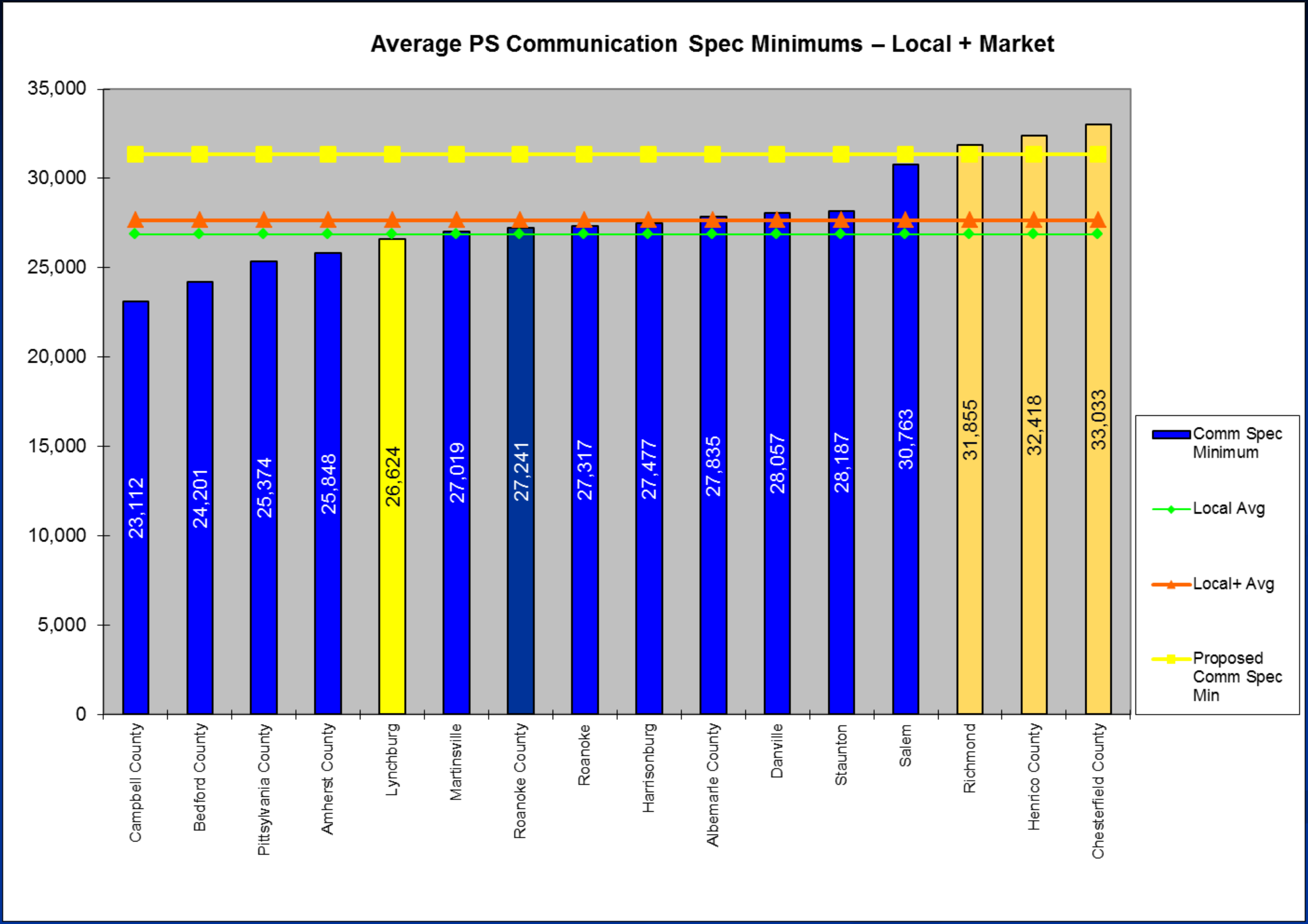
Title	Pay Range Minimum to Average Mkt Minimum	Employee Avg Pay to Market Avg Pay
Fire Recruit	96.95%	
Firefighter	100.48%	109.70%
Master Firefighter	102.28%	108.82%
Fire Captain	102.94%	120.21%
Battalion Chief	107.50%	112.89%



Average Fire Recruit Minimums – Local + Market
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
28,015
28,128
29,336
30,605
30,943
30,975
31,113
31,509
31,534
32,314
32,824
33,946
34,378
35,351
36,500
39,000
39,105
Bedford County
South Boston
Martinsville
Lynchburg
Danville
Campbell County
Staunton
Amherst County
Roanoke County
Roanoke
Harrisonburg
Salem
Albemarle County
Charlottesville
Richmond
Chesterfield County
Henrico County
Recruit Minimum
Local Avg
Local+ Avg
Proposed Recruit Min

Public Safety Market Emergency Services

Title	Pay Range Minimum to Average Mkt Minimum	Employee Avg Pay to Market Avg Pay
PS Communication Spec	99.09%	92.74%
Assistant Supervisor	99.96%	98.27%
Supervisor	106.23%	98.86%



Average PS Communication Spec Minimums – Local + Market
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
23,112
24,201
25,374
25,848
26,624
27,019
27,241
27,317
27,477
27,835
28,057
28,187
30,763
31,855
32,418
33,033
Campbell County
Bedford County
Pittsylvania County
Amherst County
Lynchburg
Martinsville
Roanoke County
Roanoke
Harrisonburg
Albemarle County
Danville
Staunton
Salem
Richmond
Henrico County
Chesterfield County
Comm Spec Minimum
Local Avg
Local+ Avg
Proposed Comm Spec Min

Philosophy for Ongoing Competitiveness

- Lead the market at Recruit level – establish and maintain a recruit minimum 10% above the local market average minimum

- Establish range minimums for other ranks based on new Recruit minimum

Option 1

- Action
  - Establish the Recruit range minimum at 10% above the local average - $35,006
  - Establish PS Communication Specialist range minimum at 85% of new PO II minimum - $31,242
  - Increase pay of any employee below the new minimum to the new minimum
- Cost - $628,800
- Consequences
  - Only entry level employees get increases
  - Maintains substantial compression near minimum of range
  - In Emergency Services, Specialists would have a higher rate of pay than one of the current Assistant Supervisor

Option 2

- Action
  - Option 1 Plus:
  - Increase the range minimum of subsequent ranks based on new Recruit minimum
  - Increase pay of any employee below the new minimum to the new minimum
- Cost - $676,500
- Consequences
  - Newest employees get increases
  - Most experienced employees do not get increases
  - Maintains substantial compression at the minimum of range

Option 3

- Option 2, plus:
  - Increase pay of all employees by the rate of increase between current minimum and new minimum
  - At PO II/Firefighter/Communication Spec add a very small "compression" adjustment to new minimum
- Cost -$2,760,000
- Consequences
  - Everyone gets an increase
  - Minimal compression adjustment for lowest level employees - maintains compression at all other levels
  - May significantly exceed market average in some jobs

Option 4

- Option 3, except:
  - Limit base pay increases to 120% of market average for the relevant rank
- Cost - $2,200,000
- Consequences
  - Not everyone gets an increase
  - Compression created at 120% of market average
  - May significantly exceed market average in some jobs