// A special meeting of the Council of the City of Lynchburg was held on the 4th day of April, 2017, at 7:00 P.M. in the Council Chamber, City Hall, Joan Foster, President, presiding. The following Members were present:

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

Absent: 0

// Mayor Joan Foster welcomed everyone to the public hearings on the Proposed Tax Increases: Real Property, Lodging and Meal Taxes; the FY 2018 Proposed Operating Budget and the FY 2018-2022 Capital Improvement Program (CIP) for the City of Lynchburg. The following are the rules of procedure for the public hearings:

- Speakers will be recognized in the order in which they signed up to speak.
- An individual may speak for up to 3 minutes.
- A group spokesperson may speak for up to 5 minutes.

// City Manager Bonnie Svrcek provided introductory remarks on the FY 2018 Proposed Operating Budget and the FY 2018-2022 Capital Improvement Program for the City of Lynchburg.

City Manager Bonnie Svrcek gave an overview of the Proposed FY 2018 Operating Budget including the General, Fleet, Airport, Water, Sewer, Stormwater, and other minor funds as well as the Capital Improvement Program (CIP). For comparison, the FY 2018 Proposed Budget and CIP totals $375.9 million versus the FY 2017 Adopted Operating Budget and CIP of $352.2 million. Recent real property assessment has not exhibited any measureable increase in property values. The major taxes such as sales, business license, consumer utility and personal property are projected to be relatively even with FY 2017 projections. Ms. Svrcek went on to say Lynchburg, Virginia: "A Great Place to Live, Work and Play!" was discussed at City Council's November 2016 Retreat. Council focused on the following areas:

- Economic Development
- Infrastructure
- Poverty
- Workforce Development
- Succession Planning/Recruitment and Retention (Internal Focus Area)

Ms. Svrcek went on to say the Budget instructions included the following:

<u>Requested 2.5% decrease from City departments - Waiver opportunity</u>

<u>Sampling of Consequences of 2.5% reduction</u>

- Cut maintenance to software systems in the Assessor's office ($33,500)
- Eliminate 3 full-time police officers and disband the Community Action Team ($151,292)
- Eliminate 2.5 Building Maintenance positions ($129,000)
- Eliminate 7 entry level firefighters and place a medic unit out of service ($401,028)
- Eliminate City sponsorship of special events

No service reductions are proposed nor are any tax increases proposed for ongoing service delivery.

The Budget Gap – The initial gap between projected FY 2018 revenues and submitted expenditures was

$4.7 million--$3.7 million of which was directly attributable to the request from Lynchburg City Schools. Without the Schools proposal, the gap in the General Fund would have been only $1.0 million. The Real Property Taxes are projected to total $58.2 million, an increase of approximately $246,339 or less than one half of one percent (0.4%), from the Adopted FY 2017 Budget, without a tax increase. Since this is a year that reflects a reassessment, it is disappointing that our real estate values have remained relatively flat.

- The Real Property Tax proposed increase is for Infrastructure Maintenance and Replacement and the proposal is for an increase of $0.05 per $100 of assessed value ($1.11 to $1.16) – Projected to generate $2,562,643 – (Property valued at $150,000 would be $18.75 per quarter).
- Lodging Tax Proposed Increase is for Infrastructure Maintenance and Replacement – 2.0% increase from 5.5% to 7.5% including the current $1 per room per night projected to generate $692,000.
- Meals Tax Proposed Increase for improved education outcomes and Poverty Reduction – 0.5% increase from 6.5% to 7.0%, projected to generate $1,100,000.

The overall General Fund Revenues are projected to increase by 1.5% without any tax revenue increase and the General Fund Revenues are projected to increase 3.9% with the proposed tax increase as previously noted.

- Expenditures – with no proposed tax increase, total proposed expenditures, reserves, and transfers would increase to $186,332,417 or 0.4% from the FY 2017 Adopted Budget of $185,674,530. With the proposed increases in the taxes previously noted, total proposed expenditures, reserves, and transfers would increase to $190,687,060 or 2.7% from the Adopted FY 2017 Budget of $185,674,530.
- Personnel Changes to include three (3) additional full-time equivalent (FTE) positions in the General Fund and one (1) in the Water Fund in Water Resources are proposed. An Assistant City Attorney position is funded beginning January 1, 2018. This position will assist with caseload and contribute to long term succession planning ($42,551). Funding for an Economic Development Coordinator in the Office of Economic Development is proposed to assist in business recruitment, retention and entrepreneurship support which contributes to building the City's tax base. The City's contribution to the LRBA for marketing outside the City will decrease from approximately $98,000 to $73,000 ($52,405). One (1) Business Compliance Auditor in the Commissioner of the Revenue's Office is proposed to perform tax (meals, business license, etc.) audits. This position was eliminated from the budget several years ago due to budget constraints ($63,286). Funding for a part-time Code Compliance Inspector in Community Development - this position cost would be partially offset by Revenue $12,500 from the Vacant Building Registration Program ($35,714) with a net cost of ($23,214). The proposed budget also continues funding for one (1) position that City Council approved outside of the annual budget process; a Deputy Clerk I for the Clerk of the Circuit Court which was approved by Council earlier this year. One (1) new position is proposed in the

Water Fund: a Civil Engineer II to assist in the very technical project management of complex water related infrastructure projects.

The proposed budget utilizes no Managed Vacancy Savings for balancing. Any savings realized from less than full employment of all positions throughout the fiscal year will fall to unrestricted fund balance in order to be available as pay-as-you-go funding for future capital needs. Renewed attention will be given to the use of vacancy funds during the fiscal year. The Lynchburg Regional Visitors and Convention Bureau, known as the City's Tourism Department will become a Division of the Office of Economic Development.

The local contribution to City Schools funding in an amount of $50.4 million is proposed for Schools Operations ($42.0 million) and Debt Service ($58.4 million). The proposed budget includes an increase of $1.2 million in local funding for Schools Operations. With the Schools projected enrollment of 7,967 students in FY 2018, local per student support for operations would increase from $5,177 to $5,275. In the Proposed FY 2018 Budget total appropriations for Schools, including all activities and funding sources is estimated to be $104.3 million.

The Debt Service cannot continue to defer major capital projects such as a new consolidated Police Headquarters and major improvements to the General District Court and Circuit Court Building. The Debt Service funding is also needed to perform the necessary environmental impact study and begin design and engineering on the Route 501/221 One-Way Pair Transportation Improvement. Funding these components of the project should position the City to be more competitive for construction funds from the Virginia Department of Transportation SmartScale program in FY 2019. Long-term financing is also needed for the replacement of Sandusky and
renovation of Linkhorne and Paul Munro Elementary Schools. The Proposed FY 2018 Budget includes a $650,000 Reserve for On-Time Debt Financing. This budget has included two reserves – a Citywide Compensation and Implementation Study Reserve - $450,000 and improved Education Outcomes and Poverty Reduction Reserve - $1,100,000. The proposed budget provides for a 10.5% fund balance, amounting to $19.6 million and is compliant with Council's financial policies. It also recommends utilizing $1.7 million in Unassigned General Fund Balance for pay-as-you-go capital improvement compared to $3.2 million in FY 2017.

Human Resources Highlights:

- No general wage increase
- No increase in medical premiums
- $100,000 proposed for a comprehensive compensation and implementation study
- No increase in Virginia Retirement System (VRS) contributions
- Concern with recruitment and retention throughout the City

The Capital Improvement Program (CIP) proposed capital project appropriations total approximately $24.7 million in FY 2018 for the City Capital Fund including contributions for major building repairs and roof replacements. In addition, FY 2018 Schools projects are programmed to be funded from remaining Heritage High School project funds.

Airport Fund – The Lynchburg Regional Airport is budgeted as a separate fund to clearly delineate its financial operations. Cost center revenues will more than cover total expenditures of $2.5 million. This represents a 2.2% change from the current year. This year's Airport revenues will exceed expenditures for the third straight year and will result in no General Fund subsidy for airport operations. The approximately $150,000 in operating surplus will be allocated to support capital pay-as-you-go investment at the airport.

Fleet Services Fund proposed budget recommends replacing thirty-six (36) vehicles and assorted equipment in the General Fund, three (3) vehicles in the Water Fund, and two (2) vehicles in the Sewer Fund. The total cost of vehicle and equipment replacement in FY 2018 will be $3.9 million.

Water Fund

- Managed by the Department of Water Resources, the Water Fund operates as an Enterprise Fund and requires no subsidy from the General Fund
- Budget recognizes the impact of the new Bedford Water Resources Authority Contract
- Proposed Rate increase of 5.1%
- Operating expenditures and debt service are projected to increase from $14.2 million (FY 2017 Adopted) to $14.3 million (FY 2018 Proposed Budget)
- Operating expenses are expected to total $10.1 million with debt service of $4.2 million
- One new proposed position – Civil Engineer II

Sewer Fund

- The Sewer Fund is managed by the Department of Water Resources which operates as an enterprise fund and requires no subsidy from the General Fund
- No increase in sewer rates or monthly service charge
- Total revenues are projected to increase by approximately $166,000, from $22.2 million (FY 2017 Adopted) to $22.4 million (FY 2018 Proposed)
- Projected total expenditures of $22.5 million include $12.1 million for operating expenditures, $9.3 million for debt service, and a $1.1 million transfer to capital for pay-as-you-go items

Ms. Svrcek stated in looking ahead there are several concerns:

- Compensation, Recruitment and Retention
- Poverty rate reduction
- Improve K-12 education outcomes
- Improve financial transparency
- Impact of reductions in federal domestic spending

Conclusion:

- Next steps: Council work sessions every Tuesday in April
- Re-examine revenues after April 1

- Copies of the Proposed FY 2018 Budget
- First reading on balanced budget – May 9, 2017 and second reading May 23, 2017
- Acknowledgements

// 17 individuals spoke at the public hearing on the Proposed Tax Increases for Real Property, Lodging and Meal Taxes. Several business representatives spoke on the proposed meal and lodging taxes by stating there was a misconception in the community that the meals tax is a luxury tax on people with higher incomes who go out to eat, but instead the meals tax is regressive and has a larger effect on low-income people. Other hotel representatives spoke to say a 2 percent increase in the lodging tax is a considerable increase for hotels to endure at one time. If the tax increase is imposed, many hotels will have to actually absorb some of those tax increases to keep open. Several individuals spoke on the rising assessment of real property stating you must live within your means and if taxes continue to increase people cannot afford to live in the City. One individual spoke in favor of the tax increase saying the City is at a crossroad in terms of its infrastructure, and the City needs to reverse its poverty issue.

// 14 individuals spoke at the public hearing on the FY 2018 Proposed Operating Budget and the FY 2018-2022 Capital Improvement Program (CIP) for the City of Lynchburg.

Several individuals spoke on behalf of Lynchburg City Schools. The proposed local contribution in the FY 2018 budget to Lynchburg City Schools is $50.4 million, which reflects an increase of $1.2 million from the current year. The Lynchburg City Schools has requested an increase of $3.7 million. Several individuals spoke of the challenges that come from student poverty stating there should be more teachers in the classroom to help student's one-on-one and overcome obstacles, and requested for City Council to approve the school division's budget in its entirety. One individual spoke stating he supports the $3.7 million increase requested by the school system. Several individuals spoke on the needs of the Lynchburg Police Department such as addressing turnover in the department, which is fueled by factors that include compensation and the department's facility needs.

// The meeting was adjourned at 8:50 P.M.

Clerk of Council