May 15, 2018s

A Special Budget Work Session of the Danville City Council convened on May 15, 2018 at 5:32 p.m. in the Conference Room located on the Fourth Floor of the Municipal Building. Council Members present were: James B. Buckner, L. G. "Larry" Campbell Jr., Mayor John B. Gilstrap, Vice Mayor Alonzo L. Jones, Dr. Gary P. Miller, Sherman M. Saunders, Fred O. Shanks, III, J. Lee Vogler, Jr., and Madison J.R. Whittle (9).

Staff Members present were: City Manager Ken Larking, Deputy City Manager Earl B. Reynolds, City Attorney W. Clarke Whitfield Jr., and City Clerk Susan M. DeMasi.

Mayor Gilstrap presided.

WORK SESSION ITEMS

DISCUSSION OF THE FISCAL YEAR 2019 BUDGET

City Manager Ken Larking reviewed his power point *Public Safety Retirement Benefit* and noted the major decision that needs to made is, what is the Public Safety retirement benefit going to look like. What is the multiplier, is there an employee contribution or not, and when does it begin. All those things will factor into what it costs in the next year's budget and in the budgets beyond. Council also has to look at revenue enhancements as an option to help pay for these, or expenditure reductions. Mr. Larking noted his recommendation is to implement a 2.2% multiplier with the age reduction, no employee contribution and start it on September 1. Mr. Larking explained he met with Chief Eagle, Director of Finance Michael Adkins, and Mr. Turpin from the Fire Department who has been providing the analysis on the numbers from the Public Safety Committee. During that meeting they agreed to a set of facts about what the benefit looks like and what it would cost the City. His understanding from the Public Safety Committee is they prefer not to have an employee contribution and he would strongly recommend that Council does not implement anything higher than a 2.2 multiplier unless there is an employee contribution, not only for the cost but mostly for equity. A 2.2 multiplier with a reduction in age, is an enhanced benefit over what the general employees are able to get. To do a full year is $386,730; to start on September 1 which will take some time to implement, will cost $287,820.

Mr. Shanks noted for comparison purposes he would like to see the dollar cost to the City of the 2.3 multiplier with no contribution; he is still of the opinion that public safety are a different animal. Mr. Larking noted it would be $660,450 additional dollars with no contributions. In response to Mayor Gilstrap, Mr. Larking explained for a public safety employee, for the first few years, they will have a bigger check and when Social Security kicks in, the general employee will have a bigger take home. Mr. Larking noted the fairest way to look at it is net lifetime benefits.

Mr. Vogler noted it was his understanding after discussions with the Public Safety Committee and the City Manager, the Public Safety Committee was in support of the 2.2 multiplier, lowering the eligibility for retirement down to 50 years and without the employee contribution. If they are in support of the 2.2 without the contribution, he would suggest doing a straw poll. Mayor Gilstrap noted when discussions on this started, there was no mention of an employee contribution, that was not brought up until the last meeting. Mr. Vogler read from a statement he received from the Public Safety Committee: "The Public Safety Committee supports a budget proposal to increase the benefit multiplier to 2.2 and lower the eligibility to twenty five years of service and fifty years of age without employee contribution." Mr. Vogler noted this was signed by all the Public Safety Committee members.

Mr. Larking stated he was the one that recommended that if public safety employees want a higher multiplier than 2.2, they should contribute toward their retirement to get that enhanced benefit. The reason he did that was because of the cost, the City can't afford it without getting that revenue to help pay for it and also because of equity. If there is not equity within the City for retirement, then the general employee will want to come to the City Council, and ask why aren't their benefits enhanced as well.

Mr. Saunders requested a straw poll from Council starting at the 2.2 multiplier. Mayor Gilstrap asked those who support a 2.2 without an employee contribution; six Council Members supported the 2.2. Mayor Gilstrap asked for a show of hands of those Council Members who supported the 2.3 and three Council Members showed their agreement for a 2.3. Mr. Vogler noted at the end of the night if they find the extra money, he will support the 2.3, but instead of spending more time discussing this, there is an agreement among the majority of Council for the 2.2. Mayor Gilstrap noted with the 2.2 multiplier, without a meals tax increase, the budget is out of balance by $600,000 and with a half percent meals tax increase the budget would be balanced. In response to Mr. Shanks, Mr. Larking explained the difference between the 2.2 and 2.3 is about $300,280.

Mr. Larking continued his review of the power point; regarding the 2.2 multiplier, the City needs $1,340,727 to balance the budget. A half percent meals tax is $600,000, reduction in blight is $300,000; reduction in various capital projects was $70,764. Staff feels they can reduce health insurance $100,000 based on the most recent experience, it is risky to do that but in an effort to help balance the budget, they decided to be less conservative on that. On the Sheriff's Department Jail Health Costs, Ms. Paez has been working with the Sheriff's department, working with a vendor that can help reduce those health insurance costs. There is a good likelihood that Medicaid expansion will happen at the state level which would mean that certain inmates would be eligible for Medicaid and the City can charge them for that; that is a reduction of $200,000. Staff also feels comfortable with reducing contingency by $59,983, which is really a balancing amount, and to increase hotel tax revenue projections by $10,000. Those are the things that need to happen to have a balanced budget. If there are not enough votes to do a meals tax at half a percent, Council will have to find $600,000 of additional cuts.

Mr. Vogler questioned if the City Manager had any suggestions to cut the $600,000 and Mr. Larking noted he had the things he presented last year; to get $600,000 is extremely difficult without actually reducing a service of some sort. There are mostly personnel costs in the General Fund budget and then supplies and operational expenses that are needed to perform the duties to carry out City services.

Mr. Larking reviewed potential program area reductions which included consolidating three fire stations into two, and explained there are recommendations in the National Resource Network Multi-Year Financial Forecasting Initiative that will deal with fire stations and staffing levels. This was presented last year as an option, and the $80,000 represents attrition. Mayor Gilstrap noted the slide notes a potential annual savings of $300,000 and questioned that; Mr. Larking explained if the City reduces a station, that eliminates twelve positions through attrition. The City will have to build a new station in a location probably halfway between the two Council decides to eliminate. There will be some capital costs associated with that, but over time there will be a cost savings. It is not an immediate impact but $80,000 could be attributed to next year. Staff has been told not to bring back closing the Westover Library but that would save $64,500. An increase in Parks & Recreation fees would result in $25,000, mainly for people who do not live in the City limits paying more. Eliminating Outside Agency Support would total $210,410; they are not required but all have a positive impact on what the City is trying to do and are beneficial to the priorities that Council identified. These include Longwood Small Business Center at DCC at $15,000, Dan

River Business Development Center at $50,000, Chamber of Commerce Tourism $30,000, River District Association $50,000 and VA Cooperative Extension $65,410. Mr. Vogler questioned if the River District Association was supposed to be working on being self-sufficient and Deputy City Manager Earl Reynolds, a member of that board, explained since Diana Schwartz has been employed, the strategic plan has been updated and she is very sustainability focused. Since she has started, they have applied for numerous grants, some are pending right now that will help in that strategy. They will also be reducing the overhead during the next year; they are looking at other locations and also looking at a strategy that Ms. Schwartz implemented with the Main Street Program moving forward.

Mr. Shanks questioned how much does the City use and get out of the Longwood and Dan River Business Development Centers, and Director of Economic Development Telly Tucker explained the City primarily uses them for all of their small business consulting and entrepreneurship counseling. It is generally hundreds of thousands of dollars of economic impact each year coming back to the City. The Dan River Business Development Center currently is at about 90% capacity, they have very few spaces left; it is a joint project with the County. The City does have three companies that have received research and development grants from the Tobacco Commission that are located there and there are a number of small businesses that use the office space area. Mr. Tucker noted he believes the City, Pittsylvania County and Halifax County are the only localities that contribute to the Longwood Business Development Center, but thinks they receive some Federal funding through Longwood.

Ms. Thomasson distributed a spreadsheet that takes all the activities in the General Fund, looks at their total budget, takes out salaries and all their fixed or contractual costs and comes to their discretionary budget. Mr. Larking explained the City provides the employees with their salary, benefits and tools to do the jobs that Council has asked them to perform. The more the belt is tightened on the ability for them to perform those services, the less likely they are able to do that as effectively or efficiently as Council would like them. The long term impact are more calls from citizens asking why alleys and medians aren't mowed, or why potholes are not fixed as quickly as they have been before. All the services that the City does could potentially be impacted.

Mr. Shanks noted last year they took $5M out of fund balance, this year they are taking out $3M; obviously the City is spending more than it is able to bring in. At some point they have to make the decisions to get the spending under control. Mr. Larking noted the core challenge in the City is that costs go up higher than the revenue comes in; the City's growth is not matching what is needed to just pay for basic services. As far as spending fund balance, all that fund balance is going toward Economic Development projects, that is investment in making growth happen. Mr. Larking explained they will go through the exercise with the NRN, and very closely analyze all the services provided.

Mr. Vogler asked what the 1% figure would be, what can and cannot be changed, what is not required by the State, everything else should be factored in, what is the 1% from that. Mr. Larking explained there is over $20M going to the School system, and over $5M going to debt service. Council could reduce the school's appropriation if they wanted; they cannot reduce the appropriation for debt service. There is a certain amount that is required for Social Services, and Transit has a match. By the time you get down through that, and he has heard not to touch Public Safety, there is really 26% of the budget that is left that can be looked at. That includes Parks & Recreation and the fees they generate to provide services, Building Inspections and the fees they receive to provide those services, required positions such as the City Manager, City Attorney and City Clerk and the support staff necessary to do that. It includes having an HR Department that is able to hire for the positions that are open.

Mr. Vogler questioned, has the City grown in the last six years to the level to warrant fifty-one new positions. Mayor Gilstrap noted some of those were combining two positions to one and Ms. Thomasson noted fourteen or fifteen of them were Constitutionals, nine positions were Public Safety that Council added and there are a number of grant funds that the City received. In response to Mr. Shanks, Ms. Thomasson noted the new fees are mostly fee increases to allow the City to take credit cards, but the Inspection Fees will produce $29,000. Mr. Larking noted the City's Inspection Fee Schedule is below other communities and staff felt that was an opportunity to provide additional revenue and get it closer to other communities.

Mr. Larking continued review of his power point and noted under Personnel Costs, the Pay for Performance is budgeted at $700,000, and that could be reduced. However, there would be a negative effect on morale and turnover, and could put a future City Council in a position to have to deal with compression. Mr. Larking noted Council could consider a Reduction in Force which would include eliminating the Airport Tower at $50,000 which is four part time positions; eliminate the Senior transportation position at $46,145 which is reducing one full time position in Parks & Recreation, Eliminate the Blight Fire Inspector at $47,130 and eliminate the PT CERT Coordinator at $16,730 for a total savings of $160,005. Mayor Gilstrap stated the City had a consultant several years ago that recommend eliminating positions to right size the City, The first year, Council eliminated forty seven positions, with the understanding that Council would come back in future years and do the other ones that were recommended, but Council never did. Mr. Larking noted staff has reviewed that report, there were tiers of recommendations and it looked like the City adopted the first tier and did everything in it. The second phase was to do things like combining the Community Development Director with the Economic Development Director into one department and have one department head. There were other things that were similar to that situation that he would not recommend doing.

Mayor Gilstrap noted he is still waiting for Council Members' ideas on how to balance the budget.

MEETING ADJOURNED AT 6:43 P.M.

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MAYOR

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CITY CLERK