CITY COUNCIL RETREAT

JANUARY 18, 2011

REVENUE PROJECTIONS

ADOPTED FY 2011 VS PROJECTED FY 2012

Total Revenues down about $500,000

	Adopted FY 2011	Projected FY 2012	Difference
Real Estate	$52,001,792	$51,173,925	($827,867)
Public Service Corp.	$2,000,000	$2,200,000	$200,000
Personal Property	$13,918,416	$14,432,990	$514,574
Business License	$6,769,360	$7,201,646	$432,286
Meals	$10,470,000	$10,580,000	$110,000
Lodging	$1,777,363	$1,700,000	($77,363)
Delinquent Ambulance	$200,000	$100,000	($100,000)
Highway Maintenance	$7,234,051	$7,058,376	($175,675)
House Bill 599	$3,037,195	$2,729,290	($307,905)
Constitutionals-State	$2,822,546	$2,959,684	$137,138
Juvenile Services-State	$316,541	$228,624	($87,917)
Social Services-State	$5,845,542	$5,286,185	($559,357)
Social Services-Federal	$5,349,955	$5,882,178	$532,223
Social Services-ARRA	$293,639	$0	($293,639)

FY 2012 STATE IMPACTS

Incorporated into Revenue and Expenditure Base

Line of Duty	$106,000
House Bill 599	$308,000
Local Aid to Commonwealth	$600,000
Constitutionals	($137,000)

FY 2012 POTENTIAL STATE IMPACTS Waiting General Assembly Action

Not Incorporated into Revenue and Expenditure Base

CSA Policy Changes	$114,000
VRS 5%/3% Option	($436,000)
Schools	$600,000

EXPENDITURE PROJECTIONS

ADOPTED FY 2011 VS SUBMITTED FY 2012

	Adopted FY 2011	Submitted FY 2012	Difference
Public Safety	$30,867,729	$31,389,825	$522,096
Juvenile Services (Detention Center Per Diem per Contract)	$4,310,741	$4,496,613	$185,872
Blue Ridge Regional Jail	$4,447,755	$5,484,852	$1,037,097
Chamber of Commerce/Tourism	$890,000	$1,241,000	$351,000
Civic, Community and Regional Organizations	$1,745,516	$2,017,804	$272,288
Retiree Benefits	$2,507,540	$2,773,980	$266,440
Compensation Adjustments	$0	$0	TO BE DETERMINED
Debt Service	$16,022,498	$14,727,384	($1,295,114)

FY 2012 <u>MAJOR</u> CAPITAL PROJECT REQUESTS

Includes Projects over $500,000

	FY 2012	Total Project Cost
BUILDINGS		
Juvenile Detention Group Home Co-location	$225,000	$4,840,000
Major Building Repairs	1,722,946	Continuing
Roof Replacement	600,252	Continuing
TRANSPORTATION		
Public Transportation Improvements	901,723	2,431,394
Wards Rd Pedestrian and Bicycle Improvements	778,500	2,711,420
General Street Improvements	650,000	Continuing
Street Overlay Program	1,843,461	Continuing
Wards Rd @ Candlers Mountain Rd Bridge Repair	650,000	740,100
PARKS AND RECREATION		
Miller Recreation Center Renovation	3,615,600	6,939,422
ECONOMIC DEVELOPMENT		
Downtown Development	500,000	Continuing

Note: This list does not include Airport, Water, Sewer, or School projects.

PROJECTED FUND BALANCE

Projected FY 2011 Ending Undesignated Fund Balance	$22,300,000
10% FY 2012 Projected Revenues	<u>(15,300,000)</u>
Projected Available Fund Balance for One-Time Expenditures	**$7,000,000**

FINANCIAL POLICIES COMPLIANCE

- Reserve for Contingency $1,200,000
- Undesignated Fund Balance
  10% of Revenues $15,327,337
- Tax Supported Debt limited to 4.5% of assessed valuation of real estate subject to taxation as of June 30, 2010 4.16%

City of Lynchburg Compensation Comparisons with Updated Market Data

Background:

- Each year, the Human Resources Department gathers compensation data from other public and private organizations doing similar work and in competition with the City for employees, where available
- Data is gathered reflecting market conditions in the current fiscal year and compared to current ranges and salaries in preparation for the upcoming fiscal year's budget processes
- Two primary data points are compared to the conditions in the City:
  - Minimums of Pay Ranges
  - Actual Average Pay of employees doing similar work

FY2011 Results:

Overall Market Comparison Trend
(All City Salaries as of 1/5/11)

Survey Completed	City Pay Range Min to Mkt Min	City Employee Avg Pay to Mkt Avg Pay
FY 2011	90.07%	91.33%
FY 2010	91.96%	92.86%
FY 2009	90.72%	92.18%
FY 2008	91.91%	92.17%
FY 2007	94.97%	93.38%

FY 2011 City Pay Range Minimums Compared to Market Minimums:
(does not include positions on Sr. Mgr or Executive Bands)

	Number of Positions
City Min < 85% of Market Min	56
City Min 85-90% of Market Min	55
City Min 90-95% of Market Min	62
City Min 95-100% of Market Min	42
City Min > 100% of Market Min	20

FY 2011 City Average Pay Compared to Market Average Pay

	Number of Positions	Number of Employees
City Pay < 85% of Market Avg	79	398
City Pay 85-90% of Market Avg	44	175
City Pay 90-95% of Market Avg	46	150
City Pay 95-100% of Market Avg	45	116
City Pay > 100% of Market Avg	53	214

Potential Virginia Retirement System Contribution Changes

Background:

- On December 16, 2010, Governor McDonnell proposed a variety of budget amendments relative to the Virginia Retirement System (VRS) including:
  - Increasing the employer contribution paid on behalf of state employees and teachers by 2%,
  - Requiring state employees hired prior to July 1, 2010 (Plan 1 members) to pay the 5% employee share of contributions,
  - Providing a 3% salary increase for state Plan 1 members and the potential for a 2% bonus,
  - **Affording localities the same options to require the 5% local employee share of contributions, but only if such requirement is offset by a 3% or more salary increase,**
  - Offering a new optional defined contribution plan for all employees effective July 1, 2011. This will be done through legislation and details will be released at a later date.

Intended Benefits of Proposed Changes:

- At a state level, additional contributions will be paid into the system
- At the state, and local level, all employees would have the same contribution rate
- The 5% deduction would be on a "pre-tax" basis, except for FICA
- The 3% increase could increase retirement benefits by increasing the average final compensation, could provide additional life insurance coverage (if the increase causes the employee's pay to move into the next "thousand" for calculation purposes) and would increase employees' social security wage base
- The 5% contribution is available for withdrawal by the employee upon separation
- At the local level, net savings is generated by reducing the localities' contribution to VRS, even when taking into account the costs of the 3% pay increase

Disadvantages for the Employee:

- A 3% pay increase and 5% contribution to VRS, decreases take home pay by 2.46% (before taxes)

Potential Disadvantages for the Locality:

- Employee morale problems due to take home pay reduction
- Potential recruitment/retention challenges if one locality chooses payment option and neighboring localities do not

City Options if the Governor's amendment is accepted by the General Assembly:

- *Do Nothing*: continue to have Plan 2 members (43 current employees hired on or after July 1, 2010) pay the 5% contribution and continue to pick up the contribution for Plan 1 members (1032 current employees hired prior to July 1, 2010)
- *Charge Plan 1 Members and Increase Their Pay*: Require Plan 1 members to pay the 5% contribution and award a 3% pay increase to the Plan 1 members
- *Charge Plan 1 Members and Increase All Employees' Pay*: Require Plan 1 members to pay the 5% contribution and award a 3% pay increase to Plan 1 and Plan 2 employees

Other Related Information:

- FY2012 is the second year of the VRS rate-setting period for the current contribution rate and FY2013 will begin the next two-year period
- The City of Lynchburg has received the "VRS Retirement Actuarial Valuation Report as of June 30, 2010", which projects an increase in contribution rates for FY2013 from 18.14% to 25.47% (not including the 5% member contribution). Historically, these projected rates are close to but slightly higher than the actual rate that is ultimately certified.
- The June 30, 2010 Report also notes that the City of Lynchburg's unfunded liability has grown to $113M

Line of Duty Act

Background:
- Line of Duty Act (LODA) is defined by §9.1-400 of the Virginia Code
- The Act provides benefits to first responders who die or become disabled in the line of duty

Benefits Provided
Death benefit
- $100,000 for death occurring as a direct or proximate result of duties
- $25,000 for death by presumptive clause (hypertension, heart disease, respiratory disease and certain cancers) or within five years of retirement

Continued health insurance coverage
- Disabled employee
- (Surviving) Spouse
- Dependent children

Covered Employees
- Law-enforcement officers of the Commonwealth or any of its political subdivisions
- Correctional officers
- Jail officers
- Regional jail or jail farm superintendents
- Sheriff, deputy sheriff, or city sergeant or deputy city sergeant of the City of Richmond
- Police chaplains
- Members of fire companies or departments or rescue squads recognized by any county, city, or town of the Commonwealth as an integral part of an official safety program
- Virginia National Guard or the Virginia State Defense Force members
- Special agents of the Virginia Alcoholic Beverage Control Board
- Regular or special conservation police officers
- Commissioned forest wardens
- Members or employees of the Virginia Marine Resources Commission granted the power of arrest
- Department of Emergency Management hazardous materials officers
- Other employees of the Department of Emergency Management if performing duties related to a major disaster or emergency
- Employees of any county, city, or town performing official emergency management or emergency services duties in cooperation with the Department of Emergency Management
- Non-firefighter regional hazardous materials emergency response team members
- Conservation officers of the Department of Conservation and Recreation.

The 2010 General Assembly made changes to the funding mechanism and funding source for the Line of Duty benefits that until FY2011 had been funded by the Commonwealth. LODA benefits are not changing: only the funding of benefit is changing as of July 1, 2011.

The benefits will continue to be administered by the Commonwealth's Department of Accounts (DOA). The Virginia Retirement System (VRS) will be responsible for actuarial services, rate setting, premium collection and money management. Contributions to the new Line of Duty Act Fund will be made by the state and localities. The LODA Fund is deemed a separate and independent trust fund, segregated and accounted for separately from all other funds, invested and administered solely in the interest of the covered employees and beneficiaries.

Employer Responsibilities:
- Provide training to employees
- Irrevocable election of participation or non-participation

Choose Participating or Non-Participating

- If Participating: must provide VRS required data and pay VRS defined contributions
- If Non-Participating: must reimburse DOA for all claims payments and pay VRS administrative fees

Projected Costs/Contributions Per Active Eligible, Full-time Employee (provided by VRS)

	Fiscal Year				
	2011	2012*	2013	2014	2015**
Prefunding Contribution	n/a	n/a	97.19	198.05	297.61
Expected Benefit Payments	150.95	182.88	216.76	252.78	291.63
Loan Repayment	n/a	38.39	38.39	38.39	38.39
Administrative Expenses	6.67	6.87	7.07	7.28	7.50
IBNR/Margin	5.20	5.75	6.29	6.83	7.34
Total	162.82	233.89	365.70	503.33	642.47

Note: Volunteers will be 25% of the contribution rate
* FY2012 is the first year of local funding.
** Note projected increase within three years

Projected City of Lynchburg Costs for FY2012
428 known covered members $100,105
Assuming 100 Life Saving Crew volunteers and other volunteers such as Chaplains are included.. 5,847
Total Projection...105,952

If the City chooses to not participate, i.e., self-fund, we expect to have to pay the administrative expense of about $3,000 to VRS, although VRS has not communicated the logistics of non-participation. We could then set up a reserve to pay the claims or appropriate/budget resources annually for a pay-as-you-go system.