Lynchburg City Council

Budget Retreat Agenda

Greater Lynchburg Transit Company Transfer Station (Kemper Street)

Thursday, November 1, 2018

8:30 a.m.	Gathering/Light Breakfast	
9:00 a.m.	Welcome	Mayor Treney Tweedy
9:05 a.m. – 10:45 a.m.	Follow-up from August 28th Council Retreat Long Range Priorities and Goals	Bonnie Svrcek, City Manager Reid Wodicka, Deputy City Manager
10:45 a.m. – 11:00 a.m.	Break	
11:00 a.m. – 12:30 p.m.	Five-Year Financial Forecast - Revenue Assumptions and Trends	Donna Witt, Chief Financial Officer
12:30 p.m. – 2:00 p.m.	Working Lunch Five-Year Financial Forecast (continued) - Expenditure Assumptions and Very Preliminary Budget Gap	
2:00 p.m. – 2:15 p.m.	Break	
2:15 p.m. – 3:45 p.m.	FY 2020 – 2024 Capital Improvement Plan Reboot	Reid
3:45 p.m. – 4:00 p.m.	Closing Comments	Bonnie Mayor Tweedy

Reminder: The College Hill Neighborhood Center Ribbon Cutting is at 5:00 p.m.

Lynchburg City Council
Lynchburg's Vision and Goals

November 2018

Vision A thriving, diverse, public and private sector economy that is accessible and works for everyone

- Developing Partnerships
- Investing in Infrastructure and Connectivity
- Expanding and Coordinating Workforce Development to increase Median Household Income and Reduce Poverty

Vision Strong public schools that meet the needs of our children, now and in the future

- Attracting and Retaining Great Teachers
- School Facilities Planning
- Wrapping Services around the Achievement Gap

Vision Neighborhoods that support the people who live there

- Assessing and Understanding Neighborhood Challenges
- Creating and Re-imagining Great Neighborhoods
- Building Exceptional Public Services

Vision High effective, well-resourced, and accountable City employees that serve the people of Lynchburg

- Maximizing our existing human resources
- Competing for the best employees
- Managing performance culture
- Succession planning
- Understanding Employee Satisfaction

Vision A city with unquestionable long-term viability

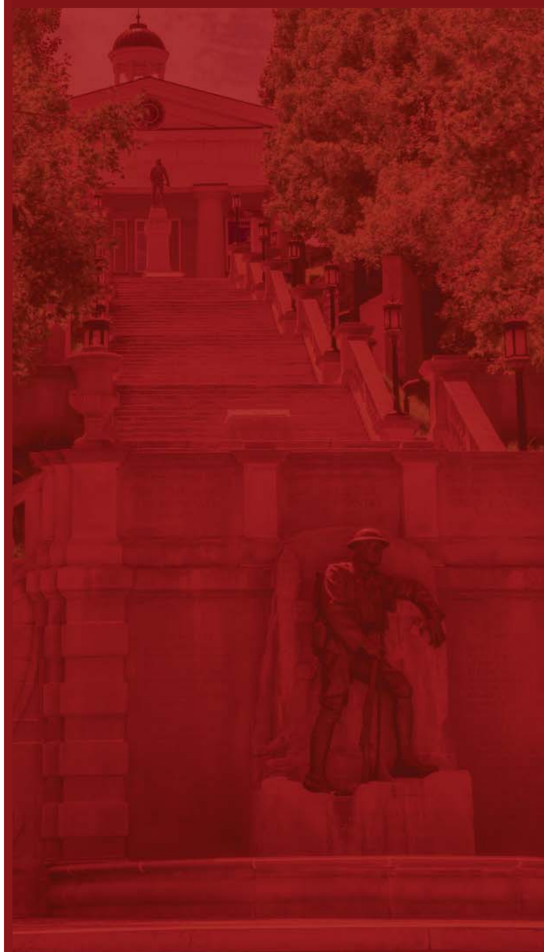
- Long-term organizational planning
- Balancing our capital needs with our financial capacity
- Broadening our Revenue Sources
- Improving our image a destination for life

City of Lynchburg
Vision and Goals Statement
November 2018

Focus	City's Vision	Goals	Goal Statements
Economic Development	A thriving, diverse, and resilient public and private sector economy that is accessible and works for everyone	Developing and Growing Partnerships	By growing our relationships with core private, public, and non-profit partners, we will leverage the community's capabilities and resources to grow both employment opportunities to support families and local revenues to support core public services. We will specifically focus on efforts to build and further our relationships with anchor institutions in the City.
		Investing in Infrastructure and Connectivity	Utilizing modern urban planning practices, we will make thoughtful and planned investments into our physical infrastructure, allowing the economy and members of our community to flourish. We will take into account the need for both traditional and green infrastructure.
		Expanding and Coordinating Workforce Development to increase Median Household Income and Reduce Poverty	We will proactively encourage, develop, and support local workforce initiatives that meet the diverse needs and capabilities of residents at all levels of employment. Through community partnerships and utilizing existing assets (ex: neighborhood centers) with K-12 education, post-secondary training programs, institutions of higher learning, and the business community, we will incorporate an inclusive and thriving economic development environment.
Public Schools	Strong public schools that meet the needs of our children, now and in the future	Attracting and Retaining Great Teachers	We recognize that attracting, retaining, and enhancing the proficiency of high quality teachers in both traditional academic disciplines and vocational/trades education is vital to the long-term success of the City. Because we understand that great teachers build the great communities of the future, we will enact policies, develop a support structure, and create a quality of life that ensures that the Lynchburg City Schools is the destination for the best teachers in the Commonwealth of Virginia.
		School Facilities Planning	Through proactive planning and evaluation of existing facilities and policies, we will actively invest in the physical assets that make our schools a positive, productive, and appropriate learning environment, while ensuring that we are making the best use of our resources and taking advantage of opportunities to rethink our current practices.
		Wrapping Services around the Achievement Gap	There is an achievement gap between children of varying characteristics in the City. This is a City-wide issue. In order to maximize the use of City funds, leverage state and federal resources, and ensure the coordination of efforts, we will coordinate all City functions with the school system to ensure families have consistent advocates. Additionally, we will advance school system priorities by leveraging City physical assets (such as neighborhoods centers) and private providers for gap programs, such as pre-school programs. This work will ensure that the achievement effects of geographic, racial, socioeconomic, disability, gender, English proficiency, and other factors is minimized. Poverty will be reduced through a robust cradle to college & career educational support system.

Neighborhoods and Families	Neighborhoods that Support the People Who Live There	Assessing and Understanding Neighborhood Challenges	Through the analysis of the robust data sets created by City government, integrated with the expertise of community members, the City will develop an understanding of the human (social, health care, transportation, education/training, etc.) needs of individual neighborhoods. This will provide the ability to design tailored interventions that improve the quality of life for people living in our most challenged neighborhoods. Creating economic drivers within or accessible to neighborhoods will help us improve quality of life.
		Creating and Re-imagining Great Neighborhoods	We will utilize our internal urban planning and design expertise, coupled with structured interactions with residents of city neighborhoods, to improve the physical characteristics of neighborhoods throughout the City. We will implement existing neighborhood master plans and create new ones where they are needed.
		Building Exceptional Public Services	Lynchburg has a tradition of providing highly effective public services to neighborhoods throughout the City and it is important to the health of neighborhoods that quality continues. By consciously and proactively assessing the outcomes of our operations, building upon our knowledge of industry best practices, and creating development plans for our direct service delivery functions, we will maintain and improve the services that we provide, setting the standard for service delivery in the region.
Excellent Employees	Highly effective, well-resourced, and accountable employees that serve the people of Lynchburg	Maximizing our existing human resources	Utilizing workflow and workload analyses, we will continually re-evaluate the assignment and prioritization of existing personnel to ensure that our investment and organizational allocation of personnel continues to meet service delivery requirements and the City's overall goal that departments and divisions are neither understaffed nor overstaffed.
		Competing for the Best Employees	We recognize that in order to provide exceptional public services that meet or exceed peer communities and surrounding localities, we must be competitive as an employer. Through the use of periodic compensation studies, the adoption of innovative benefits, and continual improvement of workplace conditions, the City of Lynchburg will be the employer of choice for talented public employees in the region.
		Managing performance culture	By training our managers and supervisors to provide structured and continual feedback, by providing clear expectations for employees, and by finding the right people to do the job, we will develop a culture centered around the effective performance of our duties.
		Succession Planning	We understand that the future of our organization and community depends upon having highly effective leaders now and in the future. We will expand our efforts to grow excellent employees into excellent leaders by engaging in targeted training, encouraging diversity of knowledge and experience, and fostering relationships across the organization.
		Understanding Employee Satisfaction	We recognize that excessive turnover is extremely costly, both financially and in our ability to provide services. As such, we will actively and continually evaluate our employees' satisfaction and proactively address concerns that might lead to excessive turnover.

A Long-Term View	A City with unquestionable long-term viability	Long-term Organizational Planning	Considering all economic, service delivery capacity, and other factors that drive the financial health of the City government, we will construct a conservative, but realistic long-range financial plan, allowing us to prepare for financial challenges proactively and pivot our resources to our primary community goals.
		Balancing our capital needs with our financial capacity	The long-term viability of the City requires significant and proactive capital investment in facilities and assets that allow us to do our work, as well as provide for places for people to enjoy. The City will develop and continually re-evaluate its capital improvement plan to ensure that it is both affordable and is achieving the goal of providing exceptional public facilities.
		Broadening our Revenue Sources	We will advocate with our General Assembly delegation to allow the City to develop a more robust and modern revenue structure that takes into account modern advancements in the economy.
		Improving our image as a destination for life	A great community requires diversity in its population for long-term viability. We will actively communicate what a great place Lynchburg is and inform families considering the City of Lynchburg as a home.



City Council's Vision and Goals

Budget Retreat

November 1, 2018

Session Agenda

- Review August Council Priorities
- Revisions, based on feedback and broadening scope
- Breakout Session
- Finalize Council goals and priorities

August Priorities

- Implement the Economic Development Plan
- Improve K-12 Schools
- Bridges to Progress
- Long Range Financial Planning
- Recruitment, retention, and right-sizing of departments
- Implement the Downtown 2040 Master Plan

August Priorities – *Revised*

- We utilized your feedback and our understanding of the issues that you identified in August and broadened them to speak to a larger vision.
- We’ve attempted to take specific tasks you identified to help us understand the underlying vision
- GROUND RULE: What we’ve written is only our interpretation; please do not hesitate to change anything we’ve written

Why the Revision?

- A ***goal*** is a broad primary outcome.
- ***Strategy*** refines your long-term goals and how you're planning to achieve them. In other words, your strategy gives you the path you need toward achieving your organization's mission.
- ***Tactics*** are much more concrete and are often oriented toward smaller steps and shorter timeframes along the way. They involve best practices, specific plans, resources, etc. They're also called "initiatives" or "action steps"
- A ***vision*** is why you create goals and action steps

Why the Revision?

- Example
  - Long range financial planning (extremely important!) is really more of a tactic or action
  - We do it not just to have a long-term financial plan, but because it allows us to ensure our long-term financial viability
  - Other tactics might include:
    - Department performance audits
    - Cost of service modeling
    - Fee for service modeling for appropriate services

Priorities → Vision and Goals

Priority	How we've interpreted the idea
Implement the Blueprint for Opportunity	Broader focus on how we integrate an economic development mentality holistically throughout city government
Improve K-12 Schools	Identifying areas that City government can support the school system in its effort to provide great public education for children, while being fiscally responsible
Implement the Downtown 2040 Master Plan	Focusing more broadly on neighborhoods throughout the city: people, places, and services needed to create great neighborhoods
Right-sizing departments	Developing the City's internal human talent pool to ensure we are managing appropriately and building for the future
Long-term financial plan	A broader vision of long-term viability of city functions
Bridges to Progress	Attempted to weave themes of these important programs into the ideas above

Moving to Action

- Once Council decides on your Vision and Goals, staff leadership will identify specific tactics or actions that each department will take to achieve these goals
  - Coordinated effort to meet the challenges of the community head on
- We will return with a multi-year action plan closer to budget development
- We will consider how our organizational structure fits into your vision and goals

Breakout Session

Break into teams

- One staff member and one Council member
- Review Vision and Goals; identify desired revisions – 30 minutes

Return to full group

- Identify revisions (Council Member will report) – 20 minutes
- Debate revision points; finalize vision and goals for the next 5 years – 45 minutes

Seven Hills, Seven Members, Seven Teams

Team Name	Council Member	Staff Member
College Hill	Treney	Donna
Garland Hill	Mary Jane	Mike
Daniel’s Hill	Randy	Reid
Federal Hill	Turner	JoAnn
Diamond Hill	Jeff	John
White Rock Hill	Sterling	James
Franklin Hill	Beau	Bonnie

Take 30 minutes: Questions to Ponder

- Do the ideas stated speak to what I want the City to work on over the next 5 years?
- Are the goals/goal statements an accurate reflection of what I think the City needs to address in the next 5 years?
- Are there specific actions that I think the City should take, and would they fit into the listed items? What are they?
- What is on the list that shouldn’t be a priority? What is missing?

Reconvene to the Full Group

- Review and debate what needs to be included and how this document should change
- If there are specific actions that you want staff to take, please identify them.
- Council member reports out

FY 2020 – FY 2024
Long-Range Financial Plan

City Council Retreat
November 1, 2018

Long Range Financial Planning Team

- Jeff Helgeson, Council Member
- Beau Wright, Council Member
- Reid Wodicka, Deputy City Manager
- Donna Witt, Chief Financial Officer

Long Range Financial Planning – Guiding Principles

- Comply with City Council's Adopted Financial Policies

- Incorporate City Council's Priorities

- A Conservative Approach to Revenue Projection
  - Based on historical trends
  - Respectful of the fluctuating economic environment
  - Includes impact of prior Economic Development incentives, based on agreements
  - Committed to ensuring that all alternatives to increasing tax rates are considered, based on economic forecasts

Long Range Financial Planning – Guiding Principles *(continued)*

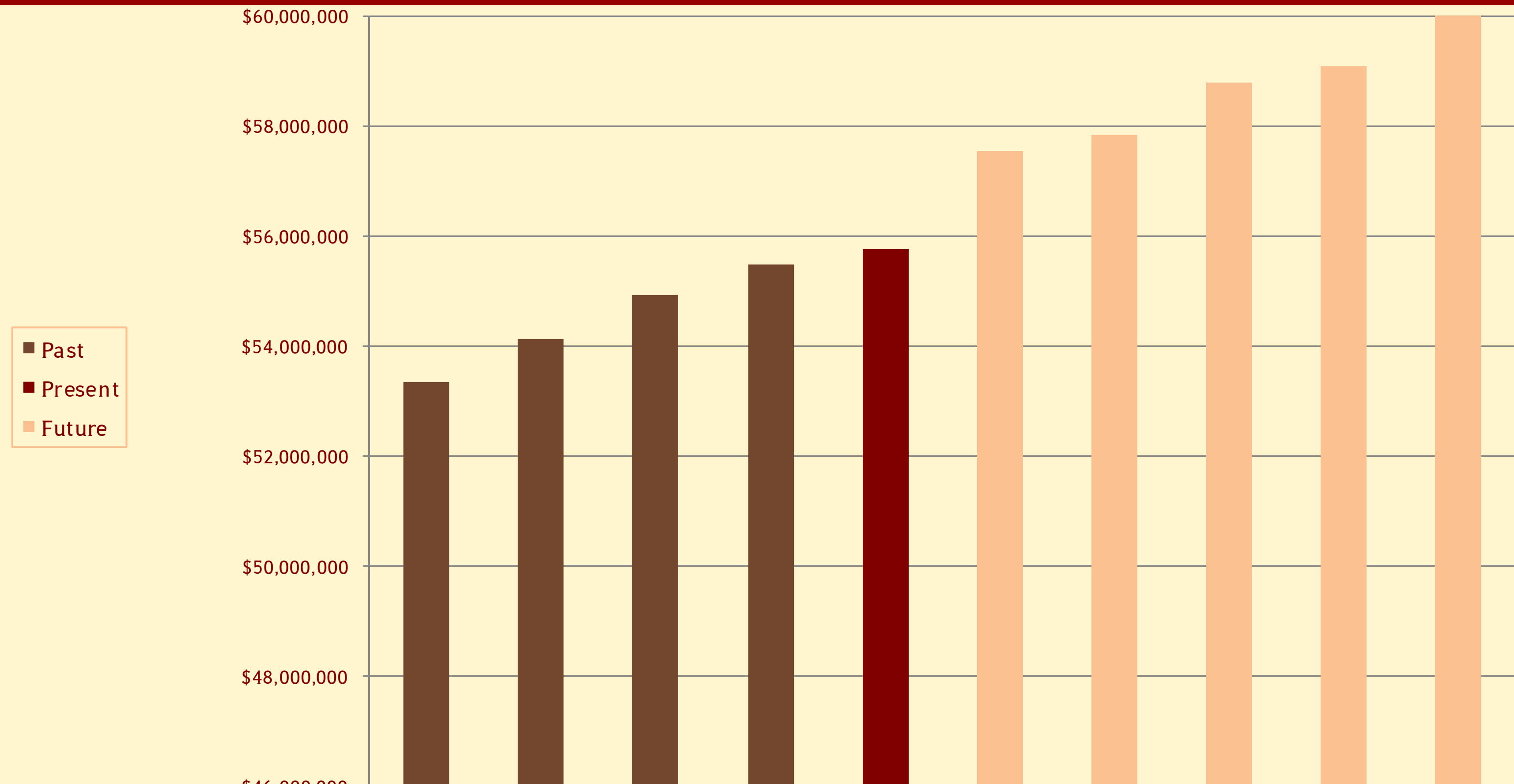
- Realistic and Reasonable Expenditure Requirements

  The City is committed to the following:

  - Reviewing City services and programs to ensure continued support of Council and/or citizen priorities
  - Maintaining City assets by creating an annual budget contribution for planned maintenance projects
  - Planning for long-term changes to debt service, based on capital needs and financial capacity
  - Continuing to be a competitive employer by proactively increasing salary and benefit costs to smooth and mediate challenging market adjustment corrections. In doing so, the City will:
    - Consider the multi-year effects of market corrections and adjustments
    - Continue the practice of alignment between state funded positions and other City and Schools employees
    - Consider increased costs related to medical insurance claims
    - Coordinating with City School Leadership regarding funding strategies

Revenue
Trends and Projections

Major Revenues
Net Current Real Property



	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Adopted FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
Net Current Real Property	$53,359,256	$54,127,328	$54,937,988	$55,486,511	$55,749,670	$57,529,773	$57,834,441	$58,776,882	$59,093,485	$60,002,821
Percent Change		1.4%	1.5%	1.0%	0.5%	3.2%	0.5%	1.6%	0.5%	1.5%

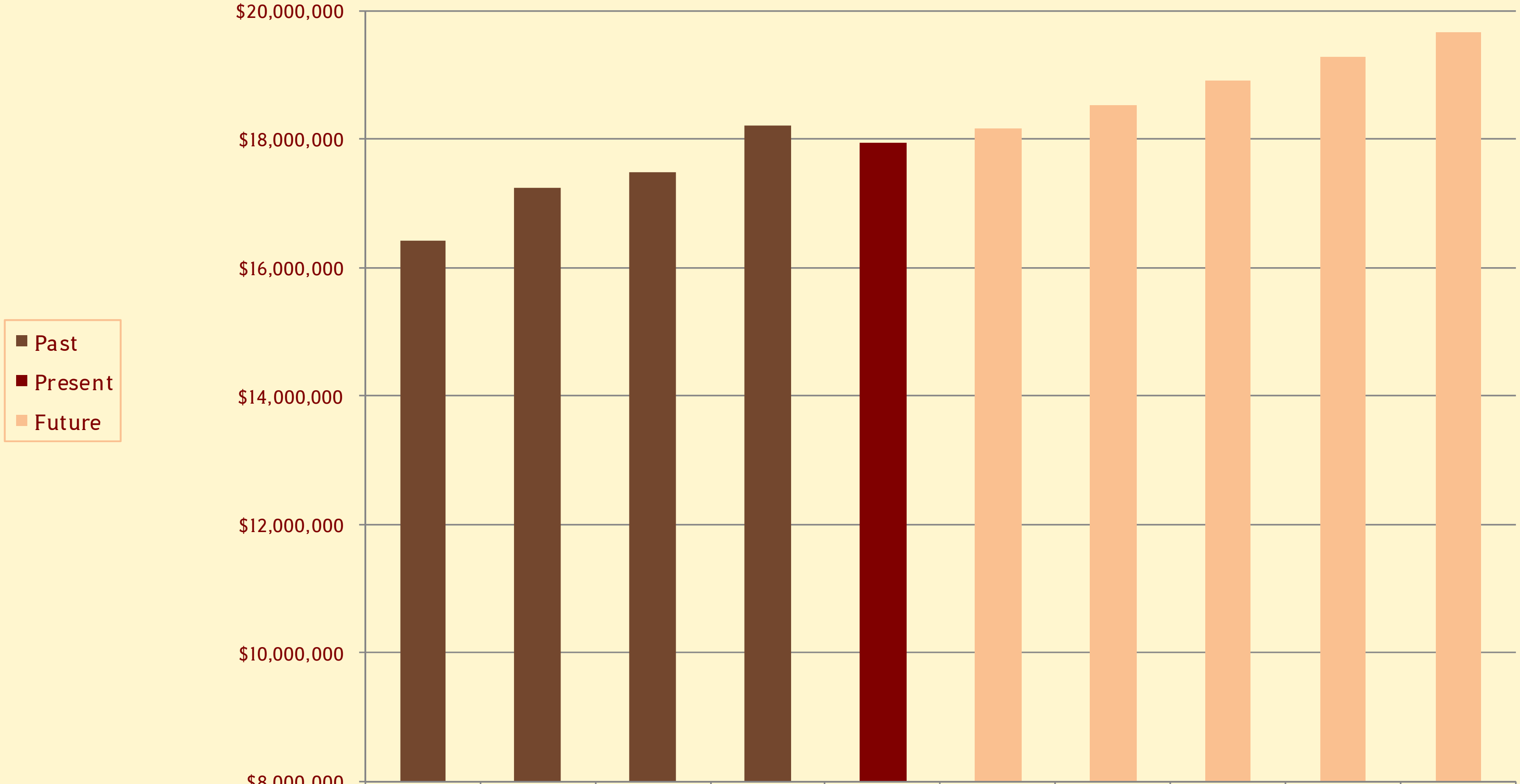
Net Current Real Property includes the real property tax less allowances for the tax relief program, rehab program, economic development incentive agreements, and an anticipated percentage of uncollectable accounts. Even fiscal years reflect the impact of property reassessments. Actual FY 2015 through Adopted FY 2019 reflects slow but steady growth. FY 2020 reflects the projected increase from the current reassessment, which is realized across all property types. Projections for future years reflect the continued slow growth in the real estate tax base.

Real Property Rehabilitation Program

15-Year Phase Out of Properties in Rehab Program
(values not cumulative)

Year	Number of Properties	Rehab Value	Tax Value
2018	26	$2,458,300	$27,287
2019	12	$2,412,800	$26,782
2020	9	$1,623,400	$18,020
2021	10	$9,201,400	$102,136
2022	7	$2,766,500	$30,708
2023	0	$0	$0
2024	11	$1,313,700	$14,582
2025	17	$5,055,400	$56,115
2026	22	$1,515,300	$16,820
2027	38	$9,712,600	$107,810
2028	14	$5,457,500	$60,578
2029	12	$2,994,100	$33,235
2030	16	$6,918,600	$76,796
2031	18	$3,314,000	$36,785
2032	25	$7,534,401	$83,632

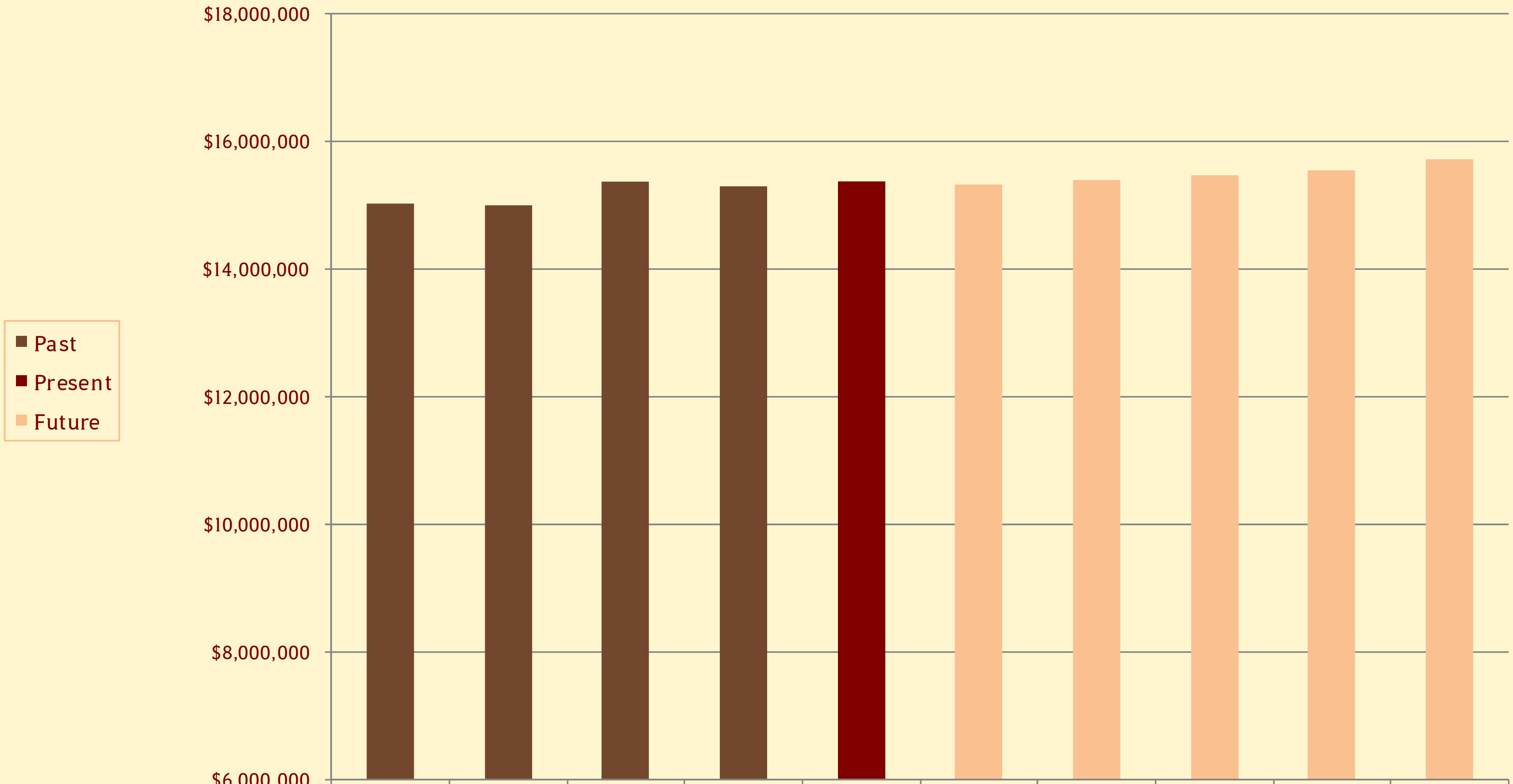
Major Revenues
Personal Property – Local Portion



	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Adopted FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
Current Personal Property	$16,405,290	$17,228,699	$17,492,545	$18,204,055	$17,945,000	$18,169,299	$18,533,096	$18,904,168	$19,282,662	$19,668,726
Percent Change		5.0%	1.5%	4.1%	-1.4%	1.2%	2.0%	2.0%	2.0%	2.0%

Current Personal Property Tax revenue is based on National Automobile Dealers Association (NADA) values. Revenues grew year over year during FY 2016 through FY 2018. Adopted FY 2019 reflects a decrease due to the allowance for uncollectable accounts. FY 2020 through FY 2024 realizes a reduced projection for economic development incentive agreements yet continues projected growth based on low unemployment rates, dealer incentives, and more actively registered vehicles in the City.

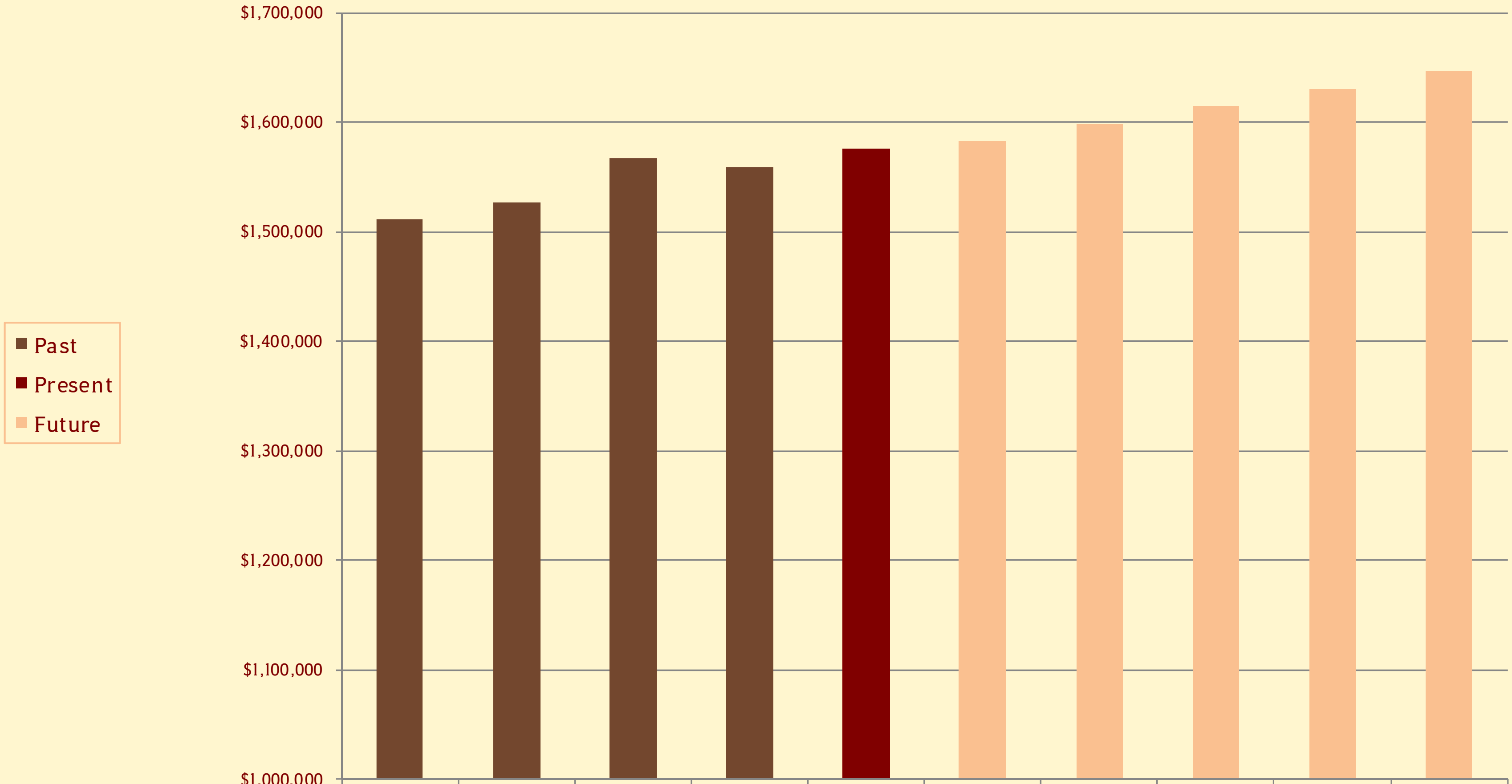
Major Revenues
Local Sales and Use Tax



	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Adopted FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
Local Sales and Use Tax	$15,006,326	$14,995,131	$15,351,347	$15,282,741	$15,351,347	$15,308,080	$15,384,950	$15,462,204	$15,539,845	$15,695,902
Percent Change		-0.1%	2.4%	-0.4%	0.4%	-0.3%	0.5%	0.5%	0.5%	1.0%

The percent changes during FY 2015 through FY 2018 Actuals reflect the inconsistency in collection of Use Tax. While Sales Tax Revenue has realized some growth year over year, it has been slight and expected to continue in the future. Staff is waiting on General Assembly action to set parameters for the impact of internet sales before including in projections. FY 2020 through FY 2024 includes the reduction for economic development incentive agreements.

Major Revenues
Motor Vehicle Licenses

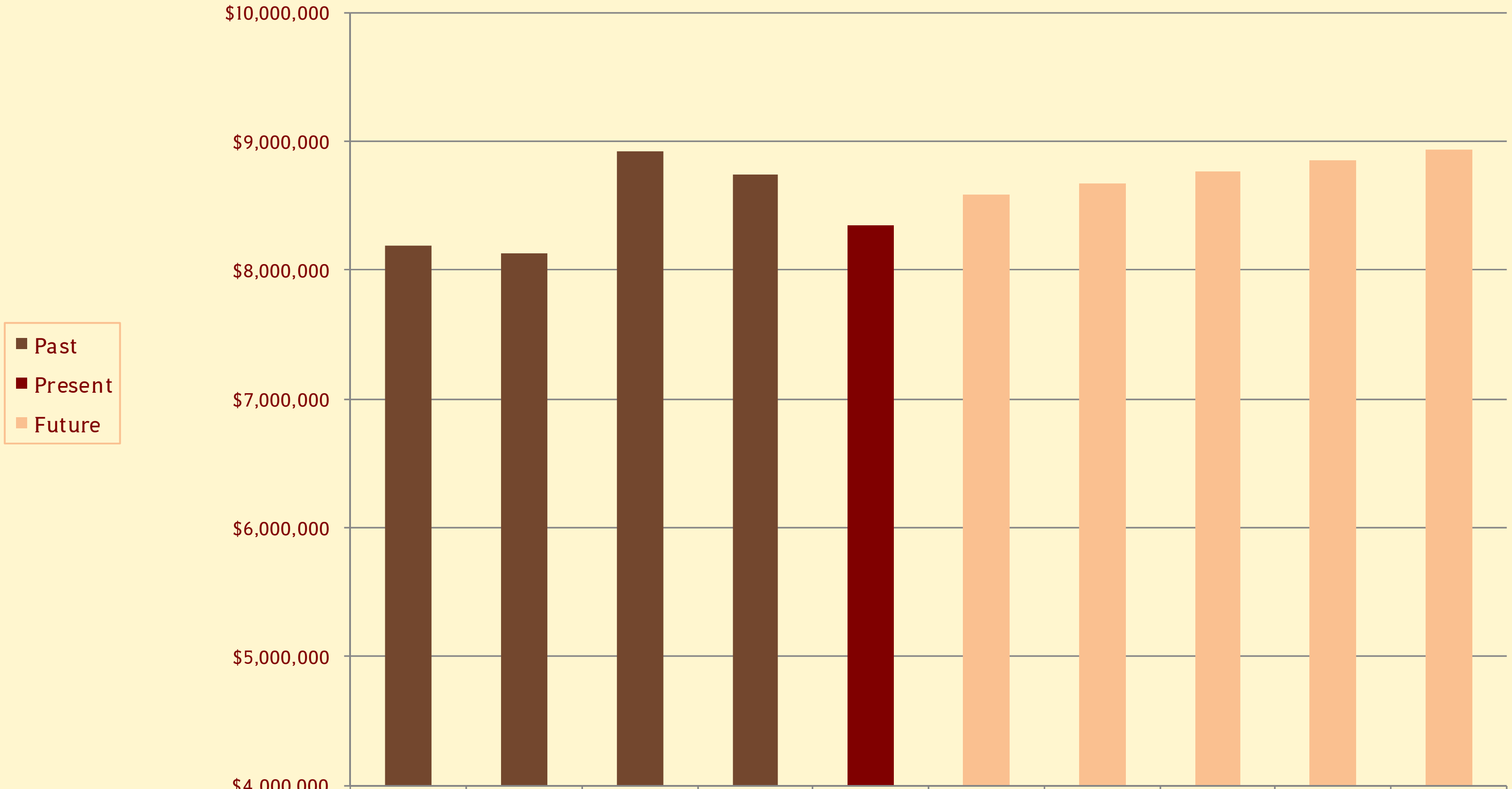


	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Adopted FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
Motor Vehicle Licenses	$1,511,311	$1,527,085	$1,567,797	$1,559,167	$1,575,000	$1,582,555	$1,598,381	$1,614,365	$1,630,509	$1,646,814
Percent Change		1.0%	2.7%	-0.6%	1.0%	0.5%	1.0%	1.0%	1.0%	1.0%

FY 2015 through FY 2017 Actuals reflect an increase in the number of registered vehicles in the City. FY 2018 reflects this continued growth with more license fees collected through delinquent collections (not reflected in this chart). FY 2020 through FY 2024 projections reflect the same slight increases.

Note: Unlike Personal Property tax, State code authorizes cities to levy a Motor Vehicle License tax on all motor vehicles, trailers, and semi-trailers without exemption.

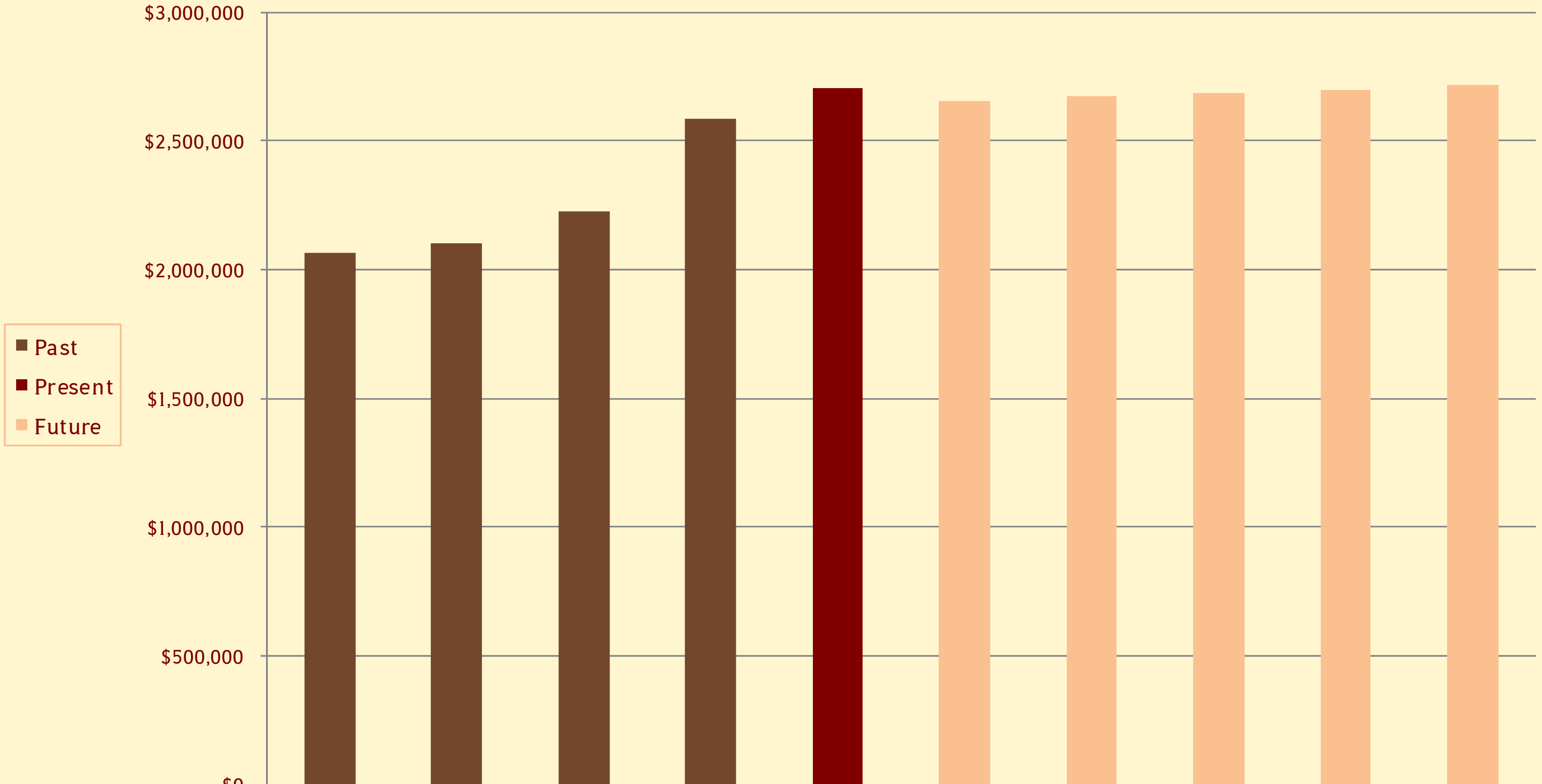
Major Revenues
Business License Tax



	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Adopted FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
Business License Tax	$8,185,869	$8,127,366	$8,919,679	$8,739,624	$8,349,271	$8,586,626	$8,672,730	$8,759,695	$8,847,529	$8,936,242
Percent Change		-0.7%	9.7%	-2.0%	-4.5%	2.8%	1.0%	1.0%	1.0%	1.0%

Actual FY 2017 reflects a 9.7% increase over Actual FY 2016. This includes a large one-time catch-up payment of $290,000 from a local company. FY 2018 collections reflect this continued growth with a 1.2% increase without the catch-up payment. FY 2020 through FY 2024 reflects this continued growth less the allowance for uncollectable accounts and economic development incentive agreements.

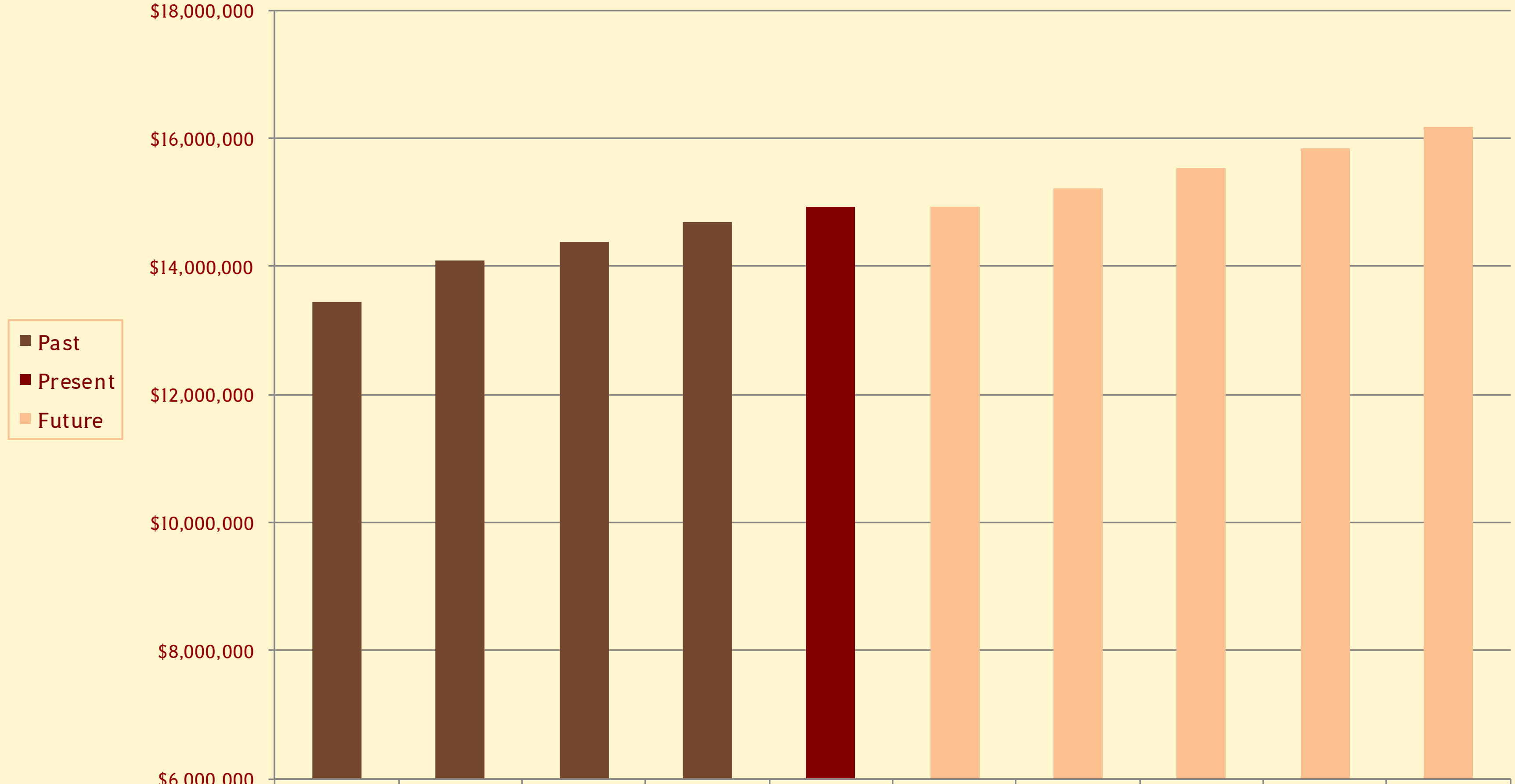
Major Revenues
Lodging Tax



	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Adopted FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
Lodging Tax	$2,066,200	$2,100,391	$2,226,551	$2,583,241	$2,700,000	$2,655,701	$2,670,020	$2,684,411	$2,698,873	$2,713,408
Percent Change		1.7%	6.0%	16.0%	4.5%	-1.6%	0.5%	0.5%	0.5%	0.5%

FY 2017 Lodging Tax Collections realized a 6.0% increase over FY 2016, which exceeded budget projections. FY 2018 Actual reflects the 1% Lodging Tax rate increase. Two new hotels opened late in FY 2018 reflecting a positive impact early in FY 2019. This increase is expected to continue throughout FY 2019 and into the out years. FY 2020 through FY 2024 includes the adjustment for economic development incentive agreements.

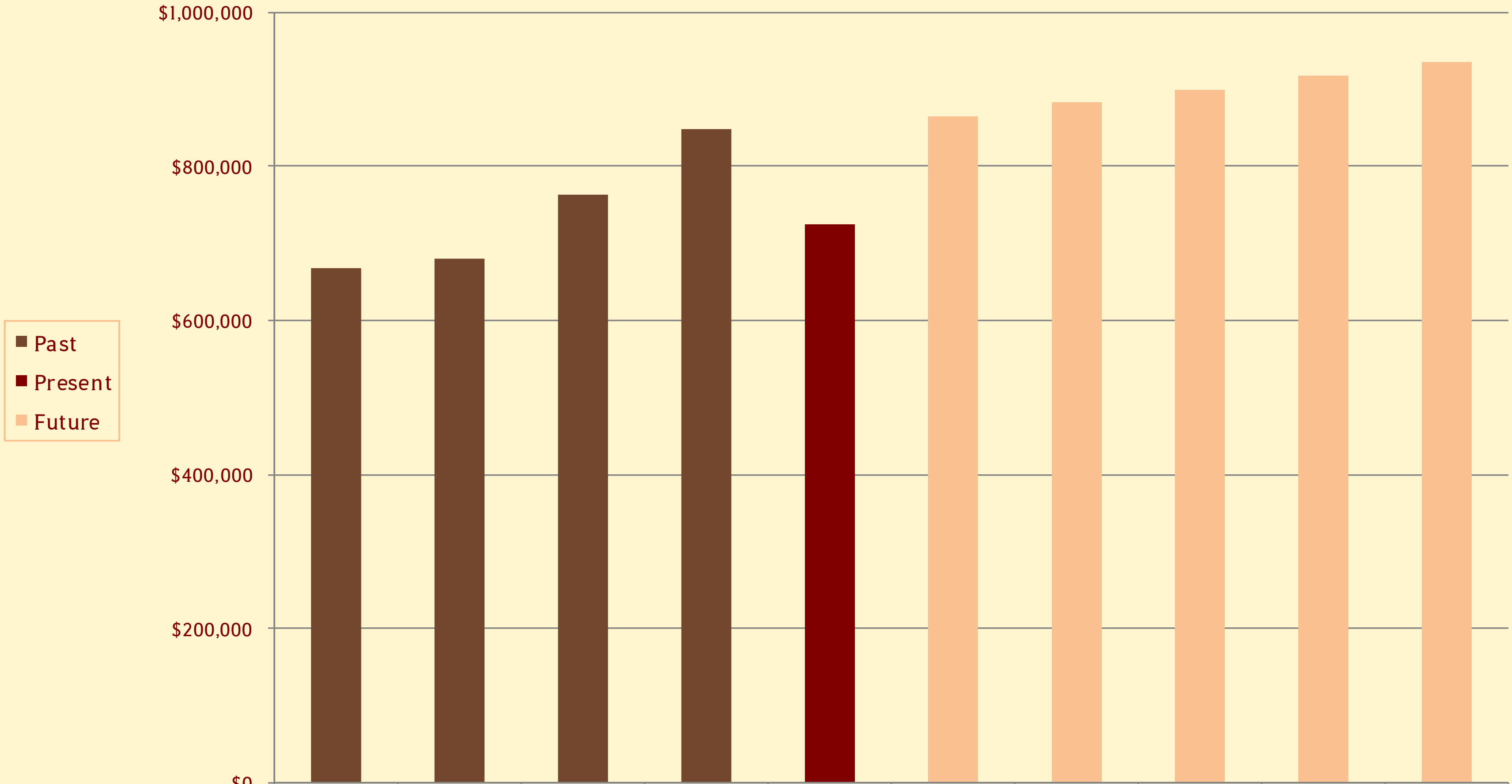
Major Revenues
Meals Tax



	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Adopted FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
Meals Tax	$13,435,756	$14,081,199	$14,381,667	$14,699,512	$14,932,800	$14,920,781	$15,224,011	$15,533,306	$15,848,787	$16,170,577
Percent Change		4.8%	2.1%	2.2%	1.6%	-0.1%	2.0%	2.0%	2.0%	2.0%

FY 2017 Meals Tax collections exceed FY 2016 collections by 2.1%. This is the lowest year over year growth since the 2008 recession. FY 2018 collections continue this lower growth rate attributable to a stabilization in student enrollments at colleges and universities (fewer people contributing to meals tax) in the City. FY 2020 through FY 2024 continues to reflect this lower rate of increase and includes the adjustment for the economic development incentive agreements.

Major Revenues
Amusement Tax



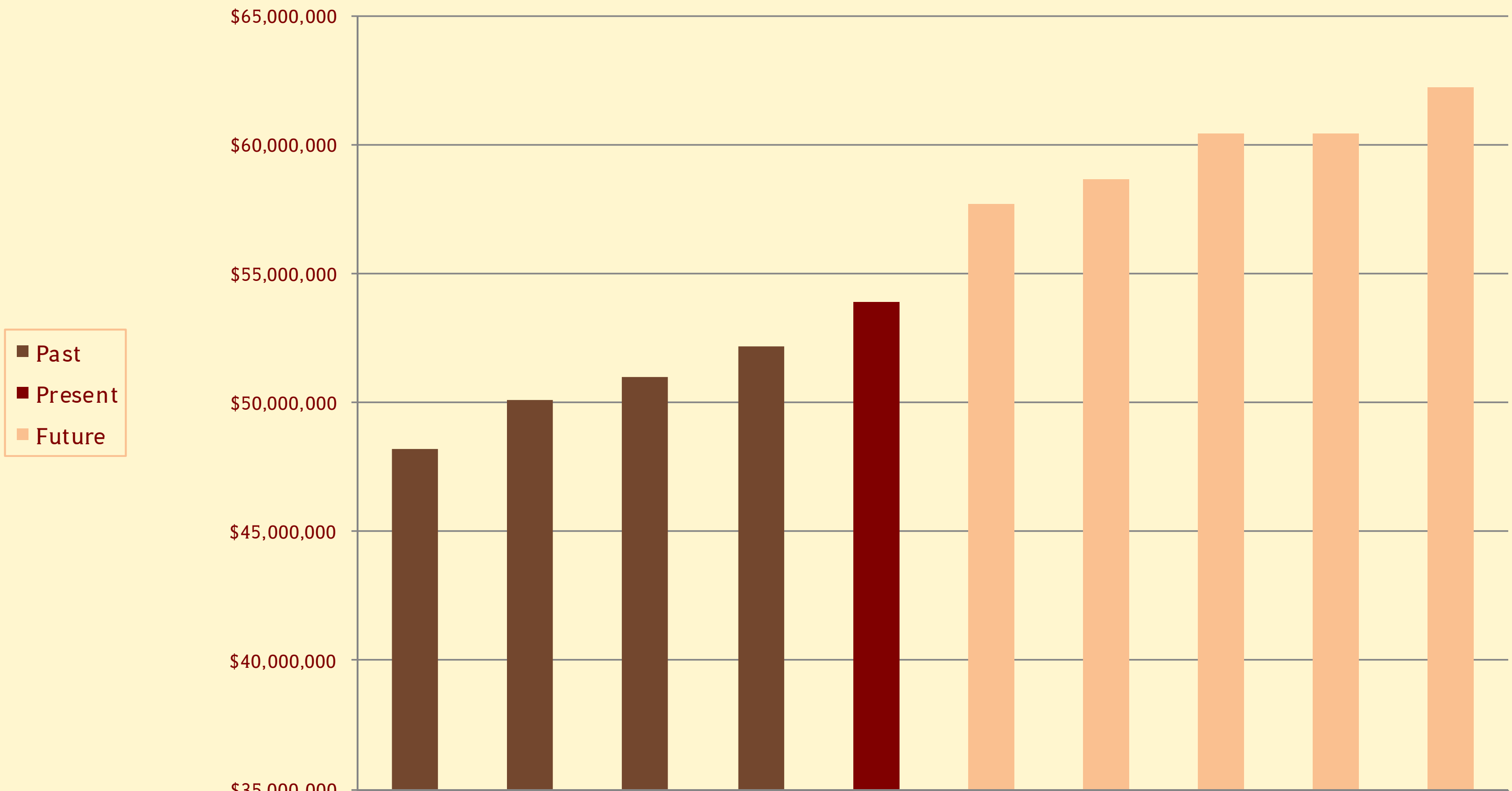
	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Adopted FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
Amusement Tax	$667,212	$678,870	$762,657	$847,389	$725,000	$864,337	$881,624	$899,256	$917,241	$935,586
Percent Change		1.7%	12.3%	11.1%	-14.4%	19.2%	2.0%	2.0%	2.0%	2.0%

Actual FY 2017 and FY 2018 Amusement Tax collections reflect double digit increases over the previous year. This is due to increased movie ticket sales and more events that include an admission fee. Adopted FY 2019 reflects a conservative projection based on historical collections. Projected collections for FY 2020 through FY 2024 reflect growth based on more recent performance.

Note: A portion of Amusement Tax revenues are dedicated to the Arts and Culture District Grant Program. In FY 2018 this amount was $49,703.

Projected Expenditures

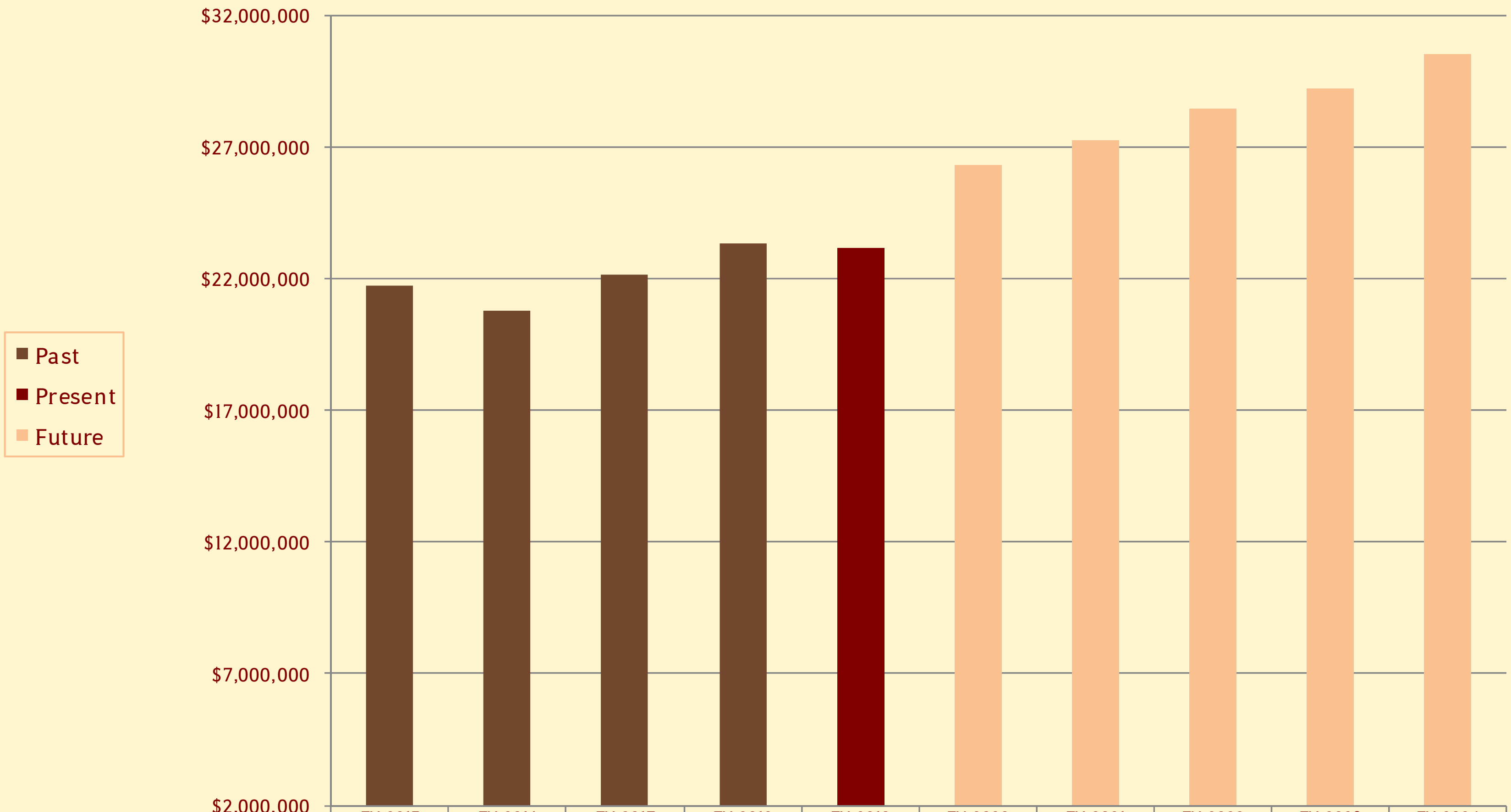
City Salaries



	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Adopted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Salaries	$48,180,464	$50,122,909	$50,979,327	$52,149,491	$53,868,815	$57,713,469	$58,653,501	$60,413,106	$60,413,106	$62,225,499
Percent Change		4.0%	1.7%	2.3%	3.3%	7.1%	1.6%	3.0%	0.0%	3.0%

Actual FY 2015 through FY 2018 increases reflect City Council action to bring designated positions closer to market and a bonus in FY 2019. FY 2020 reflects the General Assembly decision to include a 3% increase for SOQ positions which has historically been extended to City employees. FY 2020 and FY 2021 include the phased implementation of the salary study for the City only. FY 2022 and FY 2024 include increases to keep pace with inflation and the market. These increases correlate to years in which revenue growth is projected due to reassessment.

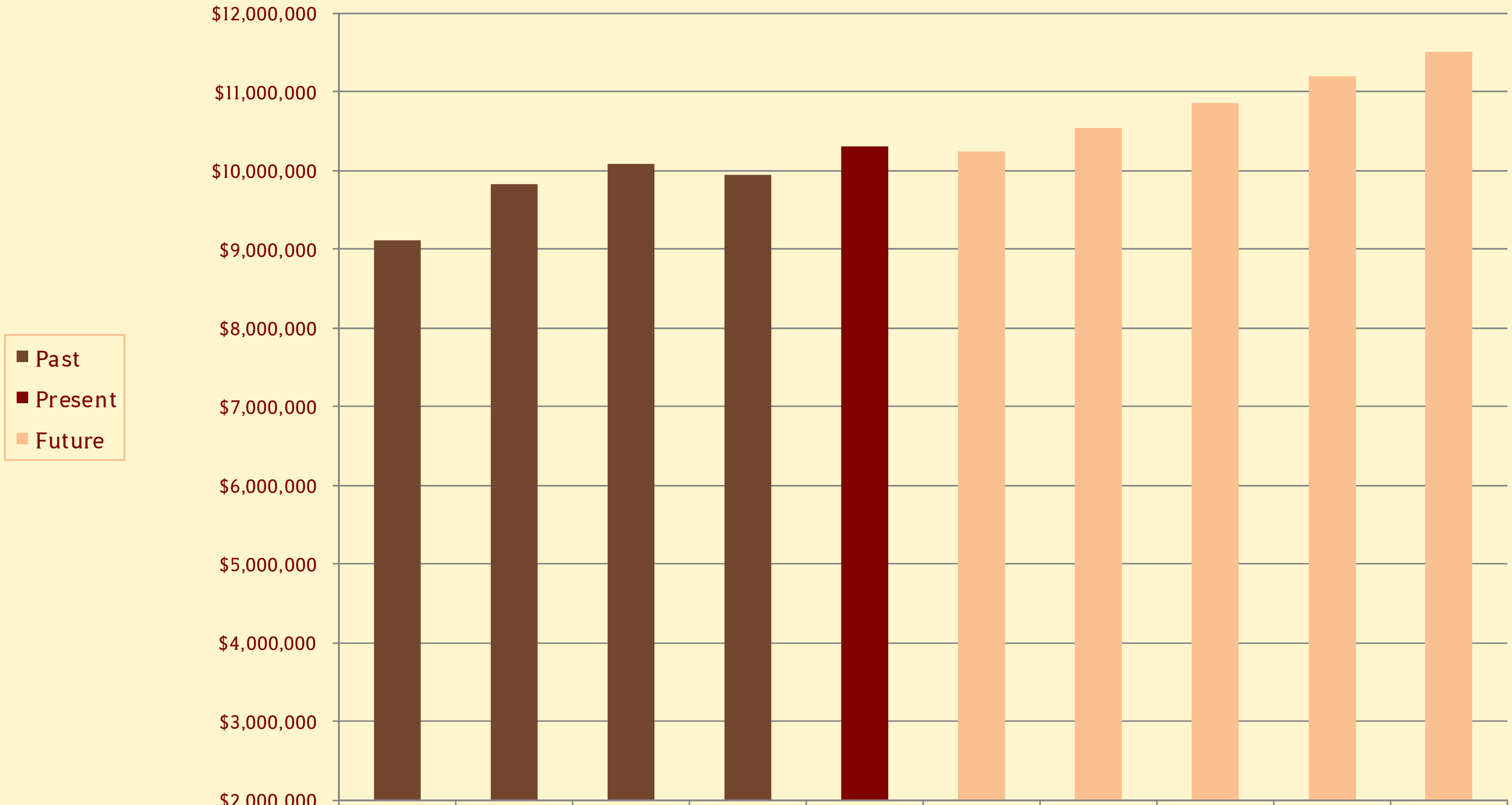
Employee Benefits



	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Adopted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Employee Benefits	$21,740,843	$20,754,948	$22,118,757	$23,349,880	$23,170,121	$26,323,139	$27,263,880	$28,431,315	$29,205,859	$30,489,637
Percent Change		-4.5%	6.6%	5.6%	-0.8%	13.6%	3.6%	4.3%	2.7%	4.4%

Employee Benefits reflect implemented and proposed salary adjustment impacts to Virginia Retirement System (VRS), Group Life, Social Security, and Medicare. FY 2020 and beyond also includes a 7% increase to health benefits based on guidance from our consultant due to trends in experience.

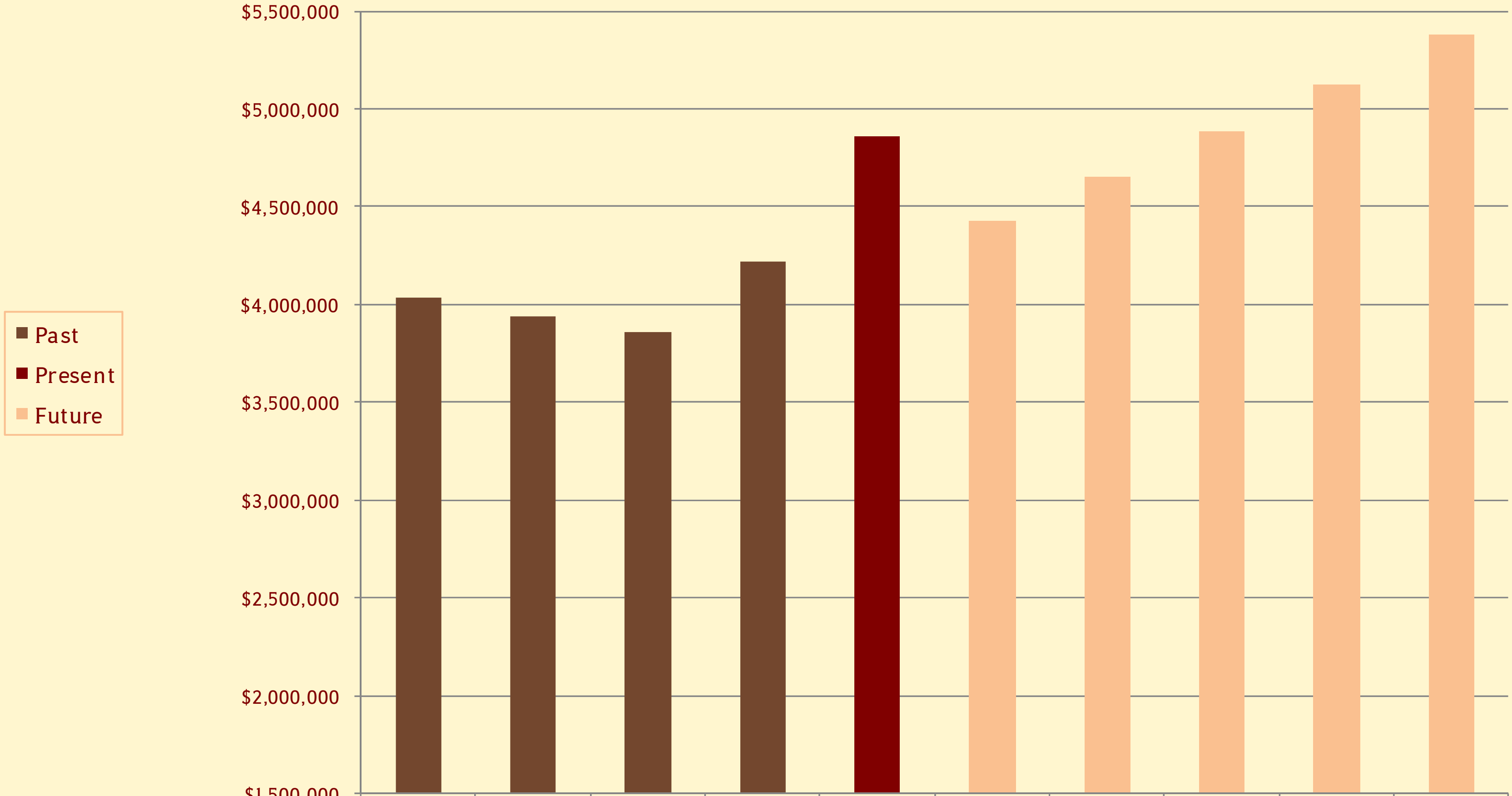
Contractual Services



	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Adopted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Contractual Services	$9,113,270	$9,824,378	$10,079,542	$9,933,072	$10,296,337	$10,231,064	$10,537,996	$10,854,136	$11,179,760	$11,515,153
Percent Change		7.8%	2.6%	-1.5%	3.7%	-0.6%	3.0%	3.0%	3.0%	3.0%

These are services acquired on a fee basis or a fixed time from outside sources (e.g., private vendors, public authorities or other governmental entities) and includes maintenance and repairs for City equipment; facilities and infrastructure; legal, architectural, environmental testing, medical, auditing and financial professional services; information technology services and software purchases; dietary, advertising, and printing. FY 2020 is projected to be 3% over Actual FY 2018. FY 2020 through FY 2024 includes increases based on an average of historical trends.

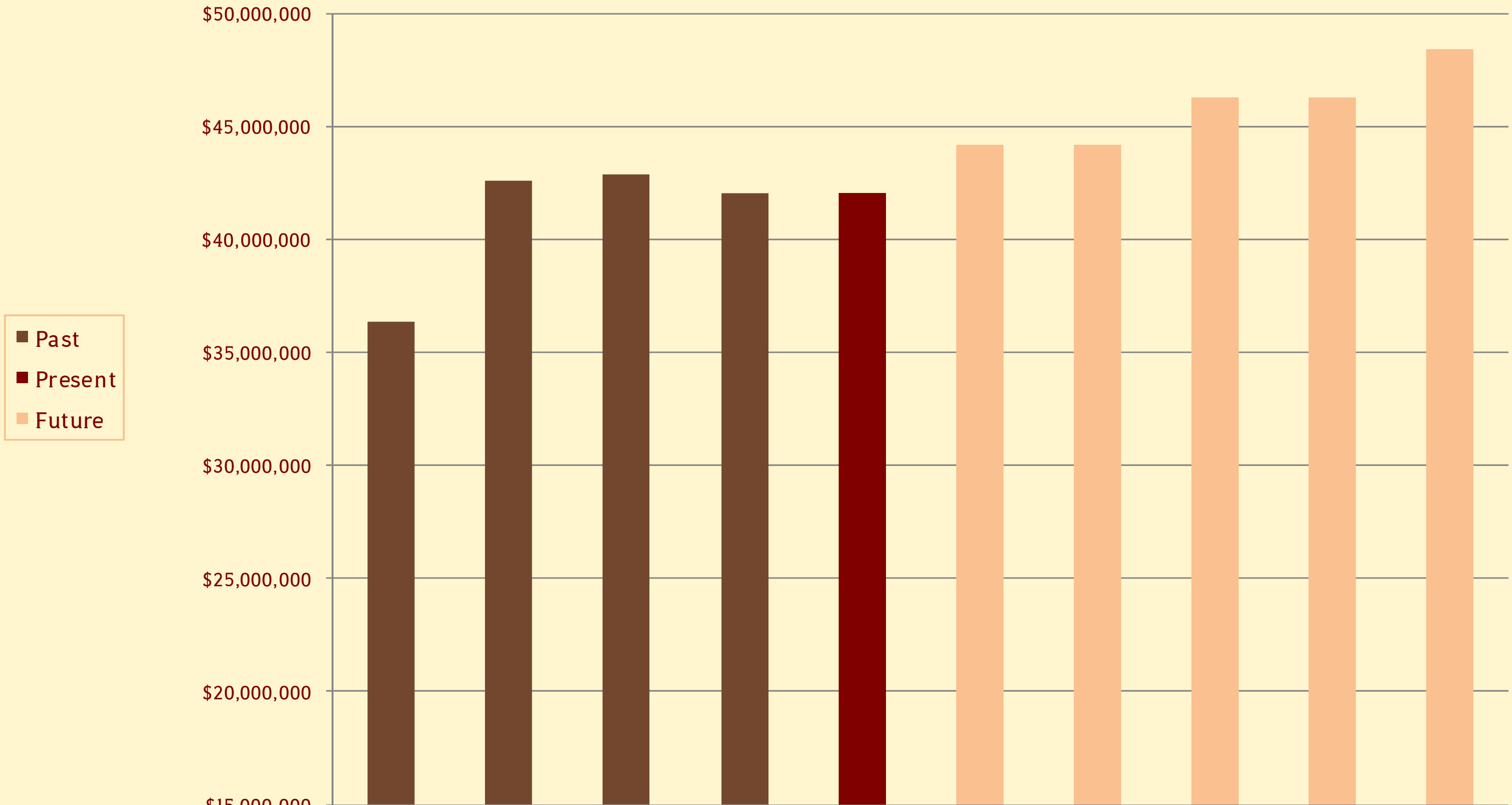
Internal Service Charges



	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Adopted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Internal Service Charges	$4,035,184	$3,935,763	$3,856,214	$4,218,285	$4,856,827	$4,429,199	$4,650,659	$4,883,192	$5,127,352	$5,383,720
Percent Change		-2.5%	-2.0%	9.4%	15.1%	-8.8%	5.0%	5.0%	5.0%	5.0%

These are charges to departments for services provided by Fleet Services including maintenance and fuel purchases. FY 2020 through FY 2024 includes increases for fuel and costs of maintenance.

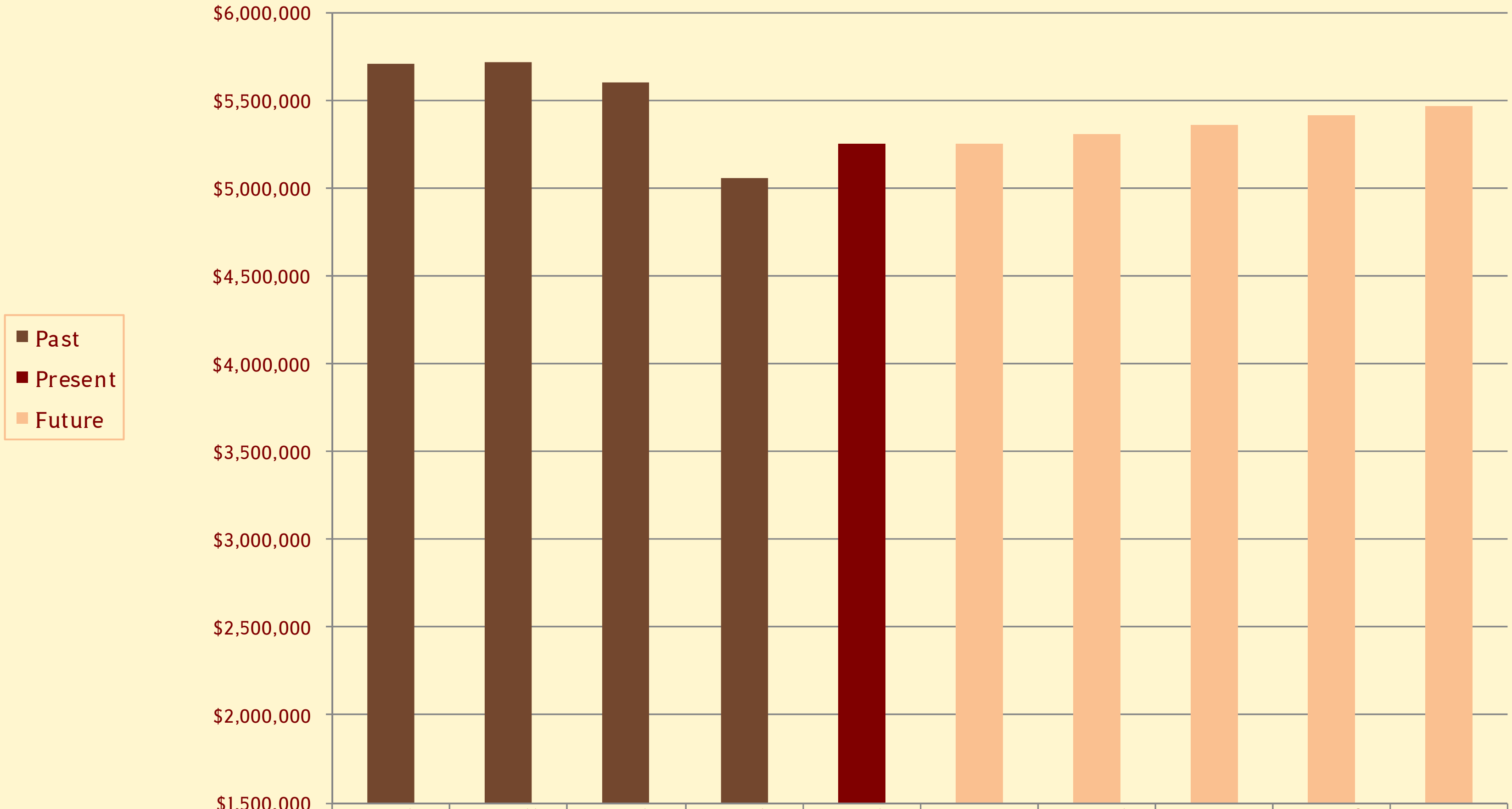
Schools



	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Adopted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Schools	$36,319,745	$42,621,770	$42,873,232	$42,028,498	$42,028,498	$44,158,498	$44,158,498	$46,288,498	$46,288,498	$48,418,498
Percent Change		17.4%	0.6%	-2.0%	0.0%	5.1%	0.0%	4.8%	0.0%	4.6%

FY 2020 through FY 2024 includes projections for a 3% salary increase consistent with those projected for City staff.

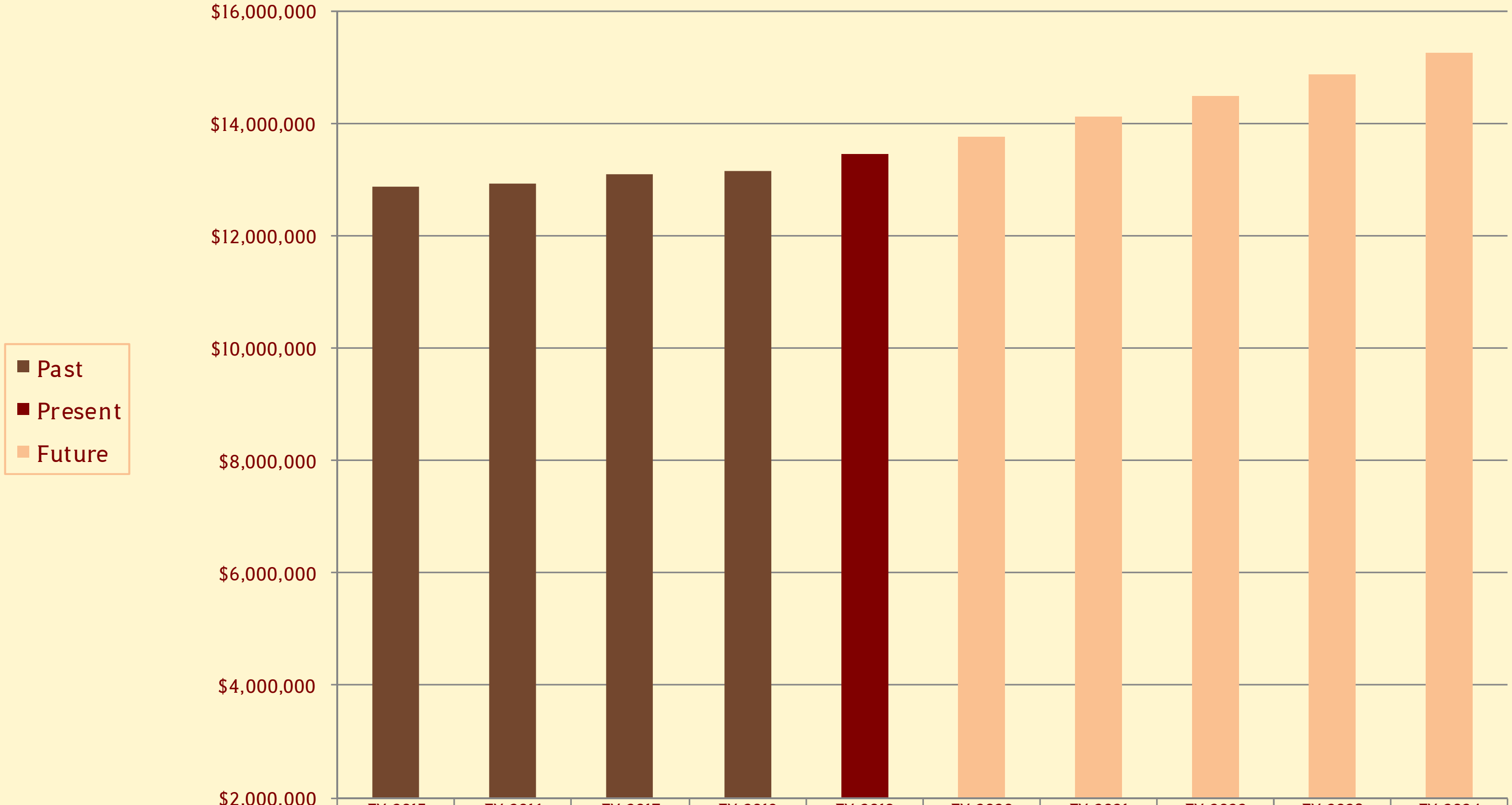
Blue Ridge Regional Jail Authority (BRRJA)



	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Adopted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
BRRJA	$5,708,670	$5,714,925	$5,601,929	$5,055,837	$5,255,314	$5,255,314	$5,307,867	$5,360,946	$5,414,555	$5,468,701
Percent Change		0.1%	-2.0%	-9.7%	3.9%	0.0%	1.0%	1.0%	1.0%	1.0%

The BRRJA is a cooperative effort to provide jail services for the City of Lynchburg and the Counties of Amherst, Appomattox, Bedford, Campbell, and Halifax. City expenditures are based on the per diem rate, the number of inmates and the number of days incarcerated.

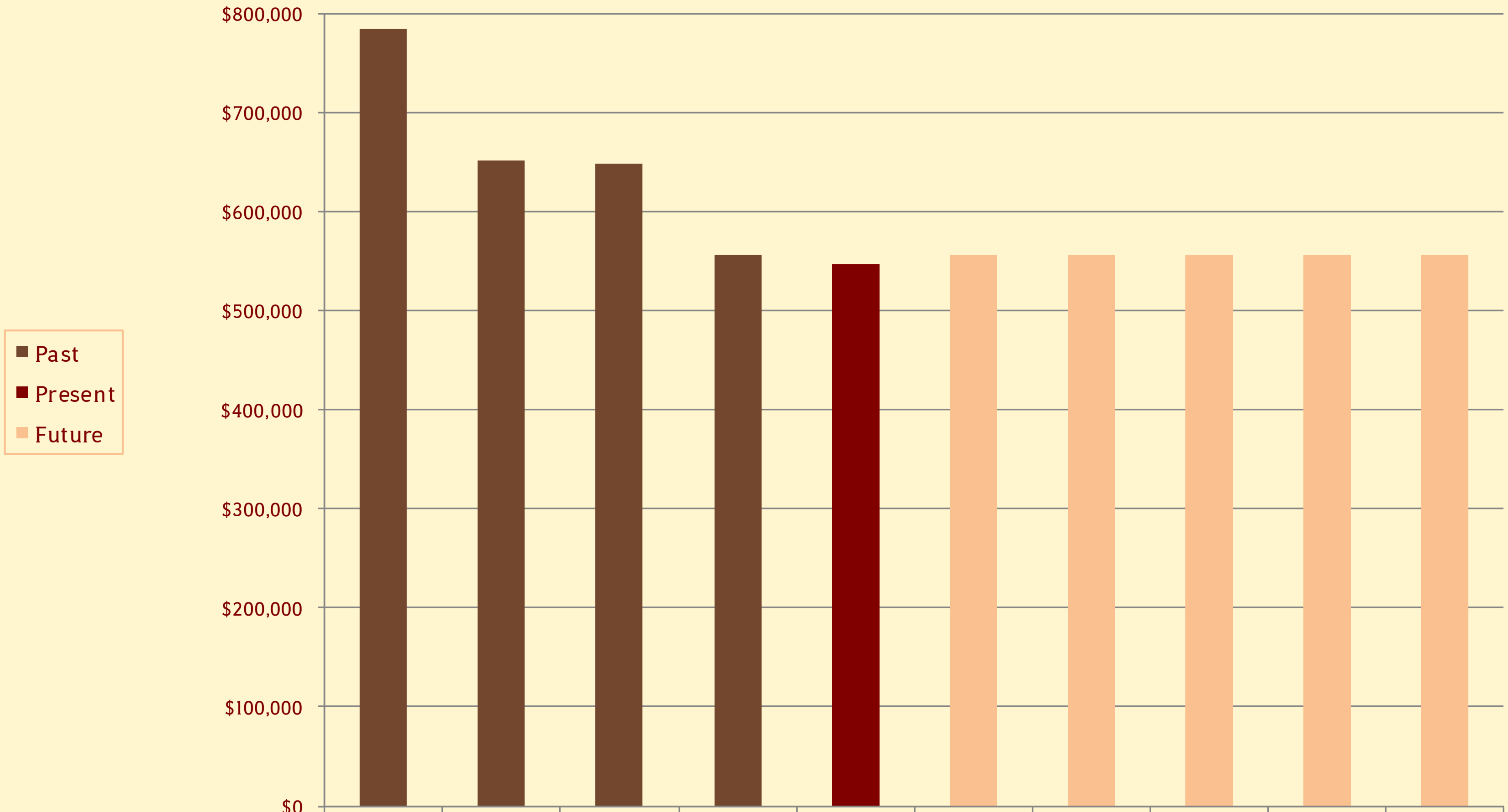
Other Charges



	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Adopted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Other Charges	$12,882,930	$12,928,145	$13,082,974	$13,141,985	$13,444,534	$13,745,327	$14,117,355	$14,490,693	$14,865,936	$15,241,854
Percent Change		0.4%	1.2%	0.5%	2.3%	2.2%	2.7%	2.6%	2.6%	2.5%

This category includes various types of charges such as: supplies and materials items for the office including books, publications; fuel and natural gas; chemicals; parts; and items for buildings, grounds, traffic and computer related maintenance. Safety, law enforcement and laboratory items as well as food, laundry and medical items are included. Utilities, telecommunication charges; postage; insurance premiums and claims; travel and training; dues and memberships; inventory purchases; payments to other funds for services, rentals and leases; as well as contributions to other governmental, community and civic organizations are included. Future years include new building maintenance funding in an effort to reduce dependency on the return of excess fund balance.

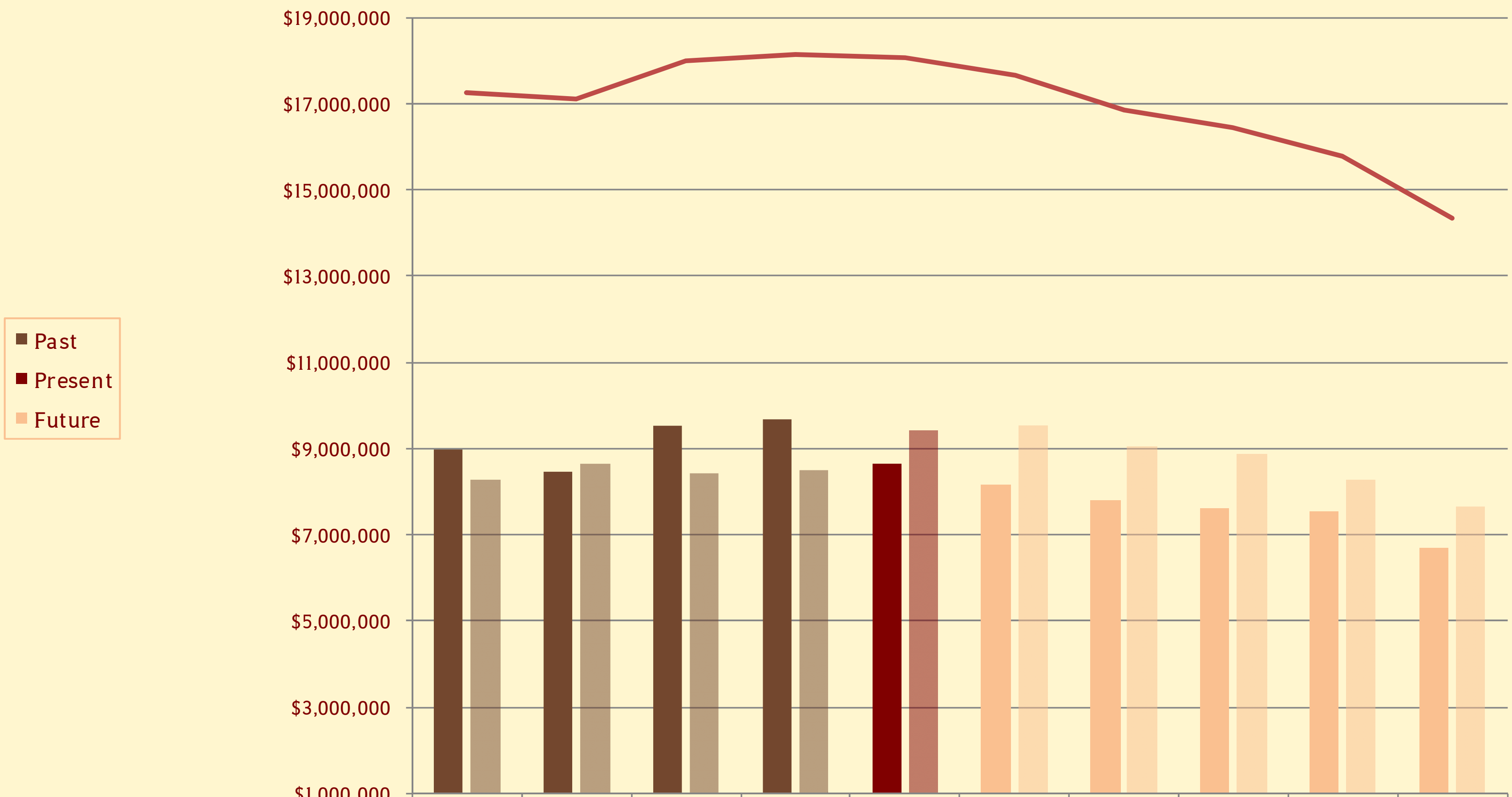
Rentals and Leases



	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Adopted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Rentals and Leases	$783,931	$651,538	$648,819	$555,432	$546,651	$555,432	$555,432	$555,432	$555,432	$555,432
Percent Change		-16.9%	-0.4%	-14.4%	-1.6%	1.6%	0.0%	0.0%	0.0%	0.0%

Includes expenditures associated with the rental or lease of buildings, real property, and equipment. FY 2015 includes the final year for the Humane Society lease and FY 2015 through FY 2017 includes building rental expenditures related to the Miller Center tax credit.

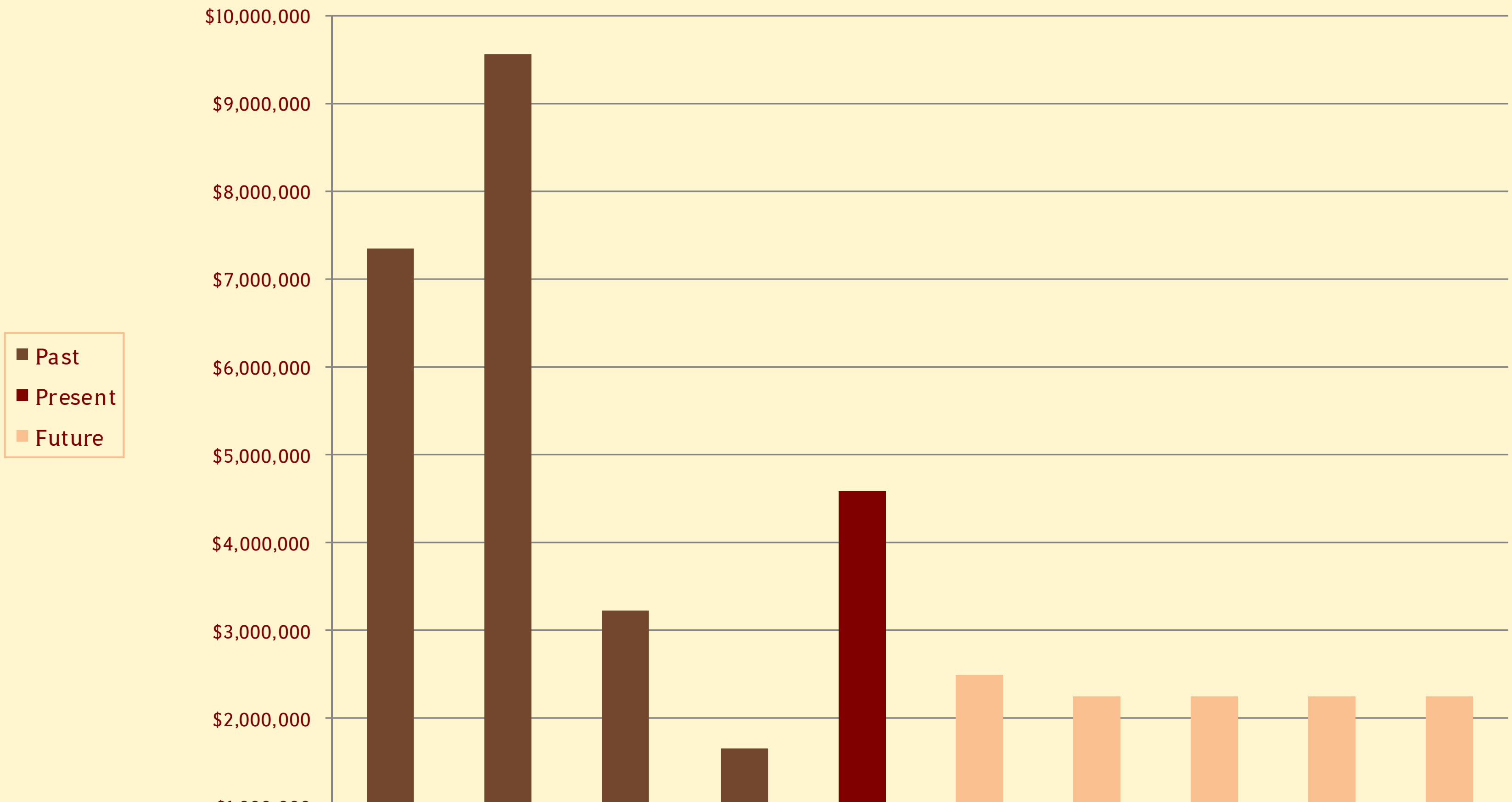
Debt Service



	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Adopted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Debt Service - General Fund	$8,973,928	$8,461,362	$9,539,993	$9,660,733	$8,647,095	$8,149,350	$7,787,271	$7,601,017	$7,519,601	$6,682,281
Debt Service - Schools	$8,262,032	$8,657,982	$8,438,412	$8,482,413	$9,401,976	$9,509,123	$9,044,666	$8,846,153	$8,263,585	$7,659,928
Debt Service Total	$17,235,960	$17,119,344	$17,978,405	$18,143,146	$18,049,071	$17,658,473	$16,831,937	$16,447,170	$15,783,186	$14,342,209
Percent Change		-0.7%	5.0%	0.9%	-0.5%	-2.2%	-4.7%	-2.3%	-4.0%	-9.1%

Note: FY 2020 through FY 2024 does not include new debt

Pay-As-You-Go



	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Adopted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Pay-As-You-Go	$7,339,676	$9,556,866	$3,223,392	$1,655,377	$4,584,709	$2,500,000	$2,250,000	$2,250,000	$2,250,000	$2,250,000
Percent Change		30.2%	-66.3%	-48.6%	177.0%	-45.5%	-10.0%	0.0%	0.0%	0.0%

Funds in excess of the Council policy target of 10% fund balance may be considered to supplement “pay-as-you-go” capital outlay expenditures, other non-recurring expenditures or as additions to fund balance. FY 2020 through FY 2024 reflects a conservative projection due to reallocating funds to ongoing facility maintenance in the General Fund. Fund balance is decreasing due to a narrowing of the actual gap between revenues and expenditures.

Operating Budget GAP

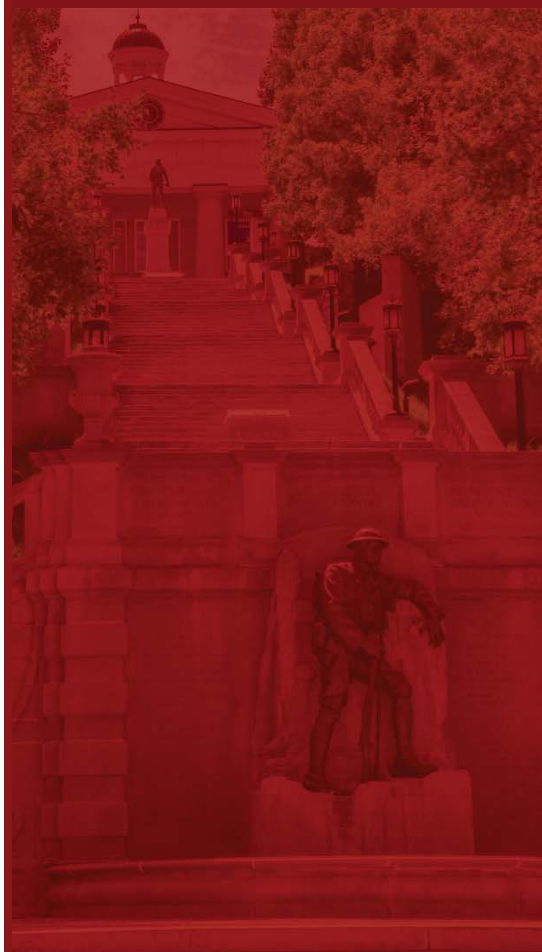
Operating Budget GAP

Projected	Expenditures	Revenues	Use of Reserves	GAP
FY 2020	$198,172,616	$186,612,389	$5,131,866	($6,428,361)
FY 2021	199,529,826	187,775,932	4,060,186	(7,693,708)
FY 2022	205,177,189	189,554,038	4,060,209	(11,562,942)
FY 2023	206,286,385	190,761,315	4,060,212	(11,464,858)
FY 2024	211,093,404	192,673,587	4,060,203	(14,359,614)

Note: Assumes revenue and expenditure assumptions without additional sources of revenue, revenue increases, and/or expenditure reductions.

Questions, Comments, Observations

THE CITY OF LYNCHBURG



Capital Improvement Plan

Fiscal Year 2020-2024

City Council Budget Retreat

November 1, 2018

Purpose

The City's Capital Improvement Plan provides a guide to all major construction and purchases over the next five years. A properly developed CIP will identify a funding strategy that balances the City's capital needs with its financial capacity. In this presentation we review our work to "re-boot" our existing CIP.

Outline

- CIP Challenges
- Goals of the CIP Re-boot project
- Major Projects
- 3 Funding Strategy Options

Challenges

- Current CIP does not have a realistic funding strategy
  - Still absorbing impact of Heritage High School debt service
  - Projects major projects (Police Headquarters, Sandusky Elementary, etc.) before funding capacity is available
  - The presently adopted CIP does not take into account the acceleration of the College Lake project
- There is no ongoing funding stream for facilities maintenance
  - For facilities maintenance as prescribed by Government Finance Officers Association (GFOA), best practice is to identify a dedicated funding stream for facilities maintenance projects

Facilities Maintenance GFOA's Recommendation

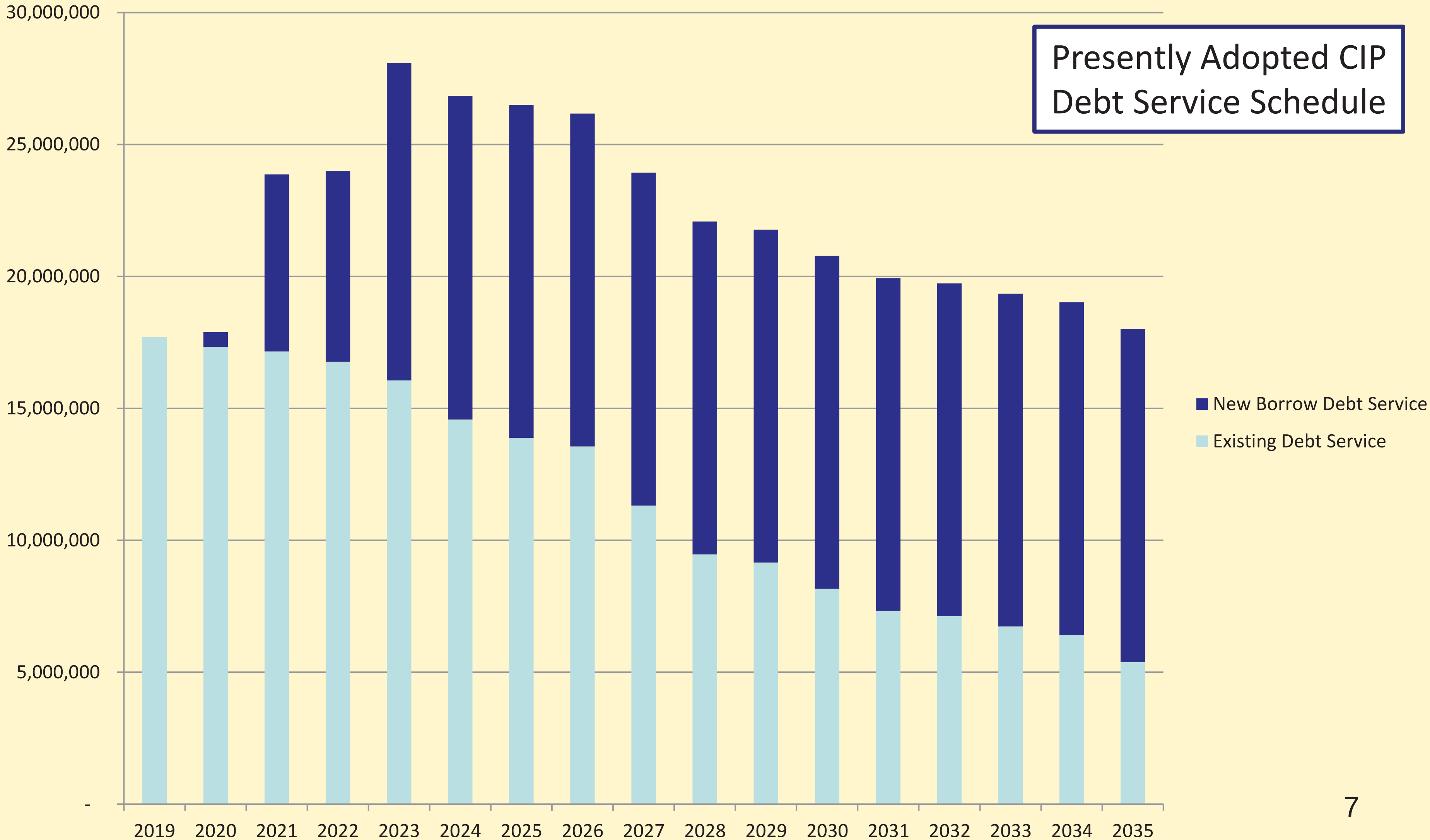
GFOA Recommendation: ***Allocate sufficient funds*** *in the multi-year capital plan and annual operations budget for the condition assessment determination and reporting,* ***preventative maintenance, repair, renewal and replacement of capital assets in*** *order to continue the provision of services that contribute to public health, safety, and quality of life of the public.*

Each government should establish an ***on-going source of funds in both the multi-year capital plan and operating budget*** *for the maintenance and renewal and replacement needs of its capital assets consistent with this best practice. If the capital assets are part of the function of an enterprise fund, the rates, fees and charges may need to be adjusted to meet the funding requirements.*

Goals of the CIP Re-boot

1. Develop an understanding of the impacts that capital investments and associated debt have on operating capacity in the long run
2. Create a proactive funding plan for maintenance projects at existing facilities
3. Identification of a specific and clear long-term funding strategy

Current Effect on Operating Budget



Looking Ahead

- Strategy going forward is to smooth the required funding over time as much as possible to minimize impact to City taxpayers
  - If not possible, identify revenue increases that will be required to fund these improvements
  - Or, identify service delivery reduction that would be necessary

Facilities Maintenance

- A large number of facilities maintenance projects are included in the five-year CIP
  - Roofs, HVAC, painting, carpeting, etc.
- In each budget, we typically fund $500,000 for "emergency building repairs"
- We rely on Pay-Go funding for most other larger maintenance projects
  - If pay-go amount is low, many routine maintenance projects are deferred

Facilities Maintenance

- Goal is to establish an annual maintenance program funded by annual operating revenues, not tied to Pay-Go
  - Supplement and strengthen existing major building repairs presently funded by Pay Go in CIP
- But, how much should we proactively budget each year?
  - Long Range Financial Planning team asked us to come up with a standard metric for maintenance projects

Annual Capital

- Wide-ranging recommendations from a variety of sources regarding maintenance requirements
- We have a diverse set of building types
  - Office buildings
  - Maintenance Facilities
  - Fire Stations
- Various sources recommend budgeting between 1% and 4% of replacement value

Building Asset Value Calculation

City Governmental Capital Assets – Buildings and Improvements*	**$303.7 million (2017 CAFR)**
1% of replacement value	$3.04 million
2% of replacement value	$6.08 million
3% of replacement value	$9.11 million
4% of replacement value	$12.15 million

* Does not include land, infrastructure (bridges and roads), and machinery and equipment

Annual Capital Funding

Recommendation

Create a dedicated needs-based annual building/facility maintenance program starting with $500,000 and adding $250,000 annually and reduce our reliance on pay-go for maintenance projects.

Major Planned Projects

Projects over $5.0 million

- College Lake Dam Removal and Lakeside Drive Bridge (total $39.0M)
- Police Department ($34.5M)
- Sandusky Elementary School Replacement ($20.1M)
- Linkhorne Elementary Renovation ($9.7M)
- Paul Munro Elementary Renovation ($7.9M)

College Lake and Lakeside Drive

- US Army Corps of Engineers requires the City to develop and submit an action plan by August 2019.
- Virginia Department of Conservation and Recreation (DCR) Dam Safety Division requires the City to have made significant progress in planning/design by March 2020 for submission of new conditional dam permit (2 years)

College Lake Bridge/Dam Timeline

Time Frame	Task
Remainder of FY 2019	Design dam removal and basic wetland restoration, bridge surveying, and right of way acquisition (mostly University owned)
FY 2020	Design new Lakeside Drive Bridge
FY 2021	Construct Lakeside Bridge and Lakeside/Old Forest Road Roundabout
FY 2022	Remove dam and complete base wetland restoration

Remainder of Major Projects

- Long-Range Financial Planning Team gave guidance to complete the construction of the police department as the primary goal
  - Police Department should come before other remaining major projects

Minor Projects Examples

- All projects under $5 million local funding
  - Carpeting and painting city-wide
  - HVAC and roof projects
  - Elevator modernization
  - Street, sidewalk, and retaining wall improvements
  - Bridge replacements
  - Downtown 2040 projects
- List of projects provided

Requested Projects and Gap

- Will be provided Thursday

Moving Forward

- Over the next several months staff will consider:
  - Changing Timing of Projects
  - Increasing Revenue to Meet CIP Requirements
  - Deleting Projects
  - Eliminating services to meet CIP requirements

Council Feedback

- Council Discussion and Reaction
- Questions, comments, observations?