The City of Lynchburg, Virginia AGENDA ITEM #3

MEMORANDUM

TO: City Council

FROM: L. Kimball Payne, III, City Manager

DATE: April 3, 2009

SUBJ: Law Enforcement Grants from the Federal Stimulus

There are two opportunities to utilize Federal stimulus funds for law enforcement that are on short timetables. Therefore we would like to discuss these opportunities with Council during your budget work session on April 7.

The first is COPS grant funding to provide sworn officers at no match for a three-year period. At the end of the third year the City would have to fund the positions; they could not be eliminated. The deadline for applying for this funding is April 14, 2009.

The second source of grant funding is through the Edward Byrne Justice Assistance Grant (JAG) Program. Part of the funding is formula based and the City's allocation is $235,915. The proposed use of the funds would be to hire three (3) additional telecommunicators at a projected annual salary/benefit cost of $117,102. The grant would cover two years and then the City would have to absorb the costs of the additional positions. The deadline for applying for this funding is May 18, 2009.

The LPD is monitoring other opportunities for law enforcement funding that have longer lead times.

Deciding to pursue these funding opportunities is a difficult decision. Accepting the funds would create obligations that the City must cover after two or three years. However, if it is felt that the need for additional personnel is critical, this funding provides immediate relief at lower cost over the short term.

We will be prepared to discuss this further on Tuesday.

CC: Col. Snead

The City of Lynchburg, Virginia

AGENDA ITEM #_5_

MEMORANDUM

TO: **City Council**

FROM: **L. Kimball Payne, III, City Manager**

DATE: **Margaret M. Schmitt, Human Resources Director**

RE: **April 2, 2009**

FILE: **Retirement Incentive Proposal**

As we explore options for reducing personnel costs for FY2010 and beyond, attention is drawn to the fairly large number of current employees fully eligible for retirement benefits from the Virginia Retirement System (VRS). Other localities and school systems are developing or have implemented monetary incentives to encourage retirement and we have developed a proposal for a similar program.

While individual circumstances ultimately drive employees' decisions around retirement, a one-time, voluntary incentive program has proven effective in other organization to help eligible employees transition to retirement and create savings.

Savings in salary and benefits typically occur in multiple ways such as eliminating the position, holding the position vacant for some period of time and filling the position at a lower pay rate. Since the City's pay system is market-based, there is less predictability as to the savings when filling the position and specific savings will be realized on a case-by-case basis.

- The average savings for non-sworn positions where the employee is fully eligible for VRS is about $28,000 per position over a year's time, assuming that some positions would need to be filled within 4 months or so and others could remain vacant for 12 months.
- Savings for positions where the employee is 65 or older and has at least 5 years of VRS service averages about $21,500 per position over a year's time.
- Average savings per public safety position is about $14,000 over a year's time assuming that promotions would take place and that it would take about 6 months to fill the consequent entry level positions.

The costs of the incentive program include the incentive itself, leave payouts and public safety promotion costs. The proposal includes a one-time monetary incentive of $5,000 for those in the 65 years old and at least 5 years of VRS service category and $10,000 for those fully eligible for an unreduced VRS retirement benefit.

A description of the proposed program and potential overall savings is attached.

RETIREE INCENTIVE PLAN

Eligibility for Incentive Plan

- Full-Time Classified non-sworn employees who meet or will meet the requirements for full retirement (age 50 with 30 years of service) by 12/31/09

or

- Full-Time Classified Sworn employees who meet or will meet the requirements for full retirement (age 50 with 25 years of service) by 12/31/09

or

- Full-Time Classified employees who are or will be age 65 and have or will have at least 5 years of service by 12/31/09

Time Frames

- Retire 5/1/09 - 7/1/09 or as soon as meet eligibility requirements

Incentive

- $10,000 for Full-Time Classified employees who meet the requirements for full VRS retirement
- $5,000 for Full-Time Classified emloyees who are age 65 with at least 5 years of VRS service

Cost Assumptions

- Annual salary savings are based on salary as of March 26, 2009 pay check
- Leave payout is calculated based on 5/1/09 or first eligible retirement date, and includes time that will be accrued from April 15 until first available retirement date
  * Leave payout follows current City policy limiting annual leave payout to 288 hours (403.2 hours for Fire where applicable)
  * Leave payout includes Annual Leave, Compensatory Time, Adjusted Hours, Holiday
- Vacancy requirements were divided into 3 categories
  * Most Non-Sworn positions will remain vacant for at least 12 months after retirement
  * Some Non-Sworn positions will remain vacant for at least 4 months after retirement due to the nature of the job
  * Sworn Public Safety positions will remain vacant for at least 6 months after retirement
  * Fire will be allowed to fill positions affected by the incentive with seasonal wage employees for these 6 months
  * Assumes costs to promote to fill retiree positions (for example, to fill Police Major could promote Captain to Major, Lieutenant to Captain, PO III to Lieutenant, and PO II to PO III - costs based on 10% increase to average pay for each position

Source of Savings

- Annual salary for length of required vacancy from date of retirement, including FICA, VRS and Life Insurance costs (this may cross over fiscal years)

Source of Costs

- Leave payouts with associated FICA costs
- Incentive payouts with associated FICA costs
- Promotion costs in public safety including the domino effect of subsequent promotions

POTENTIAL RETIREE INCENTIVE PLAN SAVINGS

Category	# Potential Retirees	Savings if 100% accept	Savings if 50% accept	Savings if 30% accept	Savings if 20% accept
GF Non-Sworn > 30 Yrs vacant 12 months	30	1,353,444.10	676,722.05	406,033.23	270,688.82
GF Non-Sworn > 30 Yrs vacant 4 months	19	49,546.92	24,773.46	14,864.08	9,909.38
GF Non-Sworn > 65 < 30 yrs vacant 12 months	7	249,519.12	124,759.56	74,855.74	49,903.82
GF Non-Sworn > 65 < 30 yrs vacant 4 months	5	30,797.62	15,398.81	9,239.29	6,159.52
GF Sworn vacant 6 months	28	193,729.09	96,864.55	58,118.73	38,745.82
GENERAL FUND TOTAL SAVINGS	**89**	**1,877,036.86**	**938,518.43**	**563,111.06**	**375,407.37**

<u>Other Funds</u>		
Juvenile Detention		
> 30 Yrs vacant 12 months	1	71,660.80
> 65 < 30 yrs vacant 12 months	1	36,431.89
Water Fund		
> 30 Yrs vacant 4 months	2	(941.21)
Sewer Fund		
> 30 Yrs vacant 4 months	2	4,745.77
> 65 < 30 yrs vacant 4 months	1	2,572.79

DRAFT DRAFT DRAFT

April 7, 2009

Voluntary Retirement/Resignation Incentive Program

Full-time classified City of Lynchburg employees who are or will be eligible for a full retirement benefit under the Virginia Retirement System (VRS) by December 31, 2009 may be eligible for a retirement incentive. Establishing this Voluntary Retirement/Resignation Incentive Program does not create a precedent or expectation of future Incentive Programs.

Program Guidelines:

The program will provide a one-time monetary incentive payment to an eligible employee who voluntarily elects to participate.

Participants must provide a signed written statement of intent to retire or resign from his or her position effective on or before July 1, 2009 or upon the date of eligibility for full benefits from VRS so long as that date is before December 31, 2009.

Participants must complete and submit the Voluntary Agreement and Release to Human Resources no later than *May 29, 2009.*

An Employee is Eligible if:

- He or she is/was working for the City of Lynchburg in a full time classified position on March 31, 2009; and
- Agrees to retire or resign from employment with the City of Lynchburg no later than July 1, 2009 or upon the date prior to December 31, 2009 of eligibility for full benefits from VRS; and
- Will have satisfied the age and service requirements of VRS by the retirement/resignation date, i.e., 30 years of service and 50 years of age, (25 years of service and 50 years of age if covered by the Law Enforcement Officer System (LEOS) provisions of VRS) or 65 years of age and at least 5 years of service; and
- He or she executes and returns the Voluntary Agreement and Release, no later than May 15, 2009

An Employee is Not Eligible if:

- He or she is in a grant-funded or Constitutional position.
- He or she left City employment for any reason, including retirement, prior to April 1, 2009

- He or she is dismissed from employment due to misconduct or poor performance. Dismissal due to misconduct includes resignation pending dismissal and separation without prejudice.

- He or she executed a formal agreement to retire or resign prior to April 1, 2009.

Incentive Guidelines:

An Employee having achieved 30 years of service and 50years of age (25 years of service and 50 years of age if covered by LEOS) may be eligible to receive a one-time, lump sum payment of *$10,000.*

An employee having achieved at least 5 years of service and 65 years of age may be eligible to receive a one-time, lump sum payment *of $5,000.*

Participating employees who are currently electing dependent coverage for their spouse will be allowed to elect that coverage into retirement without regard to the five (5) year membership requirement.

Participating employees will receive payouts for unused annual leave, adjusted hours and/or compensatory time according to City policy upon retirement or resignation.

The retirement incentive and/or unused leave payouts may be deposited free from Federal income tax by depositing the payment(s) in a 457(b) tax deferred account. Otherwise, the incentive will be subject to required state and federal tax withholding.

All other conditions of retirement such as medical coverage and on-going group life insurance will apply as included in the Employment Policies and Procedures.

An employee with special circumstances, such as being eligible for Medicare while his or her spouse is not or being within one to three years of full retirement, who wish to be considered for a retirement incentive, may contact Margaret Schmitt in Human Resources to discuss options.

The City of Lynchburg, Virginia AGENDA ITEM #4

MEMORANDUM

TO: City Council

FROM: L. Kimball Payne, III, City Manager

DATE: April 3, 2009

SUBJ: Curing the Schools FY2008 Deficit and City Employees Furloughs

During Roll Call of the March 24th work session Council Member Garrett asked about the feasibility of using $440,000 from the Schools Text Book Reserve to rescind the furloughs imposed on City employees during the remainder of the current fiscal year. That question arose out of a discussion earlier the same day in the Finance Committee meeting. The next day a reporter's question initiated a closer examination of that suggestion and I followed up with an email to Council. I repeat much of that email below and add some additional thoughts regarding the use of cash reserves to rescind the furlough action.

As mentioned in the email, transferring $440,000 from the Schools Text Book Reserve to the City's General Fund would not "solve" the deficit problem with the FY 2008 Schools Budget. The best way to "solve" the FY 2008 deficit issue would be for the Schools to have at least $440,000 in funds left over at the end of FY 2009. As Donna Witt explained in a separate email, the $440,000 deficit from FY 2008 was not covered by "City" funds. It has been covered by FY 2009 funds and the FY 2008 deficit will be eliminated if the schools have a balance of at least $440,000 at the end of FY 2009.

As mentioned in the email, it is important to remember that the audit is strictly a snapshot of June 30 of a given year and that there are various accounting procedures designed to provide as clear a picture as possible. In reality, however, City and Schools finances are an ever flowing stream and the audit snapshot only freezes a moment in time; it does not fully describe the dynamic nature of the ongoing financial activities.

In any case, funds used to correct the deficit issue would need to stay on or be allocated to the Schools side of the ledger. That is why the original recommendation from staff was to set aside a portion of the Schools Text Book Reserve to address the FY 2008 operating deficit if that proves to be necessary after the FY 2009 audit is completed. I regret that rationale for the original recommendation got lost in the ongoing discussion of the Schools budget.

If that point is clear, the next question is whether or not it would be appropriate to take funds from any reserve to eliminate the furloughs. Recall that the goal of the furloughs, and associated reduction in pay, was to help reduce the anticipated deficit in the current year's General Fund budget, thus preserving as much fund balance as possible. The purpose behind preserving the fund balance is to put us in the best possible position entering into FY 2010. The proposed budget for FY 2010 has already suggested reducing reserves, contingencies and the end-of-year fund balance. Rescinding the furloughs and restoring salaries would just reduce reserve funds further than already anticipated.

There is also a logistical challenge in rescinding the furloughs. Deductions from bi-weekly paychecks commenced with the March 26th pay and a number of employees have already taken some or all of their furlough days. Restoring lost pay could be fairly easily accomplished; however, it would be difficult to "take back" the furlough days already used by employees. Two options, neither desirable, come to mind; reduce other paid leave days for employees who have already taken the furloughs or, grant the rest of the employees an additional 2.5 days of paid leave.

I recognize Council's interest in minimizing the impacts on City employees resulting from the current fiscal situation. I suggest, however, that any relief for employees, if funds can be identified, should be applied next fiscal year when the proposed reduction in pay will result in longer term consequences. Whether it could be done prospectively or at the end of FY 2010, that would be one of my goals in the next fiscal year.

I will be prepared to answer any questions during your work session on Tuesday.

CC: Leadership Team

The City of Lynchburg, Virginia AGENDA ITEM #2

City
Manager''s
Office

MEMORANDUM

TO: City Council

FROM: L. Kimball Payne, III
City Manager

DATE: April 2, 2009

SUBJECT: Previously Appropriated Projects in the Capital Improvement Program

In preparing for Council's work session on April 7th, I thought it would be helpful to provide you with background on previously approved capital improvement program (CIP) projects and the status of such projects.

As we developed the *Proposed FY 2010-2014 Capital Improvement Program* we evaluated all previously approved and appropriated projects relative to the funding available and made decisions on the future of each project. The attachments categorize these projects into three categories:

1. Projects that will be completed with funds available from the 2010 (Summer 2009) bond sale (generally, these are projects are underway, maintenance, or safety related)

2. Projects funded with future bond issues

3. Projects to be rescinded at Third Quarter Review (April 21 work session)

   Projects that are being closed out due to project completion or are not moving forward at this time. Generally, these are projects for which funding is not available and are less of a priority given the availability of funds. The reason for each project not moving forward is identified on the attachment.

Following review of these projects, staff will review each project page in the *Proposed FY 2010-2014 Capital Improvement Program* with Council during the work session. Project Managers will be available to answer specific questions regarding each project.

Thank you.

Attachments

General Fund and Schools

Previously appropriated projects that will be completed with proceeds from the FY 2010 summer bond issue:

Bridge Repairs	$521,689
City Stadium Park (deconstruction and demolition)	821,672
Cornerstone Development	310,097
Expressway Overlay	1,128,562
Expressway Wall Repairs at Grace Street	967,301
Florida Avenue Bridge	387,000
General Street Improvements	1,007,542
Greenview Drive Phase I	2,351,285
Kemper Street Bridge	205,260
Miller Center Renovations	213,840
Miller Park Improvements (Americans with Disabilities Act and regulatory compliance)	78,255
Wal-Mart/Old Forest Road Signal	100,000
Total General Fund	**$8,092,503**
Sandusky Middle School	17,806,263
Total FY 2010 Bonds	**$25,898,766**

Previously appropriated projects that will be funded with future bond issues:

Greenview Drive Phase II	$1,100,000
Midtown Connector Phase I	321,496
Midtown Connector Phase II	112,141
Rivermont Avenue Bridge	3,374,612
Total	**$4,908,249**

General Fund

Previously Appropriated Projects to be Rescinded at Third Quarter

Project closeouts:	
Central Virginia Community College Space Needs	$7,209
Market Area Plaza	16,269
Reusens Road Retaining Wall	82,186
Yoder Center Site Renovations	29,345
Sub-total	**$135,009**
Deferred due to lack of funding:	
Blackwater Creek Athletic Area Upgrade	$392,200
Blackwater Creek Nature Area Master Plan	79,000
Downtown Riverfront Development	22,564
Fencing Improvements	79,942
Ivy Creek Nature Center ($195,000 grant period expired)	1,713,250
Museum Office and Exhibit Space	1,434,879
Parks Paving and Lighting	222,480
Preliminary Engineering Studies	200,000
Traffic Signal Replacements	358,370
Sub-total	**$4,502,685**
Subproject closeouts and no funding available:	
General Street Improvements	$85,528
Major Building Repairs	643,685
Roof Replacements	871,155
Sub-total	**$1,600,368**
Funding reallocated to higher priority project:	
General Development Support (Downtown Improvements)	$531,713
Downtown Riverfront Development (August 2007 Bluffwalk payment)	$257,944
Street and Utility Extensions (Downtown Improvements)	458,870
Sub-total	**$1,248,527**
Lack of private funding:	
Cabell Street Dependency	**$4,972**
Cash reallocated to Juvenile and Domestic Relations Court to avoid long-term borrowing:	
Public Works Complex Improvements	**$889,692**
Total	**$8,381,253**

Staff Adjustments and City Council's LIST
(as of April 2, 2009)

AGENDA ITEM #_6

Staff Adjustments - Items requiring adjustment after the Proposed Budget was printed

Treasurer	Compensation Board adjustment	$325
Commonwealth's Atty	Compensation Board adjustment	4,364
Sheriff	Compensation Board adjustment	24,006
Circuit Court Clerk	Compensation Board adjustment	(7,915)
Commissioner of the Revenue	Compensation Board adjustment	(2,875)
Community Development	Virginia Department of Transportation adjustment for additional lane miles	(63,365)
External Service Providers	Add Lynchburg Redevelopment and Housing Authority (CDBG funding)	no fiscal impact
Council/Manager's Office	Pay for Parking Manager with remaining CIP funds	(102,241)
Non-departmental	Employee Appreciation	29,750
Cumulative Staff Adjustments		($117,951)

City Council - General Fund Savings

Council/Manager's Office	Legislative Liaison [1]	($84,630)
Council/Manager's Office	Parking Division excluding parking enforcement	(102,241)
Council/Manager's Office	Council pay - reduce to pre-July 1, 2008 level	(14,000)
Communications and Marketing	Marketing Program [2]	(70,000)
External Service Providers	Lynchburg Neighborhood Development Foundation	(25,000)
External Service Providers	Close the Downtown Visitor's Center	to be determined
Lynchburg City Schools	School funding	(500,000)
Reserve for Contingencies	Reduce to $500,000	(500,000)
Cumulative General Fund Savings		($1,295,871)

[1] It was also suggested that funding for the Legislative Liaison remain in the budget.

[2] It was also suggested that funding for the Marketing Program remain in the budget.

City Council - General Fund Additions (actions requiring additional funding)

Real Estate Tax	Equalize the tax rate to $0.998	$2,446,922
Real Estate Tax	Increase Tax Relief for the Elderly	31,100
Personnel	Create a Volunteer Coordinator position	60,000
City Manager's Office	Dues for National League of Cities	5,401
City Manager's Office	Mayor's Youth Council Breakfast	600
Police	Restore 2 Cadet positions	63,590
Police	School Crossing Guards	25,518
Fire	Recruit school to fill early retirements	76,066
Libraries	Branch Library	104,656
External Service Providers	Lynchburg Regional Convention and Visitors Bureau contract compliance	220,000
Transfers and Non-Departmental	Restore 3% employee pay cut	1,606,666
Reserve for Contingencies	Raise to $1.2 million as required by policy	200,000
Financial Management Policies	Meet the Fund Balance Policy of 10%	577,641
Cumulative General Fund Additions		$5,418,160

City Council - Items Requiring Additional Discussion

Police	Reassign DARE/School Resource Officers to the street [3]	no fiscal impact
Personnel	Offer an early retirement incentive to reduce personnel costs	to be determined
Transfers and Non-Departmental	Salary cut vs. employees paying for health benefits [4]	$300,000
Transfers and Non-Departmental	Other alternatives to pay cut	to be determined
Lynchburg City Schools	Consolidation of departments between City and Schools	to be determined

[3] The Police Department is preparing a report.

[4] Additional cost differential due to the inclusion of Virginia Retirement System (VRS) savings in the salary cut calculation.

City Council - Other Fund Deductions

CIP - Parks and Recreation	Ivy Creek Park Development	to be determined
CIP - Economic Development	Reduce Downtown funding to $1.0 million	$500,000
Utilities	Shut off the fountain	20,000