// A special meeting of the Council of the City of Lynchburg was held on the 1st day of November, 2018, at 9:00 A.M. at Greater Lynchburg Transit Company Transfer Station, 800 Kemper Street, Treney Tweedy, President, presiding. The purpose of the meeting was for a Council Budget Retreat. The following Members were present:

Present: Dolan, Helgeson, Nelson, Perrow, Wilder, Wright, Tweedy 7

Noes: 0

// Mayor Tweedy welcomed everyone and provided an overview of the agenda for today's Council Budget Retreat.

// City Manager Bonnie Svrcek provided the follow-up from August 28, 2018 Council Retreat. The priorities included:

- Adoption and Implementation of 2019 – 2023 Economic Development Plan
- Improve Public Schools K-12
- Bridging Poverty and Progress Programs
- Long Range Financial Planning
- Police Recruitment, Retention, Right-Sizing all City Department
- Adoption and Implementation of the 2040 Downtown Master Plan

Council discussed the priorities that were from the August retreat.

- Goal – A goal is a broad primary outcome
- Strategy – Refines your long-term goals and how you you're planning to achieve them. 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, which also are called initiatives or action steps
- A Vision – Is why you create goals and action steps

<u>Vision Economic Development</u> – 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 Public Schools – 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 and Families – Neighborhoods that support the people who live there

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

Vision Excellent Employees – Highly 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 Long-Term View – 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

// Deputy City Manager Reid Wodicka provided information for the Long Range Priorities and Goals. One council member and staff member were divided into teams to review Vision and Goals and identify desired revisions. The following are items that were discussed among each team:

- Economic Development
- Improve Education K-12
- Achievement Gap
- Poverty Outcome
- Downtown Master Plan 2040
- Partnership
- Revenue Sources
- School Funding
- Financial Planning

// City Council took a break at 10:30 a.m. and reconvened the meeting at 10:40 a.m.

// Chief Financial Officer Donna Witt presented the Five Year Financial Planning Guiding Principles:

- Comply with City Council's Adopted Financial Policies
- Incorporate City Council's Priorities
- A conservative Approach to Revenue Projection
- Realistic and Reasonable Expenditure Requirements

Ms. Witt outlined Revenue Trends and Projections. Ms. Witt stated Mayor Tweedy asked staff to create a long range financial planning team to look into the future of the City's budget. The team included Council Member Helgeson, Council Member Wright, Reid Wodicka, Deputy City Manager and Donna Witt, Chief Financial Officer. Listed below are the Revenue Trends and Projections that were reviewed

<u>Major Revenues</u>

- Net Current Real Property
- Real Property Rehabilitation Program
- Personal Property – Local Portion
- Local Sales and Use Tax
- Motor Vehicle Licenses
- Business License Tax
- Lodging Tax
- Meals Tax
- Amusement Tax

<u>Projected Expenditures</u>

- City Salaries
- Employee Benefits
- Contractual Services
- Internal Service Charges
- Schools
- Blue Ridge Regional Jail Authority (BRRJA)

<u>Other Charges</u>

- Rentals and Leases
- Debt Service
- Pay-As-You-Go

<u>Highlights - Revenues and Expenditures</u>

- Personal property tax revenues in the city are projected to grow at a rate of 1 to 2 percent per year during the next five years, according to data from city staff. Witt said the city, however, does not anticipate increased revenues from sales and use tax in the next few years unless the General Assembly determines the appropriate measures for localities to collect internet sales tax from all sites.
- Meals tax revenue growth in the city has slowed to about 2 percent per year, in previous years saw 4 to 6 percent growth per year but doesn't estimate the city will see those numbers in the next five years partially due to stabilization in student enrollment at local colleges.
- One area experiencing really good growth, is the city's amusement tax revenue, which comes

from such events as movie ticket sales and cover charges for local concerts. The projected growth for the amusement tax is 19.2 percent from $725,000 in FY 2019 to about $864,000 in FY 2020.

- Long-Range Financial Plan preliminary projections for FY 2020 to FY 2024 - the City could have a $14.4 million gap in FY2024 between revenues and expenditures.
- In FY 2020, the operating budget gap is projected at $6.4 million without additional sources of revenue.
- $195 million in capital improvement project requests will expand the budget gap even more.
- She reviewed the City's projected revenues which was very preliminary because the first installment of real estate taxes has not been received.
- Preliminary projection of a 3 percent increase in real estate property tax revenue totaling $1.8 million the next fiscal year because of property reassessments that will take effect July 1, 2019
- $42 million has been budgeted for Lynchburg City Schools in the current budget – flat with current year
- Project increase expenditures for the majority of departments, including employee salaries and benefits, contractual services and schools

After the presentation Council was concerned with the City's operating budget and the gap between projected revenues and expenditures. Council Member Helgeson cautioned his fellow council members about the second portion of the presentation. Council Member Helgeson mentioned revenues will increase a little, while expenditures are continuing to grow. Council Member Perrow was concerned with the increasing costs for city schools. He went on to say this expenditure is unsustainable.

// Chief Financial Officer Donna Witt gave an overview of the Operating Budget Gap. The chart shows the projected Operating Budget GAP for FY 2020 to FY 2024.

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.

Ms. Witt thanked Council for being interested in the long-term financing as the cost of things escalates and our revenues not growing to the point that our expenditures are.

// City Council took a break at 2:00 p.m. and reconvened the meeting at 2:15 p.m.

// Deputy City Manager Reid Wodicka reviewed the Capital Improvement Plan (CIP) for FY 2020 – FY 2024. Mr. Wodicka provided the purpose of the City's Capital Improvement Plan which provides a guide to all major construction and purchases over the next five years. He went on to say a properly developed CIP will identify a funding strategy that balances the City's capital needs with its financial capacity. Mr. Wodicka further stated the presentation outlined the following.

<u>Outline</u>

- Capital Improvement Plan (CIP)
- Goals of the CIP Re-boot project
- Major Projects
- 3 Funding Strategy Options

<u>Challenges</u>

- Current CIP does not have a realistic funding strategy
  - Still absorbing impact of Heritage High School debt service
  - Projects and major projects (New Police Department and Sandusky Elementary School) before funding capacity is available
  - The presently adopted CIP does not take into account the acceleration of the College Lake project
- There is ongoing funding stream for facilities maintenance
  - For facilities maintenance as prescribed by Government Finance Officers Association (GFOA), best practice is to identify as dedicated funding stream for facilities maintenance projects
- Goals of the CIP Re-boot
  - Develop an understanding of the impacts that capital investments and associated debt have on operating capacity in the long run
  - Create a proactive funding plan for maintenance projects at existing facilities
  - Identification of a specific and clear long-term funding strategy
- Facilities Maintenance
  - Facilities maintenance projects are included in the five-year CIP – Roof, HVAC, painting, carpeting, etc.
  - In each budget, typically fund $500,000 for "emergency building repairs"
  - Pay-Go funding for most other larger maintenance projects – if pay-go amount is low, many routine maintenance projects are deferred
- 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 reliance on pay-go for maintenance projects.

Council had a lengthy discussion on the CIP challenges that were presented and goals to rebuild the CIP projects.

- The amounts of funds that will be needed to build the CIP projects
- Identify Financial Planning
- New borrowing Debt Services
- Communicate to the citizens revenue sources that are needed
- Long range financial planning
- What are our core services
- Task force for Sandusky Elementary School

The strategy going forward is to smooth the required funding over time as much as possible to minimize impact to City taxpayers.

Mayor Tweedy stated faced with the reality of stagnant revenues and rising expenses, Council is to consider what city services they consider necessary and non-negotiable for all residents. She went on to say if we are going to tighten our belts on the schools, then the City needs to tighten its belt on all city services.

// City Manager Bonnie Svrcek stated Staff will process the information gathered in the Council Retreat discussion.

- Long Range Priorities and Goals
- Five –Year Financial Forecast
    - Revenue Assumptions and Trends
    - Expenditure Assumptions
    - Budget Gap
- FY 2020 – 2024 Capital Improvement Plan

Ms. Svrcek mentioned the next Council Retreat will be held in February 2019.

// The meeting was adjourned at 4:00 P.M.