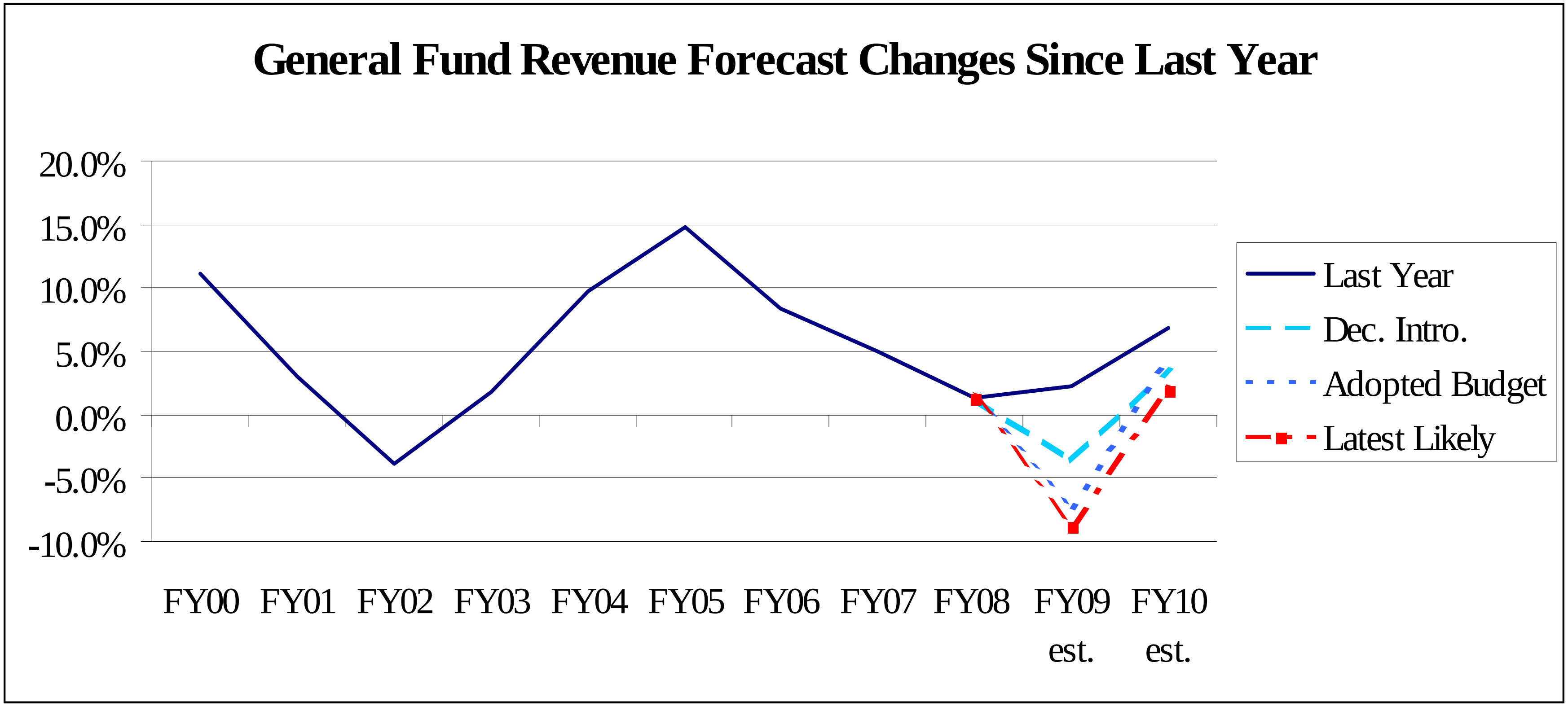
The Impacts of a Shrinking State Budget

VML Finance Policy Committee

July 23, 2009

State Budget Summary

- Additional **FY 2010** state budget cuts are on the way due to a likely $300 million GF revenue shortfall in FY 2009, plus lower revenue growth than forecasted in the current budget.
- The **FY11 and FY12** state budget will be tough on localities because of weak economic recovery and expiration of federal stimulus in FY11.
- Medicaid and other HHS cost pressures continue, putting additional strain on the state budget.
- Falling real estate and car values, and reduced sales and business taxes and fees, make it difficult for localities to continue backfilling declining state support.
- Major policy changes will be required at all levels to align spending with revenues, unless state and/or local taxes are raised.
  - K-12 re-benchmarking and/or funding policies will most likely be targeted.



• Expect a **9% decline** in state GF revenue for FY09 and only **2.0%** growth in FY10, meaning more budget cuts are likely above the over $4 billion already taken.

•Need 10+ percent growth in FY 2011 to fund existing spending policies in the upcoming biennium.

Over Next Few Years, State Budget Will Continue to Be Under Severe Pressure

- K12, Medicaid, and Other HHS programs (60% of GF) have grown the fastest in last 10 years. Virginia's Medicaid program hard to reduce since it already ranks 48th among all states.
  - $962.5 mil. available in ARRA Medicaid federal match increase for 2008-10, only $319 mil. available for FY11.
- State K-12 aid reduced 10 percent in FY10. $365 mil. federal ARRA only partial and temporary offset. Other local aid primarily reduced through the $50 mil. "flexible" cut.
- However, budget still not yet right-sized for new revenue reality – "one-times" used for <u>more</u> <u>than</u> <u>half</u> of 2008-10 budget balancing.
- Transportation program also shrinking rapidly and big concern.

GF Budget Outlook **($ Millions)**	**FY 2010**	**FY 2011**	**FY 2012**
FA Est. Revenue Growth (2%,5%,5%)*	$14,750	$15,338	$16,105
Transfers	$442	$400	$400
Rainy Day Fund Withdrawal	$275		
Total Est. GF Available	$15,467	$15,738	$16,505
Expenditures (FY10 Adopted):			
Legislative and Executive Dept's	$96	$96	$96
Judicial Dept.	$407	$407	$407
Planned GF Debt Service**	$507	$645	$684
Admin., Finance (incl. debt) & Tech	$859	$859	$859
Commerce and Trade, Agr., Nat. Res.	$258	$258	$258
*K-12 Direct Aid ****	$5,320	$5,320	$5,320
K-12 Rebenchmarking?		*$400*	*$400*
Higher & Other Education	$1,832	$1,832	$1,832
Medicaid	$2,317	$2,800	$3,200
Other HHS	$1,628	$1,659	$1,694
Public Safety	$1,755	$1,755	$1,755
Transportation	$41	$41	$41
Non-State, Capital)	$824	$1,051	$1,051
Total Expenditures	$15,844	$17,122	$17,596
Projected Scenario Gap	**($377)**	**($1,385)**	**($1,092)**

* $300 mil. FY09 shortfall means carryforward balance, unappr. balance, and ARRA reserve unavailable for FY10; $150 mil. in FY 10 one-time revenues

** Includes G.O. VPBA, VCBA, Long-term Leases, Regional Jail debt

*** Does not include lottery, assumes support cost reduction in base

"One Times" Made Up More Than Half of Strategies to Close the 2008-10 GF Budget Gap

	GF Millions $
Rainy Day Fund Withdrawal	$490
Tax Policy/Other Revenue Items	$450
Budget Reductions	$1,925
Bonded Debt for GF Capital	$355
Enhanced ARRA Medicaid Match	$996
ARRA SFSF - Flexible Funds *	$109
ARRA SFSF - K12	$365

* Another $109 mil. kept in reserve for FY 10.

Fiscal Crisis is also Related to Revenue Decisions

	FY Implemented	2008-10 ($ Mil.)
Car Tax Relief	1999	($1,900)
Historic Rehab Tax Credit	1999	($92)
Low Income Tax Relief	2000 and 2007	($125)
Land Preservation Tax Credit	2003	($300)
2004 Tax Reforms	2005	$1,600
Add'l Reduced Sales Tax on Food	2006	($381)
Shift Insurance Premiums and Recordation Taxes for Transportation	2009	($352)
Estate Tax Repeal	2009	($311)
Total		($1,861)

State Aid to Localities, Concentrated in 5 Programs, Has Already Been Cut

Major Categories of State Aid to Localities FY 2010 GF Appropriations					
	Original GF Appropriation	Current GF Appropriation	% Change	% of State Aid to Localities	% of Total GF
K-12 Direct Education Aid*	$6,391,513,050	$5,750,141,500	**-10.0%**	**72.4%**	**35.5%**
Car Tax	$950,000,000	$950,000,000	**0.0%**	**12.0%**	**5.3%**
Compensation Board	$666,153,186	$631,050,421	**-5.3%**	**7.9%**	**3.7%**
Comprehensive Services Act	$323,640,564	$315,840,564	**-2.4%**	**4.0%**	**1.8%**
Aid to Police Depts (HB 599)	$205,001,876	$197,295,927	**-3.8%**	**2.5%**	**1.1%**
DJJ Juvenile Confinement/Treatmen	$50,787,956	$50,787,956	0.0%	0.6%	0.3%
Recordation Tax Distribution	$40,000,000	$40,000,000	0.0%	0.5%	0.2%
DCJS Admin. of Justice	$21,908,828	$23,408,828	6.8%	0.3%	0.1%
Public Library Aid	$17,378,628	$17,378,628	0.0%	0.2%	0.1%
State Board of Elections	$7,392,674	$7,392,674	0.0%	0.1%	0.0%
Rolling Stock Tax	$4,970,000	$5,670,000	14.1%	0.1%	0.0%
DSS General Relief	$3,458,455	$3,458,455	0.0%	0.0%	0.0%
Flexible State Aid Reduction	($50,000,000)	($50,000,000)	0.0%	-0.6%	-0.3%
Subtotal	$8,632,205,217	$7,942,424,953	-8.0%	100.0%	47.9%
Total GF Appropriations*	$18,019,470,000	$16,274,230,000	-9.7%		100.0%

* Includes Lottery Proceeds

Major Policy Changes Already Enacted for K-12 Direct Aid*

	FY 2010 Education Changes
FY 2010 Original Distribution incl. lottery	$6,543,818,612
Technical: ADM, Sales Tax, Census, and Lottery Revisions	($138,464,023)
Benefit & Compensation Changes	($74,289,696)
Modify Lottery to Support GF Programs	($55,805,042)
Set Support Position Cap at 4.03 Instructional Positions per Support Position	($340,934,092)
Remove School Construction Grants	($27,499,997)
Total Adopted FY10 K-12	$5,906,825,763
Change from Original	($636,992,849)
% Change from Original	-9.7%
Appropriated ARRA Stimulus	$365,187,984
Adopted Total with ARRA Funding	$6,271,334,747
$ Change with ARRA Funding	($272,483,865)
% Change with ARRA	-4.2%

*DOE distributions, including lottery, VPSA and other non-general funds

The Severe Revenue Shortfall Makes It Likely the State Will Further Alter K-12 Policies in the 2010-2012 Budget

- There are seven key components to the SOQ funding formula:
  - Number of students
  - Staffing ratios for teachers and other funded positions
  - Salaries of teachers and other funded positions
  - Fringe benefit rates
  - Standard and prevailing support costs
  - Inflation factors
  - Prevailing federal revenues related to support costs

✓ Approximately 79 percent of SOQ funding is for salaries and benefits

✓ FY10 budget already reduced support cost funding by $341 mil. per year

"Standards of Quality" Already Push Localities to Pay More for Education

- State does not pay for all Board of Education approved standards, and beginning in FY 2010 necessary support positions
- The state funding methodology overemphasizes the generally lower values in the more numerous/smaller school divisions in calculating prevailing costs for teacher and support positions.
- FY 2008 base year for 2010-12 re-benchmarking does not reflect real-time salary costs. There were also no state teacher compensation supplements in 2008-10.
- Most localities go beyond state mandates, including lowering class sizes to help meet SOL and SOA requirements, especially for at-risk students.

Examples of Previous Proposals for State K-12 Budget Reductions

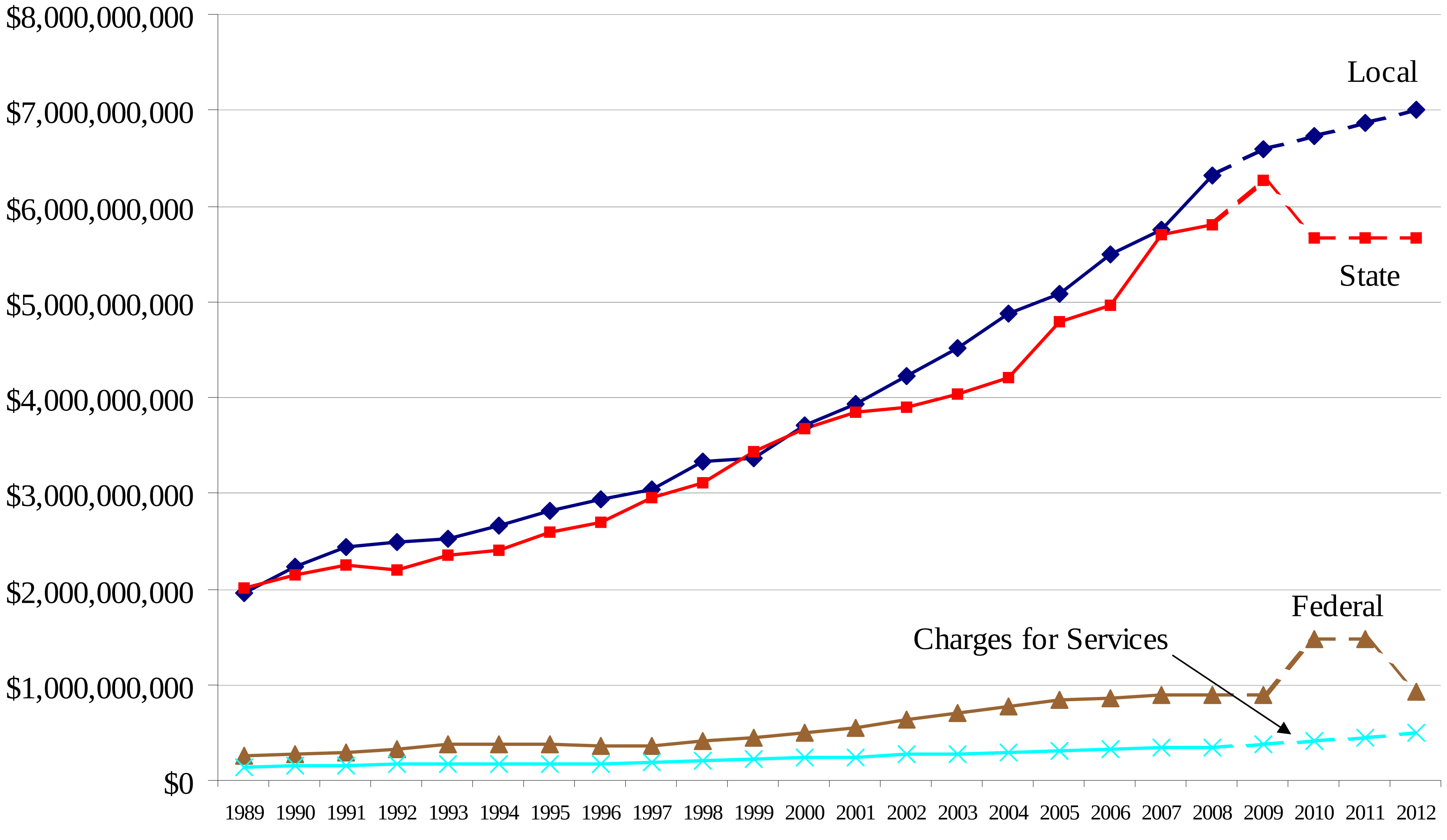
Adopted

- One-third reduction in support position funding (1:4.03 instructional positions) adopted for FY 10 appropriations ($341 mil.). Still considering policy for 2010-12.

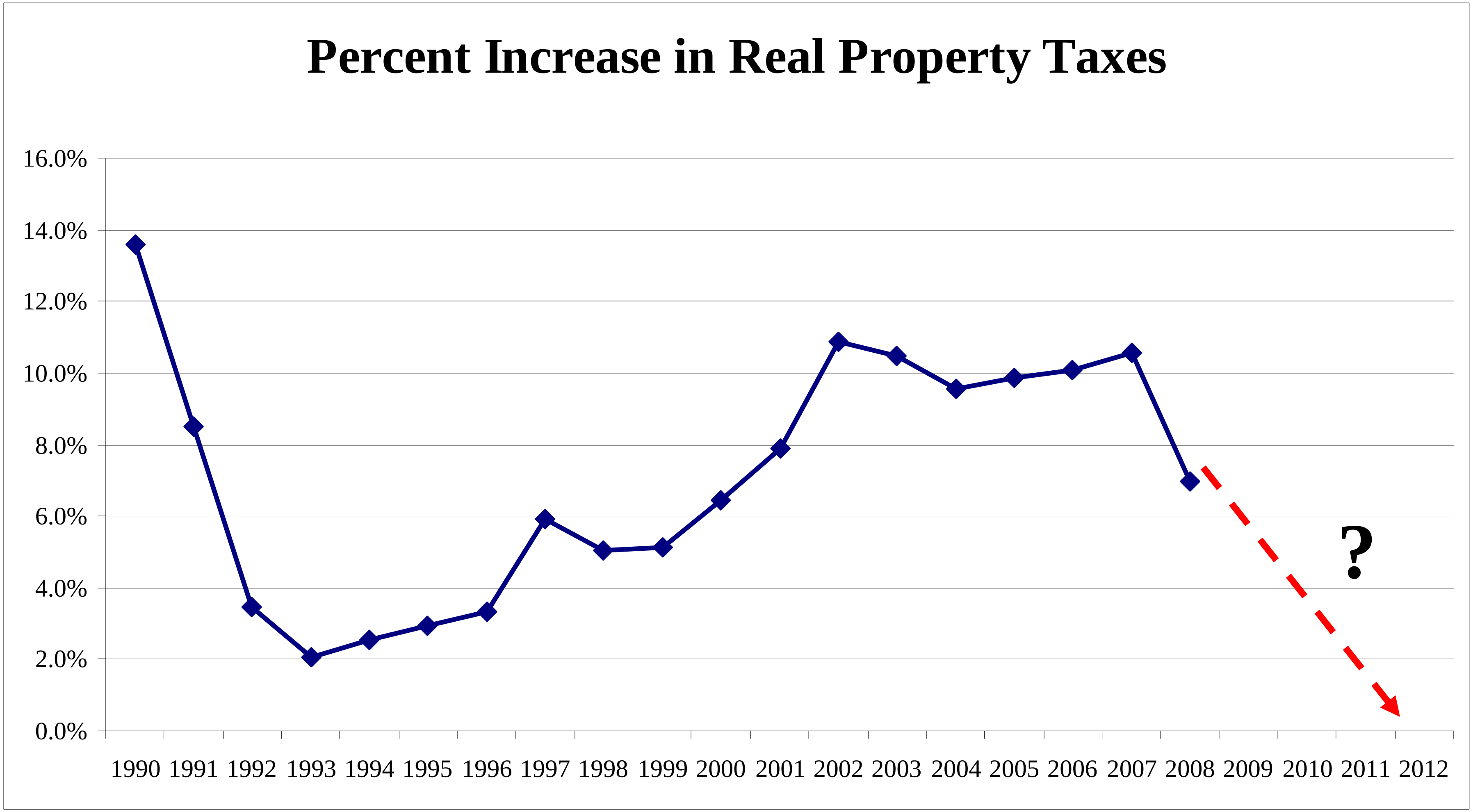
Proposed

- 2004 Governor proposal to deduct 100% of federal revenue from SOQ ($177 mil.)
- 2004 House proposal to lower state contributions for teacher retirement by capping the contribution rate.
- 2008 House proposal to recognize only state funded salary increases in re-benchmarking process ($227 mil.).
- 2008 House proposal to remove cap on the federal deduct ($22 mil.)
- 2009 Senate discussion to defer state textbook funding ($79 mil.)
- 2009 Governor’s proposal to supplant remaining additional lottery support for school construction and operating costs ($61 mil.)

Possible K-12 Operating Funding Scenario



Large Increases in Real Property Tax Revenues are Ending



Shrinking Transportation Program

- In June, the CTB approved a budget and new six-year improvement program for 2010-2015 that:
  - Had $3.2 billion *less* for highway construction than the 2008-2013 program
  - 20% less transit operating support than the 2008-2013 program
  - Still prioritizing maintenance, but reduced street maintenance from 4% to 3% annual increases.

Major Policy Changes Proposed for FY09 - FY15 Six-Year VDOT Program

- Mostly eliminates state formula distributions for unpaved roads, primary, secondary and urban systems.
- Surface Transportation Program federal formula funding will no longer be distributed by locality starting in FY11. CTB will do the programming.
- State can support no more than $2 billion in debt - unable to issue all $3 billion in bonds authorized in 2007.

MAJOR FY 2011 BUDGET DRIVERS
CAUSING STAFF TO PRE-PLAN

Comparison of Adopted FY 2010 to Projected FY 2011
General Fund

1. Debt Service: Increased Payments $866,161 including Build America Bond Subsidy Reduction and Refund Savings

   Due to the additional bond issuance in July 2009.

2. Health Insurance: Increased Premiums 9% ($574,013)

   Based on prior year estimates, however the City has faired better in the past due to the Wellness Program and a “bit of luck”.

3. Virginia Retirement System (VRS): Increased Payments 4% ($367,787)

   Based on the latest information from VRS.

4. Potential Aid to the Commonwealth: Consistent with FY 2010 - $500,000

   Based on the past two required payments to the State.

5. Electric Utility rates: Increased Rates AEP 16% ($182,719); Natural Gas 5% ($16,776)

   Based on the best information from Public Works.

6. Capital Improvement Program: Increased Pay-As-You-Go $4,321,843

   Based on information provided in the FY 2010 – FY 2014 CIP.

7. Fleet Replacement: $1,700,500

   Based on the best information from Fleet. No replacements were budgeted in the General Fund for FY 2010.

8. Other Post Employment Benefits: $128,000

   Based on a 10 year phase-in plan. A General Fund contribution was not budgeted for FY 2010.

9. Employee Compensation: 1% salary increase $524,000

   Based on current payroll. A 3% pay-for-performance pool has been typically budgeted prior to FY 2010 ($1,572,000).

   In addition, City pay range minimums and average pay have held fairly steady at about 10% below the market averages. (cost to be determined)

High Level Workforce Issues

Retention

Current Situation:

- Employees don't have many other opportunities available and are not inclined to leave a stable job at this point.
- Employers are not actively recruiting except in specific areas, and are conservative in their salary offers.

Future Concerns:

- Once the economy rebounds, many employers will need to ramp up staffing that was lost during the hard times.
- The City must position itself so that employees will not leave in large numbers as they may be inundated with offers

Compensation

Current Situation:

- Compared to the market, City pay range minimums and average pay have held fairly steady at about 10% below the market averages.
- Have not totally overhauled the pay system for several years due to the high cost.
- A 1% pay increase in the general fund costs $524,000
- The minimum wage recently increased to $7.25 per hour

Future Concerns:

- We must make efforts to improve our pay ranges and actual pay compared to the market. Many employers are holding down salary costs and not all are doing so and they are not doing so equally across all jobs.
- High demand employees, primarily IT and engineering positions in the private sector, and public safety and utilities positions in the public sector may be seeing increases and other actions to hold on to them.
- We must ensure that our salaries and ranges for <u>all</u> employees are competitive when the market rebounds. The employer who can make these adjustments in the quickest and most efficient manner will be the winner when that time comes.
- The increased minimum wage raises a compression concern for other employees currently making just above the $7.25 rate

Benefits

Current Situation:

- Our benefit costs, or at least the rate of increase, have been lower than the state and national trend due to strong management, plan design and cost sharing strategies.
- VRS continues to be the largest single benefit cost and the rate decisions are out of our control

Future Concerns:

- Our ability to continue to slow the rate of benefits costs into the future is not certain as we've done about all we can with the plan design and administrative expenses.
- Increasing employee costs without base pay improvements will not work into the future
- Initial information from VRS indicates that we may see a rate increase of 4% or more for FY2011

Regulation:

Current Situation:

- Changes in 2009 have increased Family & Medical Leave coverage (including coverage of military employees and their families)
- The number of individuals covered by the Americans With Disabilities Act has increased due to amendments
- The impact of legislation such as the Genetic Information Nondiscrimination Act is unknown at this time, as are upcoming changes in regulations under the Equal Employment Opportunities Act.

Future Concerns:

- Passage of the Healthy Families Act, which would require paid sick leave for most employees, including temporary employees, appears likely
- We are also expecting eventual passage of the Public Safety Employer-Employee Cooperation Act which requires all state and local government employers to engage in collective bargaining with their Police and Fire employees.
- Even more far-reaching will be the impact of proposed regulations regarding health care.

Questions to be Answered with Requests to Fill Vacancies
Created by Retirement

1. Assuming the position is not filled, when will the costs associated with retirement (incentive, leave payout, etc.) be fully covered by vacancy savings? Please provide a specific date at the start of a pay cycle.

2. Has the job description been reviewed for relevance and accuracy looking forward?

3. Assuming that the work associated with the position is still necessary, can any or all of the position's responsibilities be fulfilled by alternative means such as:

   - Assignment to another individual or department
   - Consolidation or collaboration
   - Technology
   - Part-time or temporary assignment
   - Outsourcing to the private sector or another third party?
   - Redesign of the work for greater efficiency and cost savings?

   Explain why or why not and the costs/benefits of each approach.

4. Will there be negative consequences of leaving the position vacant? Be specific; e.g. overtime or hiring part-time help (provide an estimated cost per month), gaps in service (what?), other costs?

5. After you've taken your best shot, what happens if the answer is "no"?

6. If it is determined that it is necessary to fill the position prior to savings starting to accrue, what actions will be taken to achieve, at a minimum, the savings necessary to cover the costs of the retirement? One way to do this would be to promote someone into the vacated position and leave the subordinate position open.

FY 2011 COST SAVINGS INITIATIVE
APPROACH STRATEGY

Departments will be asked to provide information in three phases. The Statement of Purpose and Guiding Principles developed by the Leadership Team will serve as guidance for the process.

Phase I – Questions to Departments
Responses due by July 1, 2009

1. Using the template provided, list services (external and/or internal) that are delivered by your department. Rank them in order of priority and indicate approximate costs and staff count associated with the service.
2. What internal services are paramount to accomplishing the work of your department?
3. What functions are performed in your department that are also performed in one or more other department(s)?
4. What departments do you interact with the most? List the top three and describe the interactions.
5. How could the external or internal services provided by or to your department be delivered differently (consolidation, collaboration, privatization, elimination)?

Phase 2 – Employee Suggestions
Responses due by August 1

Departments will respond to employee suggestions. Past suggestions will be consolidated; a template for response has been provided.

Phase 3 – Redesign FY2011 Budget
Due by November 1

Ask departments to rebuild their budget for FY2011 based on the information gathered in Phase 1 and Phase 2. Each department is to assume resources equal to 90% of FY 2010 allocations from which to fund an appropriate mix of services. The prioritization done in Phase 1 should guide budget development. Opportunities for collaboration and consolidation should be considered and any services proposed for elimination should be identified.

Parallel Tasks

Incorporate opportunities for citizen and employee engagement during the process. (TBD)

Work in Progress
Potential Cost Savings Initiatives Identified by the Leadership Team

Category	Potential Change	Priority Rank	Stakeholders	Cost / Savings	Pros	Cons
Administrative Consolidation/ Centralization	Consolidate medical/dental plans with schools	High	City HR/Schools		Makes sense as long as costs do not increase Creates a larger pool with bigger buying power Creates the possibility of similar cost savings measures in both organizations	Possibly a reduction in services to one group
Cost Avoidance	Reduce energy consumption	High	All departments LT lead		Reduce city costs	Will require employees to be more energy conscience Will require some capital investment to replace some building systems
Council Policy Decision	Stop the Land Use Deferral Program	High	Assessor City Council	+ 95k	Generate $95,000 (+/-) annually Saves admin headaches and minimizes admin time	Higher tax bill for current participants

Category	Potential Change	Priority Rank	Stakeholders	Cost / Savings	Pros	Cons
Generate Revenue	Create adopt-a-park and adopt-a-field programs, youth athletic clubs would become responsible for preparing fields for play. This is contingent on park management and park maintenance being consolidated.	High	Parks & Rec Public Works			
Operational Consolidation	Consolidate Juvenile Services' food services with Schools' food services	High	Juvenile Services Procurement Schools Parks & Rec	TBD	Potential cost savings in staff & food costs	The ability to meet strict USDA standards concerning transporting food, maintaining proper food temperature and special dietary needs.
Outsource/ Contract Service	Contract out utility billing	High	Financial Services Utilities IT			Must factor in data integration issues, esp. for desired electronic billing

Category	Potential Change	Priority Rank	Stakeholders	Cost / Savings	Pros	Cons
Redesign Work	Co-locate group homes with Detention Center	High	Juvenile Services Police City Atty	TBD	Potential for significant cost savings, i.e. staff, utilities, food, fleet; provide better continuum of care for youth	Security issues
Service Reduction	Increase the response time for pc support issues	High	IT All Depts		Could result in decreased staff needs	Could affect City department productivity, and therefore cost more (see Social Services)
Technology Improvements Change	Replace full pc's with "thin pc's" where appropriate	High	All Depts IT		Cost per unit is less	Requires increased expense in data center

Citizen Engagement Proposal

Lynchburg is Listening
A Community Conversation About the Future of Our City

Intent

This proposal is intended to create an avenue to engage citizens in the development of the FY 2011 budget. It is also intended to be the first step in the ongoing process of citizen engagement and community building.

Purpose

- To listen to citizens regarding their priorities for City services.
- To begin an ongoing conversation with citizens about our City.

The Invitation

Invitations will be sent to citizens that have already been engaged with the City and the community. These individuals volunteer in a number of capacities with the City and includes Citizen Academy graduates, members of Council-appointed Boards and Commissions, Community Dialogue, and citizens who volunteer with various departments including Parks and Recreation, Juvenile Services, Library (Friends of the Library),and Public Works. The list includes over 600 individuals. *Note: Citizens who volunteer in the City but live in one of the counties have been removed from the list.*

The Process

- At least four sessions will be held and invited citizens will be asked to attend each session.
- Each session will be held in a location that allows for small group work.
- Participants will rotate among different small groups ("find 4-5 people in the room that you know the least and sit with them")
- Members of City Council will act as conveners
- City staff will not participate in small group discussions but will be present to listen and to answer any 'technical' questions.

Roles

Conveners (City Council Members)

- Demonstrate ongoing visible commitment. The Mayor, Vice Mayor or Council Member can help keep participants at the table by demonstrating that they care about the progress the group is making. Even if the Convener can't be present at every meeting, he or she should send signals demonstrating on-going interest.
- Be inclusive. Conveners should be sure that a wide variety of people from different perspectives are involved. They should welcome participants from all interests—not just those with obvious interests, but also those with the economic, political, or technical resources that will help make for successful outcomes.
- Listen rather than participate.
- Be impartial as to the solution. Participants must believe that the Convener is not predisposed to one side or another and is trying to find a solution that all sides can embrace. The Convener may need to work in a bipartisan fashion with

a co-Convener from the other side of the aisle, to ensure the perception of impartiality.

Staff (City Manager, Deputy City Manager, Leadership Team)

- The role of staff is to welcome participants.
- Listen rather than participate.
- Answer any questions participants may have.
- Be open to ideas, comments, with no preconceived solutions.

Participants (Lynchburg citizens)

- Commit to the process.
- Attend all four of the sessions
- Actively participate in discussions
- Listen when others are talking
- Help keep the discussion on track

<u>Session One</u>

Overall Focus	Building Relationships with one another
Welcome and Purpose of Conversation	Mayor, Vice Mayor, or Council member
Icebreaker	What did you have to give up so you could be here tonight?
Focus Question:	What made you choose to call Lynchburg home or What do you love about Lynchburg? Move to new group
Focus Question:	What do you tell others about Lynchburg?
Break	(Join other groups)
Focus Question:	What did you hear others in the room say about Lynchburg?
Closing	Brief explanation of and invitation to next session

<u>Session Two</u>

Overall Focus	Building Relationships with one another (continued)
Welcome	Mayor, Vice Mayor, or Council member
Focus Question:	What doubts and reservations do you have about this process?
Focus Question:	What would a successful outcome look like to you?
Focus Question:	What is the commitment you are willing to make to this process?
Break	

Focus Question:	Based on your personal financial situation and the state of the local, state, and national economies, what do you fear?
Closing	Brief explanation of and invitation to next session

Session Three

Welcome	Mayor, Vice Mayor, or Council member
Explanation of Budget Challenges	City Manager or Deputy City Manager
Overall Focus	Building a City
Focus Question:	What are your expectations of City government?
Focus Question:	What should the priorities be for City government? Move to new group
Break	
Focus Question:	In the order of importance, rank the non-mandated services you believe are important to the livability of this community.
Focus Question:	Review the costs of each service. Which services are you willing to purchase with the funding available?
Closing	Brief explanation of and invitation to next session

Session Four

Welcome	Mayor, Vice Mayor, or Council member
Results of Last Session	City Manager or Deputy City Manager
Overall Focus	Gifts and Possibilities
Focus Question:	What gifts are you willing to offer to fill the gap between what can be purchased and what may contribute to community livability but is not affordable?
Focus Question:	What possibilities did this process reveal to you?
Next Steps/Closing:	City Manager or Deputy City Manager

Department/Division:___________________________ Page ___ of ___

List services in order of the level of priority with the highest level listed first with subsequent services in descending priority

Service	✓ if Mandated	Estimated Annual Cost	Staffing Count	Notes

City/Schools Consolidation Initiative

(Notes as of July 16, 2009)

Areas to Examine: Finance
Buildings & Grounds
Capital Projects Management
Information Technology
Fleet Management
Procurement
Human Resources
Communications & Marketing
Parks & Recreation
Transportation (including GLTC & bus fleet mgmt)
Food Service
Libraries
Energy Management
Youth Programs

Principles

- Consolidation/collaboration is the goal set by City Council and the School Board
- We must continue to support and enhance an excellent learning environment
- We will seek to eliminate redundancy wherever possible
- We will seek to improve the efficiency and effectiveness of services
- We will seek demonstrated costs savings
- We will develop a reasonable, but aggressive, timetable for change

Questions

1. What are the essential services that support the learning environment?
2. What similar services are provided by City departments?
3. What activities can be consolidated without harming the learning environment?
4. What are the barriers to consolidation or greater collaboration?
5. What are the short term, mid-term and longer term opportunities and when might they be achieved?

Task: Determine order of interviews with peer department heads.

We will use the following order for the discussions:

1. Finance & Procurement
2. Human Resources
3. Buildings & Grounds w/Capital Projects Management and Energy Management (possibly including Parks & Recreation)
4. Information Technology (including security systems & telephones)
5. Fleet Management & Transportation
6. Communications & Marketing
7. Food Service (include Parks & Rec.)
8. Libraries
9. Youth Services

The schedule so far:

May 27th, 8:00 a.m.—Finance & Procurement

June 10th, 8:00 a.m.—Financial Services

June 23rd, 8:00 a.m.—Financial Services cont.

July 16th, 1:30 – 3:30 p.m.—Discussion regarding hiring a consultant to examine City and Schools financial systems and recommend a plan for consolidation. Finance, IT, and HR will participate.

August 5th, 8:00 a.m.—Follow up on Finance and HR systems discussion and determine schedule moving forward.

Notes from May 27th Meeting

Discussion mainly centered on Procurement. Schools is losing the individual whose responsibility has been procurement.

City will administer Request for Proposal (RFP) processes for Schools. Purchase orders will still go through Schools.

City will provide EVa training for Schools staff.

Preferred vendor lists and annual contracts will be consolidated and shared with both organizations. Will work to put this information on the City intranet site (something else to consider—consolidating City & Schools intranet sites)

Will explore the feasibility and timing of consolidating purchasing cards (P-cards). Schools has separate purchasing cards and travel cards. City uses one card for both purposes since it is able to individually limit card usage. Will work to have one provider for both organizations.

Will examine natural gas and electricity rates of the two organizations.

Will further discuss Financial Services on June 10.

<u>Notes from the June 10th Meeting</u>

Discussed memorializing procurement agreement. Amendment to City Code will go to Council on June 23rd. Ask the School Board to adopt a resolution on June 16th authorizing/acknowledging City's role in procurement of goods and services for Schools. Get the proposed code amendments to Dr. McKendrick ASAP.

The issue of insurance came up. Both the City and Schools are in the process of renewing property and liability policies. Schools buildings are insured through Scott Insurance. Does the City also insure the buildings since they are owned by the City? If the City is going to assume greater responsibility for the buildings why wouldn't it also insure the buildings and simply add them on to its coverage through VML Insurance? Schools used VML for coverage for one year but were dissatisfied. There were issues with other types of coverage (such as student field trips) where VML was not responsive.

Could the City's Risk Manager assume some responsibility for Schools insurance coverages? Presently, there is no individual in Schools assigned this responsibility as a primary duty. Kim will send Paul a copy of the Risk Manager's job description.

We will also plan on talking about Workers Compensation and Unemployment Insurance when we meet with the Human Resources peers.

The remainder of the meeting was taken discussing how the Schools offer to accept $500,000 less in local funding in FY 2010 would be handled. Paul will send a copy of the minutes of the School Board's action and Beverly will provide amended budget summary sheets. Council will be asked to amend the City and Schools budgets and reduce its transfer to Schools on June 23rd.

Continued discussion of Financial Services planned for June 23rd at 8:00 a.m. in the Schools Administration building.

Notes from the June 23rd Meeting

Paul asked what the Schools get for their payment in support of the Network Engineer in IT. The Schools pay approximately $120,000 which covers part of the position's salary and for network services and hardware.

Further discussion on insurance. The Schools just got a copy of their renewal from Scott Insurance and will share it with the City for the Risk Manager to review. The Risk Manager will also talk to the agent from Scott Insurance about insuring the Fort Hill School.

The discussion then turned to financial management.

1. What are the essential services that support the learning environment?

   Accounts payable*
   Payroll, including benefits* and contracts
   Grant monitoring*
   DOE Reports
   Oversight and training of bookkeepers in schools
   Activity accounts (audited separately)
   Budget*
   CIP development*
   General Ledger, including Fixed Assets*
   Audit*

2. What similar services are provided by City departments?

   See the starred items above.

   Note: school buildings are included in the City's Fixed Assets already.

3. What activities can be consolidated without harming the learning environment?

   Ideally, Accounts Payable, Payroll and General Ledger would all be combined in one financial system. Roanoke City may be an example.

4. What are the barriers to consolidation or greater collaboration?

   Software is the main barrier. The Schools have recognized for years that they need to replace their financial management software and the City has issues with the New World System software that it uses. There is concern about the long term viability of both systems. The high cost of a new system has been a significant barrier.

5. What are the short term, mid-term and longer term opportunities and when might they be achieved?

   Look at whether or not the City can get on the Schools Kronos (time worked management system) license and if it can be linked to the new work management system and City payroll. This would help the City to automate the payroll function and could allow for the reduction of the number of positions devoted to payroll functions in the departments.

   In the mid-term, explore the idea of getting a consultant to examine both the City's and the Schools' financial management and human resources management systems to determine if they are being used to their full capabilities, if there is any opportunity for better communication between or consolidation of the existing systems, or if a new combined system is the best approach. The consultant would also be asked to provide a cost/benefit analysis of moving to a new consolidated system.

   In the longer term, treat this initiative as a capital investment and develop a timetable for implementation and a plan of financing.

It was decided that we should continue exploring the idea of hiring a consultant to look at both systems and propose a pathway toward consolidation. All agreed that the staff has neither the time nor the expertise to undertake this project without third party assistance. IT and HR need to be in the discussion regarding how to develop an RFP for consultant services, to clearly identify goals and an expected scope of work.

Accordingly, HR and IT representatives will be invited to the next meeting scheduled for Thursday, July 16th from 1:30 to 3:30 p.m. in the Schools Administration Building.

<u>Notes from the July 16th Meeting</u>

Broad discussion regarding the goal of hiring a consultant and the scope of services desired. Decided that the best approach would be to look for other localities that have consolidated their Finance and HR systems, ask about their experiences and who assisted them in their efforts. Everyone could utilize their professional networks and list servers to ask which localities feel that they have successfully consolidated systems with schools and to what extent. Time was then spent on crafting the question.

The question:

"The City of Lynchburg and Lynchburg City Schools are exploring opportunities for consolidation and collaboration to produce costs savings and greater efficiencies. One area of focus is the systems that help to manage common activities in human resources and finance. We would like to hear from localities that have developed a totally or partially consolidated financial/HR system for the local government and schools that is on one platform. The ideal system would accommodate functions common to both activities such as the following:

- *<u>Finance</u>: General Ledger, Accounts Payable, Accounts Receivable, Payroll, Budget, Procurement, Fixed Assets, Governmental Reporting, Project/Grant Accounting*

- *<u>HR</u>: Position Control, Benefits, Training, Compensation Management, Employment History, Governmental Reporting*

It would also have the flexibility to integrate unique needs such as textbook inventory, student management, tax management, etc.

Our question is: If you believe that you have successfully consolidated local government and schools financial and HR systems please provide a brief description of your system, including its software vendor and operating platform."

<u>Potential follow-up questions</u>:
How long have you had a consolidated system?
How many people work with the system to deliver financial and HR services?
Have you realized savings due to the system?
Who assisted you in the development of a consolidated system?

There was general agreement that consolidation should lead to quantifiable metrics regarding cost savings or cost avoidance.

Next meeting August 5th, 8:00 a.m., School Administration.

Class Title: Clerk of Council

Description **Benefits**

Performs complex professional and administrative work in directing and coordinating the activities of the City Clerk's Office, by performing the following duties.

Examples of Duties:

ESSENTIAL DUTIES AND RESPONSIBILITIES Other duties to provide direct or indirect service to the citizens may be assigned.

• Attends and records the action of all meetings of City Council;
• Plans, assigns and directs all activities of the City Clerk's Office as prescribed by the Lynchburg City Code;
• Assists and advises the City Manager, City Council, and other top management officials on City Council procedures/activities;
• Liaises with City Attorney to ensure that actions by City Clerk and City Council are in compliance with local and state laws;
• ~~Advises the City Council and City Manager on state and local laws affecting the local governing body;~~
• ~~Oversees~~ Liaises with the record manager regarding the maintenance of all permanent records and materials associated with actions by City council as required by city and state laws; ~~interprets, plans and prepares recommended policies, guidelines and instructions to be followed in the management of "public records" consistent with Code of Virginia; consults and provides guidance to departments and constitutional offices in the management of these records;~~
• Oversees preparation and administration of annual operating budgets for City Council and City Clerk; ~~and approves the annual operating budget for the Public Information Division;~~
• Prepares written reports as directed by the City Manager and/or City council, including making oral presentations to City Council;
• Maintains ongoing relationship with other ~~city managers and county administrators and~~ local and state officials; ~~in matters concerning City Council activities;~~
• Advises and assists the citizenry and news media in explaining various City Council laws and procedures;
• Oversees the distribution and retention of various disclosure statements as required by the Virginia Conflict of Interests Act;
• Liaises with the commonwealth Attorney to ensure City Council's and top management officials' compliance with the Virginia Conflict of Interests Act;
• Assigns, counsels, disciplines, evaluates and guides professional development of ~~Clerk's~~ Council/Manager Office staff;
• Assists and advises the City Manager and City Council on sensitive and confidential matters;
• Oversees the maintenance of City Council's Boards and Commissions Volunteer Program;
• Oversees the maintenance of the Lynchburg City Code, including preparation and printing of all supplements;

ADDITIONAL JOB DUTIES
• Other duties to provide direct or indirect service to the citizens may be assigned.
• When unusual situations occur and/or the City Manager declares a State of Emergency, all City employees may be required to accept special assignments and perform as needed to ensure appropriate service delivery.

SUPERVISORY DUTIES
Supervises ~~three~~ four employees in the ~~Clerk division~~ Council/ ~~of the City~~ Manager offices. Is responsible for the overall direction, coordination, and evaluation of the employees. Carries out supervisory responsibilities in accordance with the organization's policies and applicable laws. Responsibilities include interviewing, hiring, and training employees; planning, assigning, and directing work; appraising performance; rewarding and disciplining employees; addressing complaints and resolving problems.

Minimum Education and Experience Required:

QUALIFICATIONS To perform this job successfully, an individual must be able to perform each essential duty satisfactorily. The requirements listed below are representative of the knowledge, skill, and/or ability required. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

EDUCATION AND/OR EXPERIENCE
Bachelor's degree from four-year college or university with major work in public administration or related field, and extensive experience in an executive or legislative office; or equivalent combination of education and experience.

Other Qualifications:

LANGUAGE SKILLS
Ability to read, analyze, and interpret general business periodicals, professional journals, technical procedures, or governmental regulations. Ability to write reports, business correspondence, and procedure manuals. Ability to effectively present information and respond to questions from groups of managers, clients, customers, and the general public.
MATHEMATICAL SKILLS
Ability to add, subtract, multiply, and divide in all units of measure, using whole numbers, common fractions, and decimals. Ability to compute rate, ratio, and percent and to draw and interpret bar graphs.
REASONING ABILITY
Ability to solve practical problems and deal with a variety of concrete variables in situations where only limited standardization exists. Ability to interpret a variety of instructions furnished in written, oral, diagram, or schedule form.
INTERPERSONAL SKILLS
Advance interpersonal and management skills required to manage diverse and/or complex activities; conflict resolution and negotiation skills for working with citizen, elected officials, and City management.

Other Requirements:

Possession of ~~Certified~~ Master Municipal Clerk designation.
Must reside in the City of Lynchburg.

Physical Demands:

PHYSICAL DEMANDS The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

While performing the duties of this job, the employee is regularly required to use hands and fingers to operate a computer keyboard, mouse and telephone keyboard and talk or hear. The employee frequently is required to sit and reach with hands and arms. Specific vision abilities required by this job include close vision, and ability to adjust focus.

Work Environment:

WORK ENVIRONMENT The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.
Work is performed in a normal office environment. The noise level in the work environment is usually quiet.

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MANY VOICES - ONE COMMUNITY

COMMUNITY DIALOGUE ON RACE & RACISM

Many Voices – One Community
Community Dialogue on Race and Racism
City Council Retreat Update

Vision: Lynchburg is a community where all people have equal access to resources, opportunities and legal, political, and social power

The Board has developed the following strategies to work toward the vision:

- Create and support community conversations about race and racism among people of all races from all walks of life.
- Transform institutions and systems to make racial equity a reality.
- Increase awareness of opportunities to create and support racial equity.
- Create an accessible and welcoming environment that supports meaningful participation in the work of Many Voices - One Community.

On-Going Study Circles

- Paired Churches
- City of Lynchburg Employee Study Circles
- 5 Community-wide Study Circles since February 2009
- Centra Health
- New Community-wide Study Circles beginning in September

Action Group Projects

Police Action Group: Held a focus group meeting with African-American males and a session with minority police officers to gain more understanding about their perspective on race and the Police Department

Communications/Media Action Group: Ongoing promotion of participation in the 2010 Census

Faith Based Action Group: Organized and facilitated two Interracial Gatherings of Clergy; Formation of an Interracial Ministerial Association

Education Youth & Family Support: Creating a Study Circles program in the public schools including a curriculum that will teach about racism in grades K-12; developing a community resource guide for parents and students to reduce the education achievement gap; Developing a program to fund college tuition for Lynchburg City Schools graduates

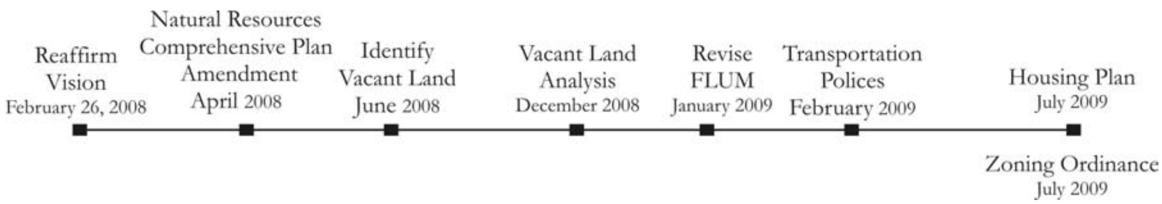
Workforce Development: Created a Workforce Development Resource List for at-risk youth

Citizen's Advocacy/Strengthening Community: "All Hearts Are the Same Color" button initiative to promote awareness of the Dialogue and a tangible commitment to standing up against racism

Plan for Revising the Zoning Ordinance and Updating the Comprehensive Plan

On February 26, 2008, the City Council and Planning Commission reaffirmed the Vision of the *Comprehensive Plan 2002-2020*. This was done as part of the five year review of the Comprehensive Plan and in order to set priorities for updates to the Comprehensive Plan and the Zoning Ordinance.

The following is the schedule that was set forth at the February 26, 2008 meeting:



Since February 26, 2008, there have been several circumstances that made the original schedule unobtainable.

- The Planning Division staff has been reduced by two. One was reassigned due to reorganization of the department and one position was left vacant due to retirement.
- The Planning Division contributed $113,628 from its FY2009 consulting services budget line item to the FY2009 cost saving initiative.
- The Planning Division requested $100,000 in the FY2010 budget for consulting services; $1,500 was ultimately approved in the Adopted budget.
- A comprehensive rewrite of the Zoning Ordinance is estimated to cost $200,000 and could take as long as two years with the services of an outside consultant.

Although the original schedule has not been met due to the circumstances listed above, significant progress has been made in updating the Comprehensive Plan and the Zoning & Subdivision Ordinances:

- Flexible Space Developments – Adopted September 2004
- Sign Ordinance – Adopted June 2004
- General Regulations – Adopted June 2006
- Landscaping Ordinance – Adopted October 2006
- Nonconforming Uses – Adopted October 2006
- Landscaping Ordinance Amendment – Adopted April 2007
- Fifth Street Revitalization Corridor Overlay District – Adopted December 2007
- Historic District Guidelines – Adopted March 2008
- Public Hearing Amendments – Adopted April 2008
- Flood Plain Amendments – May 2008
- Semi-Detached Dwellings Ordinance – Adopted April 2009
- Vacant Land Analysis – Background information collected June 2009
- Large Scale Retail Ordinance – August 2009, City Council work session
- Subdivision Ordinance – August 2009, Planning Commission work session
- Transportation Policy – August 2009, Citizen Steering Committee Review, August 2009 Planning Commission, October 2009 City Council public hearing
- Wards Road Pedestrian & Bicycle Plan – August 2009, Planning Commission public hearing
- Natural Resources Comprehensive Plan Amendment – August 2009, City Council public hearing
- Parking Ordinance – September 2009, City Council public hearing
- Lower Bluff Walk Overlay District – in Committee

To date, a phased approach has been taken to amending the Zoning Ordinance and Comprehensive Plan. Due to budget and staff constraints it is unlikely that a Comprehensive rewrite can be accomplished in the near future. It is recommended that Planning Division staff continue revising both documents as follows:

- Adopt all ordinances and plans under review – October 2009 (Large Scale Retail Ordinance, Subdivision Ordinance, Transportation Policy, Wards Road Pedestrian & Bicycle Plan, Natural Resources Comprehensive Plan Amendment, Parking Ordinance, Lower Bluff Walk Overlay District)
- Amend Zoning Ordinance per State Code – November 2009
- Complete Vacant Land Analysis – December 2009
- Complete Future Land Use Map Amendments – June 2010
- Create a Traditional Neighborhood Zoning District for pre 1976 areas – July 2010
- Revise definition sections of Zoning Ordinance – July 2010

Prepared by: Tom Martin, City Planner, July 29, 2009

Sustainable City Update

City Council Retreat

August 3, 2009

Purpose of Presentation

- Bring Council up-to-date on progress
- Seek endorsement to move forward

Members of Sustainable City Working Group

- Kay Frazier, Director of Parks and Recreation
- Lee Newland, City Engineer
- Mike Carroll, Manager, GLTC
- Kent White, Senior Planner
- Gaynelle Hart, Assistant Director, Public Works
- JoAnn Martin, Director, Communications and Marketing
- Marjette G. Upshur, Director, Economic Development
- Parks Snead, Chief, Police Department
- Tim Mitchell, Director, Utilities
- Bonnie Svrcek, Deputy City Manager

City Council Liaison: Council member Michael Gillette

Vision and Guiding Principles

- City Council adopted the Vision and Guiding Principles on August 12, 2008:

Vision: Lynchburg is a diverse community working together to promote a healthy and sustainable City with social, cultural, economic and environmental vitality, now and for future generations.

Guiding Principles

- Sustainability serves as a filter for City decision making and development of policy.
- The City recognizes that financial responsibility, environmental stewardship, economic development and social and racial equity are integrated elements of sustainability.
- Sound financial management and the appropriate use of taxpayer dollars are critical foundations to attaining the goals of sustainability.
- Engaging the community, building social capital and encouraging citizen leadership are fundamental elements in working towards a sustainable city.

Guiding Principles (cont.)

- A sustainable city is achieved through partnerships with the business community, citizens and local government.
- The City works to protect, preserve, and restore the natural environment.
- The City promotes active living, advances safe communities, and works to improve the social and physical environment.
- The City works towards a sustainable infrastructure.
- A sustainable city sets priorities and evaluates progress through performance indicators and outcomes.

Elements of a Sustainable City

Sustainable City Elements
(as approved by City Council 8/12/2008)

- Housing
- Citizen Engagement
- Fiscal Responsibility
- Economic Development
- Healthy and Active Living
- Safe Community
- Infrastructure
- Smart Growth
- Transportation
- Natural and Environmental Resources
- Education/Healthy Schools
- Cultural Enrichment
- Social Capital

Sustainable City Elements
(revised by Committee since 8/12/2008)

- Neighborhoods
- Citizen Engagement and Social Capital
- Economic Development
- Healthy and Active Living
- Safe Community
- Infrastructure
- Land Use
- Transportation
- Natural and Environmental Resources
- Lifelong Learning
- Arts and Culture

Explanation of Changes

- Fiscal Responsibility was removed as an element as the City Council adopted Principles of Sound Financial Management will be included in the Introduction to the Sustainable City initiative. Fiscal Responsibility is an over arching principle for all elements.
- Citizen Engagement and Social Capital have been combined due to the relationship between the two elements.
- Cultural enrichment has been renamed Arts and Culture.
- Smart Growth has been renamed Land Use.
- Education/Healthy Schools has been renamed Lifelong Learning.
- Housing has been renamed Neighborhoods.

Review of Vision and Principles for Sustainable City Elements

Arts and Culture

Vision: The City is a destination to discover and enjoy arts and culture.

Operating Principles

- Arts and culture are valued as a critical component of learning.
- Arts and culture are an important element in the lives of citizens and enhance community livability.
- Arts and culture are integral to civic dialogue and community building.
- Parks and public spaces contribute to the social and cultural history of the City.

Citizen Engagement and Social Capital

Vision: Lynchburg is a City in which citizens are engaged in participative democracy, interact with each other, learn from each other, and together make the community more than the sum of their parts.

Operating Principles

- Engaging the community, building social capital, and encouraging citizen leadership are fundamental to a sustainable City.
- Committed to providing accessible information to citizens as a means of promoting informed and active citizen participation in community issues.
- Offers an unbiased framing of policy issues in a way that allows the public to struggle with the most difficult choices facing decision makers.
- Involves a demographically balanced group of citizens in decision making processes that directly impact their community.
- Supports sustained involvement by the public on issues including feedback evaluation.

Economic Development

Vision: Create and support an environment where businesses develop, thrive and compete in the global marketplace.

Operating Principles

- Provide comprehensive services and assistance to attract and retain sustainable and innovative businesses.
- Recognize that economic development is an integral component of community livability.
- Encourage and support economic vitality.
- Collaborate with students, educators, entrepreneurs, business leaders, employees, nonprofit leaders, government officials and other citizens to grow a stable and diverse economy.

Healthy and Active Living

Vision: Improve the health and wellness of Lynchburg citizens.

Operating Principles

- Create and encourage built environments that support integration of physical activity into day to day life.
- Promote healthy eating and improve access to healthy foods.
- Provide a healthy environment by protecting natural resources and preserving and restoring open spaces.

Infrastructure

Vision: Develop, renew, repair, and replace the City's infrastructure in a manner that is cost effective, efficient, and sensitive to the community's needs.

Operating Principles

- Promote practices that encourage addressing existing needs so that future generations will not be left to address unattainable replacement needs of aging infrastructure.
- Promote practices that minimize the life-cycle costs of infrastructure.
- Consider true cost of service in the development of fiscal policy for owning and operating its infrastructure.
- Support best management practices including asset management and environmental management systems.
- Promote incorporating energy efficiency, environmentally friendly design, and other principals of sustainability, in the renewal, rehabilitation, replacement, and construction of infrastructure.

Land Use

Vision: Optimize the use of land and resources within the 50 square miles of the City, consistent with the principles of sustainable development.

Operating Principles

- Promote land use patterns that provide opportunities for a high quality of life, place-making, civic pride and a powerful, sustainable, economic engine for the community.
- Encourage smart growth.
- Preserve and provide for public, open, historic and culturally significant areas within the community.

Lifelong Learning

Vision: Recognizing the strong correlation between lifelong learning and sustainability, Lynchburg is a community that values, encourages, and supports the pursuit of learning opportunities at all stages of life.

Operating Principles

- Supports an inclusive environment in which everyone has the opportunity to learn.
- Recognizes the important role that business and industry, schools, institutions of higher learning, libraries, and both formal and informal organizations play in lifelong learning.
- Recognizes that a quality education system is a core component of a sustainable city.
- Encourages and provides opportunities for citizen engagement, public information, and dialogue about issues affecting the community's sustainability.
- Recognizes the important role that families play in creating an environment in which learning is both valued and encouraged.

Natural and Environmental Resources

Vision: Protect, preserve and restore the natural environment.

Operating Principles

- Maximize environmental benefits to the community.
- Minimize the City's overall ecological footprint.
- Manage renewable resources to ensure the sustainability of our community.
- Reduce/Recycle/Reuse to significantly minimize waste.
- Create systems, infrastructure, products and services that are energy efficient.
- Encourage stewardship from generation to generation.

Neighborhoods

Vision: Neighborhoods form the fabric of our community. Lynchburg is a community of vibrant, healthy and diverse neighborhoods.

Operating Principles

- Support the availability of innovative, safe and affordable housing choices.
- Sustain neighborhoods through partnerships with non-profits, developers, businesses, neighborhood groups, and citizens.
- Recognize and preserve neighborhood identity, character, history and diversity.
- Maintain a focus on community based assets in achieving self-sufficiency.
- Public safety is necessary for vibrant and sustainable neighborhoods.
- Promote mixed use neighborhoods where residents are able to work, shop and play close to home.
- Encourage pedestrian and bicycle friendly neighborhoods to promote active living lifestyles.

Safe Community

Vision: Citizens and visitors are safe and feel comfortable throughout the community

Operating Principles

- Engaged responsible citizens are vital to safe communities.
- Create and sustain a safe and welcoming community.
- Respect diversity.
- Maintain a high level of community-wide emergency preparedness.

Transportation

Vision: Create a multi-modal transportation system that reduces pollution and motor vehicle congestion while ensuring safe mobility and access for all.

Operating Principles

- Create a multi-modal transportation system that allows citizens access to goods, jobs, education and leisure.
- Provide a multi-modal transportation system that is affordable and economically sustainable for users and taxpayers.
- Ensure that transportation modes are safe and efficient.
- Support a transportation system that offers choices and seamless connections among modes and the region.
- Reduce automobile dependency in favor of affordable alternative and sustainable modes of travel.
- Provide a multi-modal transportation system that limits emissions, minimizes consumption of non-renewable resources, reduces the need for land for transportation infrastructure, reduces transportation-related noise, and reuses and recycles its components as much as possible.
- Create a multi-modal transportation system that supports a vital and growing local economy.

Some Accomplishments to date and Works-in-Progress

- **Active and Healthy Living:** Partnership with Lynchburg Grows; development of Regional Bikeway Plan; Wards Road Pedestrian Plan; Master Plan for Creekside Trail (Blackwater Creek to Lynchburg College)
- **Arts and Culture:** Authority from General Assembly to create an Arts and Cultural District; early stages of developing an Arts in Public Spaces program; *Everyday People* installation in City Hall lobby
- **Citizen Engagement and Social Capital:** Community Dialogue on Race and Racism; Citizens Academy
- **Economic Development:** Work underway to identify all brownfields in the City to add to development/redevelopment inventory
- **Infrastructure:** James River Interceptor

- **Land Use:** Parking Revision to the Zoning Ordinance;
- **Lifelong Learning:** "One" Programs (Grow One, Mentor One, Just Hire One, Business Rocks), Police Citizens Academy, Citizens Academy
- **Natural and Environmental Resources:** Participation in the Livable Neighborhood Water Stewardship Program (DEQ sponsored pilot program); Jefferson Street rain gardens
- **Neighborhoods:** Yoder Center Public/Private partnership
- **Safe Community:** Transition to 12-hour shift resulting in more officers on the street during peak periods
- **Transportation:** 38% of GLTC's bus fleet is hybrid powered, next year it will be 65%; over the last 3 years, transit trips have risen from 1 million to 3 million (primarily due to Liberty University use)-represents a modal shift from cars to public transit

Other Sustainability Initiatives in Progress

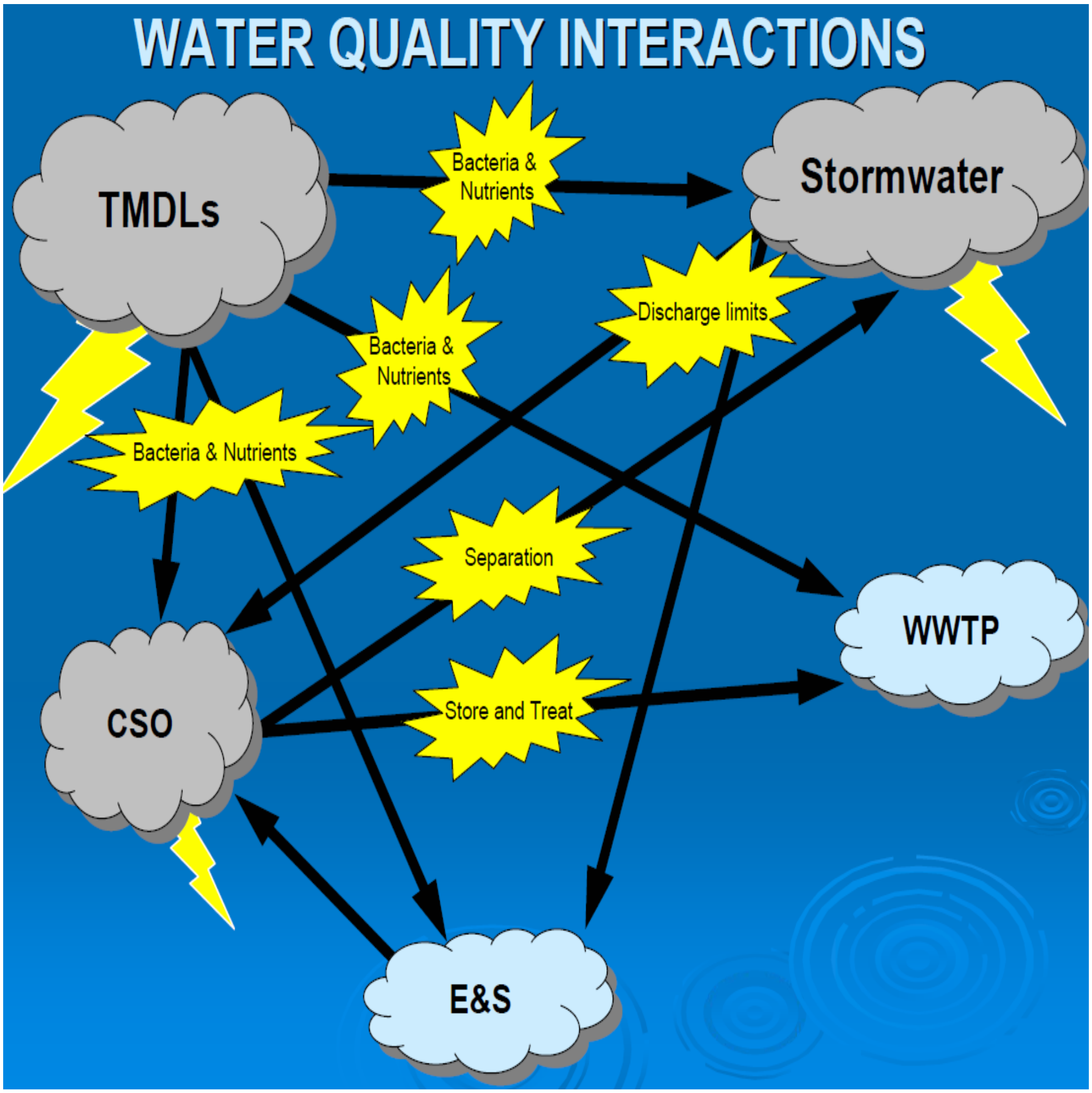
- **Transportation**: Intercity Rail Passenger Service begins October 2009
- Grant application pending for the Energy Efficiency and Conservation Block Grant

  (fund an Energy Manager, conversion of traffic signals and select street lights to LED technology, acquire equipment to reduce energy consumption in City Hall, Main Library and Human Services Building)
- City designated as a "Go Green" community by VML; will apply for this designation again this year
- Green roof on Juvenile and Domestic Relations Court
- Seeking Leadership in Energy and Environmental Design (LEED) certification for Sandusky Middle School and Juvenile and Domestic Relations Court

Next Steps

- Develop draft goals for each element (February 2010)
- Seek staff, Council, stakeholder input on goals (March-June 2010)
- Create stakeholder groups for each element to define objectives and action steps (June 2010)
- Report objectives and action steps to City Council (August 2010)
- Develop monitoring and reporting plan (September 2010)

Water Quality
"The Not So Perfect Storm"

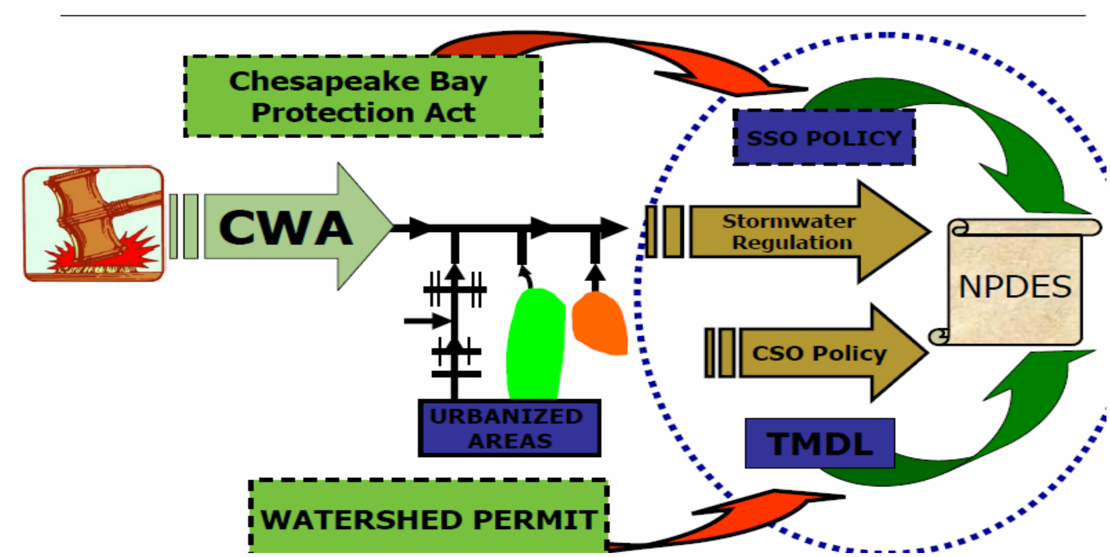


City Council Retreat
August 3, 2009

Summary

The City of Lynchburg recognizes the importance of the quality of water in our streams, rivers, and the Chesapeake Bay, for public health and safety, recreation, the economy, and natural habitat. Water quality can be impacted by any number of pollutants including nutrients, bacteria, sediment, chemicals, etc., each of which present their own set of challenges to cleanup and prevent them from entering the waterways. We are diligently working to "do our part" and more to protect and restore water quality through efforts such as the CSO Program, our Stormwater Permit, public outreach, oversight of construction activities, partnering with private groups, etc. That said, managing issues related to water quality is becoming increasingly more challenging and costly. As a result, we need to work towards a way to address water quality in the most efficient and effective manner possible.

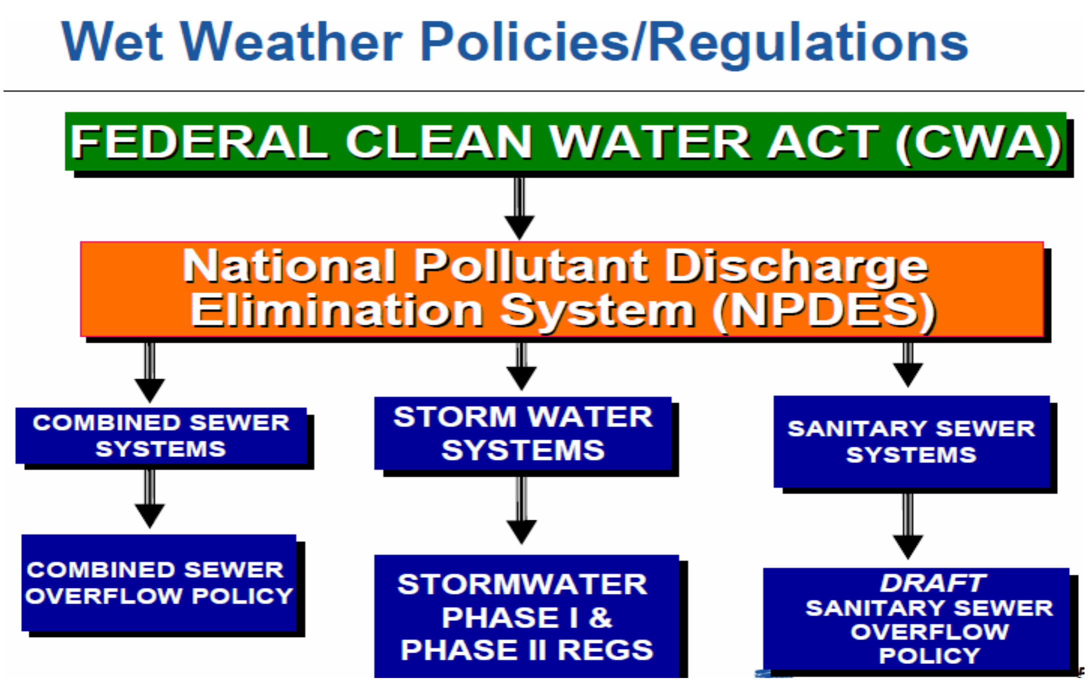
The issues related to water quality are extremely complex and intertwined as illustrated on the cover sheet. There are a number of regulatory efforts currently underway that are all converging at once, each of which impacts the other as well as many existing programs. Included in this document are: a brief description, timeline, and potential impacts of the current regulatory issues that will impact the City of Lynchburg through increased oversight, operational, and capital expenses, as well as, impacts to new and redevelopment. Also included are: definitions, descriptions of other efforts that will have bearing on how water quality is addressed, current City efforts, and questions about where we go from here.



Efforts underway include the Chesapeake Bay Nutrient TMDL, scheduled to be completed in December, 2010. The water quality in the Bay and this TMDL are overarching and will drive many of the issues such as stormwater permits, water quality standards, stormwater regulations, wastewater treatment plant permits, etc. However, it is not only the nutrient issues with the Bay that we have to be concerned about. In December, 2007, EPA approved a bacteria TMDL for seven streams in Lynchburg including the James River and Blackwater Creek. This means that none of these streams currently meet water quality standards for bacteria and as a result a cleanup or implementation plan must be developed to address the sources of bacteria such as CSO, failing septic systems, sanitary sewer overflows, pet wastes, and livestock. This will also be completed late in 2010.

Additionally, the State is currently revising its Stormwater Management Regulations. These regulations will shift more burdens to local government including inspections, enforcement, long term operation and maintenance issues. Additionally, these regulations will impact development and redevelopment by increasing requirements related to water quality and quantity which will result in additional costs.

The primary point to take away from all this is that there are many aspects and efforts ongoing to improve water quality, all of which are very complex and interdependent but with the single goal of meeting Water Quality Standards. Water Quality is a watershed issue, and does not recognize political boundaries. In some cases it does not matter where the reductions in pollutant loads come from, such as the case with nutrients. The challenge is to develop an approach that meets the various regulatory requirements, is the most cost effective, and achieves the greatest water quality benefit with the limited resources available.



Definitions

Best Management Practices (BMP's) – methods used to enhance stormwater quality.

Implementation Plan (IP) - identifies the corrective actions needed to meet the TMDL's water quality goal. IP's must include a schedule of actions and their respective costs and benefits, measurable goals, a monitoring plan, and a target date for achieving compliance with water quality standards.

Municipal Separate Storm Sewer Systems (MS4's) - includes ditches, curbs, gutters, storm sewers, and similar means of collecting or conveying runoff that do not connect with a wastewater collection system or treatment plant, owned or operated by a public agency.

Nutrients – such as nitrogen and phosphorous impact water quality by promoting the growth of algae. The algae then prevent sunlight from penetrating the water, impacting the growth of beneficial sub-aquatic vegetation. As the algae dies, it settles to the bottom where it decomposes robbing the water of critical dissolved oxygen.

Total Maximum Daily Load (TMDL) - is a calculation of the maximum amount of a pollutant that a waterbody can receive and still safely meet water quality standards.

Tributary (Trib) Strategies – efforts to assign waste loads for nutrients to various sources such as wastewater plants, agriculture, urban storwater, within a given watershed like the James River Basin.

Use Attainability Analysis (UAA) - a structured scientific assessment of the factors affecting the attainment of uses specified in the Clean Water Act (the so called "fishable/swimmable" uses). The factors to be considered in such an analysis include the physical, chemical, biological, and economic use removal criteria described in EPA' s water quality standards regulation.

Virginia Pollutant Discharge Ellimination System (VPDES) - Section 402 the Clean Water Act established the National Pollutant Discharge Elimination System to limit pollutant discharges into streams, rivers, and bays. In the Commonwealth of Virginia, DEQ administers the program as the VPDES permits for all point source discharges to surface waters.

Waste Load Allocation (WLA) - The maximum load of pollutants each discharger of waste is allowed to release into a particular waterway.

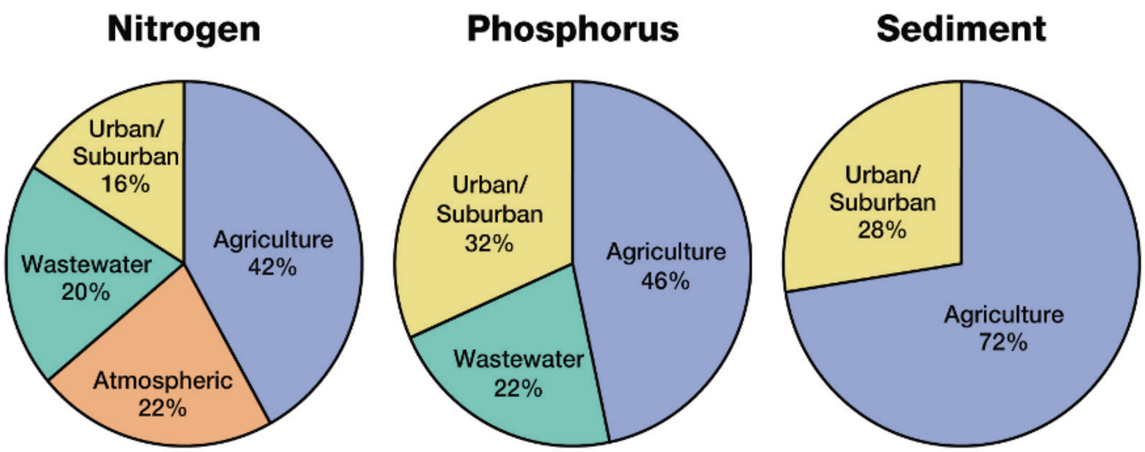
Key Regulatory Issues with Immediate Impacts

➢ Chesapeake Bay TMDL

Description:

The Chesapeake 2000 Agreement established a 2010 deadline for cleaning up the Bay. It has become obvious that this deadline will not be met. As a result, work is currently underway on developing a nutrient TMDL for the Bay, the largest, most complex TMDL ever, involving 5 States and the District of Columbia. This will be a cleanup plan to remove nitrogen, phosphorous, and sediment from the Bay. The TMDL lays the groundwork for future regulatory actions that will reach hundreds of miles upstream.

Significant factors that have occurred include updates to the Chesapeake Bay Water Quality Model. The previous model used for the development of the current Trib Strategies indicated that the modeled nitrogen loads upon implementation of the Strategies would be 175 million pounds per year (Mlbs/year) to the Bay, the updated model results indicate that the load is actually in excess of 235 Mlbs/year. This is significant in that an additional 60 million pounds per year need to be removed beyond what was previously thought. Leading to the use of terms such as E3 (everything, everywhere, by everybody) and pushing all sources to the limits of technology.



Timeline:

- Bay-wide and basin target loads due October, 2009
- State implementation plans due June, 2010
- Public comment due September, 2010
- Final TMDL due December, 2010

Potential Impacts:

- More stringent State regulations for stormwater
- Strict enforcement of wastewater and stormwater permits
- WWTP - Lower WWTP effluent limits on nitrogen and phosphorous resulting in significant upgrades (>$60 million).
- Stormwater – potential WLA for nitrogen and phosphorous, significantly impacting the City's storm water permit. Millions in potential costs.
- CSO – The Utilities Department in collaboration with the City of Richmond, City of Alexandria, Alexandria Sanitation Authority, DC WASA, McGuireWoods (attorney), and Limnotech (consultant); are working with the Chesapeake Bay Program on trying to secure a nutrient WLA for CSO communities in the TMDL process.
- Assigned reductions to all possible sources.

➢ Development of Virginia Storm water Management Program (VMSP) Permit Regulations

Description:

The Department of Conservation and Recreation (DCR) is moving ahead with amendments to the VSMP Regulations including: Part I – Definitions, Part II – Technical Criteria, Part III – Local Programs, and Part XIII - Fees. These amendments will address two major issues; water quality and water quantity. They will require virtually all localities to administer their own stormwater management programs, impose broad stormwater management/erosion and sediment controls, and will set more stringent pollutant reduction standards on localities, developers and commercial property owners. Significant impacts include 0.28 lbs of phosphorous per year per acre for new development vs. 0.45 lbs currently. Redevelopment must reduce phosphorous to 20% below predevelopment conditions.

Timeline:

- Public comment due August 21, 2009
- Final Regulation to Board October, 2009
- Regulation to be enacted July 1, 2010
- Approval of Local Programs by Soil and Water Conservation Board between October, 2011 and April 2012

Potential Impacts:

- Increased cost to administer local programs – According to Virginia Tech's economic impact analysis, the estimated increased cost to

localities to administer will be $10 to $14.5 million, including the need for additional staff.
- Increased costs to developers to construct BMP’s to meet new standards.
- Difficulties associated with inspections and enforcement.
- Additional costs associated with long term maintenance.
- Significant issues related to managed turf such as athletic fields (considered impervious).

➢ Bacteria TMDL Implementation Plan (IP) Development

Description:

A bacteria TMDL was completed in December of 2007 for seven streams (including the James River) in Lynchburg. This identified sources of bacteria pollutant loads as well as where bacteria reductions are needed to restore water quality. Development of an IP is currently underway. Region 2000 is managing this process which is primarily being funded through a stimulus grant administered by the Department of Environmental Quality underway and will ultimately impact CSO, stormwater permit, etc.

Timeline:

- Contract for IP Development awarded to MapTech, July, 2009
- IP completed September, 2010

Potential Impacts:

- Impacts to CSO Program – potentially altering priorities or accelerating program.
- Increased the need to provide sewer service to unsewered areas. (approximately $50 million)
- Addressing pet and livestock waste
- Costs associated with monitoring
- Stormwater permit compliance

➢ CSO Long Term Control Plan (LTCP) Update

Description:

Every 10 years the City conducts a CSO LTCP Update in order to measure progress and re-evaluate the program to ensure that we are still on the best, most efficient track to complete the program. Given the cost and difficulties to separate the downtown area coupled with the increased challenges and regulations associated with stormwater, one aspect of the LTCP will be to evaluate alternatives to complete separation. One result will be a more holistic look at the ultimate goal of meeting water quality standards. The LTCP update will include sewer system and water quality modeling and will be an integral part of the Bacteria TMDL IP.

Timeline:

- Contract for LTCP Update awarded to Greeley and Hansen, July, 2009
- LTCP completed December, 2010 – January, 2011

Potential Impacts:

- Establish new direction for CSO other than complete separation
- Better coordinate and more efficiently address CSO and Stormwater efforts
- Impacts to Special Order

Other Factors Potentially Impacting Stormwater

- **Stormwater Infrastructure** – The City has made progress mapping stormwater outfalls in compliance with our stormwater permit, however, the general condition, location, and quantity of our stormwater infrastructure is largely unknown. It is assumed from what is known that the condition generally mirrors that of the water and sewer systems resulting in a significant liability to maintain and replace. Further, as more innovative stormwater quality devices such as rain gardens, pervious pavement, etc. are constructed, maintenance costs will continue to rise.

- **No UAA Relief for the Bay** – EPA has decided that there will be no UAA relief for the Bay; current water quality standards must be met. This eliminates the possibility of downgrading the uses of the Chesapeake Bay which in turn could result in less nutrient reductions needed.

- **Obama Executive Order** – Signed May, 2009; (1) Establishes a new federal committee to oversee Bay clean-up activities, (2) Mandates that various Federal agencies develop a strategy to restore the Bay, (3) Mandates that EPA strengthen existing programs and extend coverage where appropriate, establish a new minimum standard of enforcement, and make full use of authority under the Clean Water Act to protect and restore the Bay.

- **Montgomery County, MD Storm Water Permit** – this is a significant precedent, “model for future permits”. It may establish a framework for future permits. Significant issues include: (1) 30% retrofit of impervious area (10% incomplete from previous permit + 20%), (2) Watershed assessments on all watersheds, (3) TMDL IP development within one year for existing TMDL's, within 6 months for future TMDL's., (3) Inspect all storm water facilities (public and private) every three years, (4) pushes to establish numeric limits, (5) subsequent permits will retrofit 20% of impervious area with each permit cycle. Estimated 5 year cost = $100 million. Environmental Groups say permit not stringent enough and have filed suit.

- **Water Quality Standards Triennial Review** – promulgated by the State Water Control Board, these regulations must be reviewed and updated every three years. These standards are used in setting VPDES permit limits and for evaluating waters for inclusion in the impaired (dirty) waters list. Waters not meeting the water quality standards require the development of a TMDL.

- **MS4 Phase II Permits** – new General Permit issued July, 2008. Each permit cycle becomes increasingly more stringent. Phase II permits when renewed were more stringent than the current Phase I permits. Phase I permits in the process of being renewed and will be more stringent than Phase II's. Favorable language is being removed, moving from an iterative process towards numeric effluent limits and effectively requiring immediate compliance with water quality standards. Risks of non-compliance include civil penalties of $32,500 per day per violation.

- **EPA MS4 Audits** – numerous audits have been performed in the Bay watershed. EPA has found that storm water management plans are inadequate, weak links between BMPs and water quality, TMDL requirements were not adequately addressed, inadequate funding on storm water programs, etc.

- **EPA Inspector General (OIG)** – found regulatory programs not effectively used and has directed EPA to revise permitting approach to achieve greater nutrient and sediment reductions in MS4 permits by incorporating measurable outcomes in line with TMDL, retrofitting developed areas, disallowing increases in loads and flows from new development.

- **Chesapeake Bay Executive Council (Governor Level Committee) –** establishes new cleanup deadline and first ever 2 year milestones.

- **Chesapeake Bay Foundation (CBF) lawsuit** – filed January 5, 2009 in D.C. District Court. Includes three legal arguments against EPA; (1) failure to comply with the Clean Water Act, (2) violations of the Federal Administrative Procedures Act, (3) Chesapeake Bay Agreements are enforceable interstate compacts. Seeking the following relief: (1) EPA to comply with the Clean Water Act and Chesapeake 2000 Agreement, (2) implement programs to significantly reduce loads from all point sources,

(3) comply with Office of the Inspector General and Government Accounting Office recommendations, (4) prevent backsliding.

- **Various General Assembly Actions** such as HB 2168 Nutrient Offsets.

- **Other local water quality issues (James River)** – Chlorophyll–a (a measure of algae in the water) even though the James River actually has little impact on the Bay due to emptying into the mouth of the Bay, Chlorophyll–a levels are being established, which will result in nutrient loads being further reduced in the James beyond that required by the Bay increasing the clean-up cost from approximately $300 million to several billion.

  Other contaminants such as PCB's potentially impacts permits (example: PCB's enter Altavista WWTP from a local industry, sludge is disposed of in Campbell Co. landfill, leachate from landfill is disposed of in Lynchburg Regional WWTP and PCB's show up in effluent in parts per trillion.

Some of City of Lynchburg Current Efforts

- **Wet Weather Programs –** The City recently hired Camp Dresser McGhee (CDM) to provide a high level of assessment of existing wet weather programs and evaluate existing levels of service, identify and make recommendations related to future regulatory impacts, and identify potential alternate funding sources for stormwater. This effort will be completed over the next six months.
- **CSO Long Term Control Plan –** The City recently selected Greeley and Hansen to update the CSO Long Term Control Plan. This will include the development of sewer and water quality models, evaluation of alternatives to complete separation, water quality sampling, and development of a strategy that achieves the greatest water quality benefits. This effort is expected to be complete late 2010 or early 2011.
- **Bacteria TMDL IP –** Region 2000 is serving as the project manager for the Bacteria TMDL IP. MapTech was selected to develop the implementation plan. This effort is primarily funded by a DEQ Grant and is expected to be complete by September, 2010.
- **Compliance with MS4 Stormwater Permit –** All efforts to maintain compliance with the current MS4 permit and its six minimum controls.
- **Compliance with Current Regulations –** Currently inspect and enforce erosion and sediment control measures. Require adequate onsite facilities to meet current storm water quantity and quality regulations.
- **Compliance with CSO Special Order –** Consistently meet the requirements of the Consent Order.
- **Charter and Board Member of the Virginia Municipal Stormwater Association –** Work directly with the regulators to develop reasonable scientifically based regulations, lobby for fair stormwater legislation, etc.

- **Stormwater System Maintenance –** Routinely clean, and repair inlets, storm pipe, culverts, and ditches.
- **Utilities Department Stormwater Contribution –** The Utilities Department performs functions such as storm system repair and maintenance, inlet cleaning, detention basin maintenance, treatment of stormwater at the WWTP, provides some stormwater administrative support, and constructs new stormwater facilities in conjunction with CSO. Approximate annual operating cost of $250,000 (does not include capital costs).
- **General Fund Stormwater Contribution –** Primarily the Departments of Community Development, Public Works, and Parks & Rec. Administers the MS4 permit, construction activities, public education and awareness, various water quality capital projects, ditch maintenance, culvert inspection, repair, and replacement.

How Do We Address in the Future?

- Continue as is and hope for the best. Stormwater responsibilities and accountability spread throughout the organization. Funded from General Fund and Enterprise Funds.
- Reorganize to enhance accountability but still keep funding the same.
- Keep current structure but seek dedicated funding source.
- Reorganize and seek dedicated funding source (Stormwater Utility?)
  - Approximately 400 Stormwater Utilities nationwide, many including: Richmond, Portsmouth, Norfolk, Hampton, etc. in Virginia. Richmond among the newest. Fees in Richmond are as follows:
    - < 1000 S.F. = $25/yr
    - 1000 – 2400 S.F. = $45/yr
    - >2400 S.F. = $70/yr
    - Everything else based on Equivalent Residential Units (ERU) of 1425 S.F., $45 per ERU.
- A watershed based approach involving the surrounding counties. Used in conjunction with some of the efforts listed above may be the most efficient approach.
- Other?