April 30, 2019s

A Special Budget Work Session of the Danville City Council convened on April 30, 2019 at 5:30 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 Alonzo L. Jones, Dr. Gary P. Miller, Fred O. Shanks, III, Adam J. Tomer, Vice Mayor J. Lee Vogler, Jr., and Madison J.R. Whittle (8). Sherman M. Saunders was absent (1).

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

Mayor Jones presided.

DISCUSSION ON PROPOSED BUDGET FOR FY 2020

City Manager Ken Larking explained Council Members Shanks and Tomer were on the multi year financial planning committee which was made up of community members and City staff. Staff received direction from Council at the last budget meeting to look into a variety of options, staff worked on them, and noted the cigarette tax was not going to happen. Mr. Larking stated the Federal and State dollars for Transit increased so the support of Transit from the General Fund was reduced by $112,270, which was helpful to balance the budget. There was also an increase in the Delinquent Personal Property Tax collections of $125,480. That was a new initiative the Finance Department started and staff believes in the first year, they will be able to collect that amount in delinquent personal property tax. Staff was looking at the Personal Property Tax collections to date, feels positive about that and believes they can add an additional $150,000 of Personal Property Tax revenue at the current rate. The final item was a reduction in expenditures and contribution to the Regional Industrial Facility Authority to match what the County was putting in. They lowered their amount from $75,000 to $25,000; since the County was lowering their amount, staff decided they should as well, that is an additional $50,000 in cost savings to the City. There was a good fund balance for RIFA; for the next few years, they can probably get by without contributing as much to them. There was some debt that has to be refinanced in the near future, staff will look at structuring that in a way that might save some money. Looking at future years, there will be a reduction in that contribution to RIFA as well.

Mr. Larking noted based on conversations from Council Members to look at ways to reduce taxes further, the Real Estate Tax Rate can be lowered from eighty-eight cents to eighty-four cents if the other measures are also implemented. The other measures include increasing the transfer from Fund Balance by $150,000; that means they are funding Economic Development with Fund Balance. Also, increasing the transfer from the Utility Funds by $378,000, that would be ongoing. The basis for that was in 2016 the City did not elect to take advantage of an increase in the transfer from Utilities that was available to the City per policy, so staff is implementing it now. The cost should be covered by the change in all new employees contributing toward retirement. Next was to increase the hotel/motel tax by 1% which would generate $155,000, and also to add a $2.00 per night occupancy fee. This would balance the budget at $112,642,580, that was the General Fund budget, and a decrease from the original budget proposal of $112,804,850.

Council Member Shanks noted this wasn't the perfect solution, however, he and others have thought that the City wasn't making any permanent changes to take the City forward. He was supporting the one-time items because he was optimistic about what they know is in the works with regard to some economic development items that will soon be announced. Reliance on the hotel industry is one they considered, as opposed to multiple real estate tax increases, due to their location with regard to various racing events. At this time, he does not feel that those two items create an unfair burden on the hotel owners and some Council Members feel that the real estate owners should not have the burden of all the tax increase. Most agree that Council needs to try to fund public education to the extent that they have agreed to. Mr. Whittle questioned the Utility Transfer Fund and Mr. Shanks noted he does not have any problem with it, that was money, by City policy, the City does not capitalize with, and it meets all the policies the City has in place.

Mr. Tomer noted this budget was a one year compromise in his mind and hopes Council understands that. While he, Mr. Shanks and others agree on a lot of things, there are some things that personally he does not agree on, that counting on future economic developments and how it will impact the City's long term budget, he has concerns with that. He thinks it was dangerous to count on revenues to come in especially when it comes to financially planning for the long term. The $2.00 per night occupancy fee is to fund the Life Saving Crew; if Council votes that down, then the Life Saving Crew will not get their funds in his opinion. He will then address whether he will vote for the budget; he feels uncomfortable voting for a budget that doesn't assist them. If the City gets these future economic development projects, that would be great, but if they don't, they will have to come back to the taxpayers with an even bigger tax increase to make up for the revenue they have lost, and potentially have to make some very drastic cuts to services. Mr. Tomer noted he had concerns as far as the long term viability of the City with regard to its fund balances. In three years, the City would be below the amount necessary to meet its bond rating and the expectations of the citizens.

Dr. Miller noted that Richmond, to pay for their schools, proposed their taxes go to $1.27, they recognize the importance of schools as does this Council, and he has no problem with the four cent increase. As far as the occupancy tax, the $2.00 comes from people who are visitors, and this will fund the Rescue Squad. Dr. Miller stated one thing they need to consider, the City was giving a not for profit organization a lot of money, without any kind of memorandum of understanding; this was something the City needed to look at. Mr. Larking noted Mr. Woodall said they would do that, and they are open to having a Council Member sit on their advisory committee.

Council Members thanked the members of the team and Mr. Garrison as well.

Mayor Jones conducted a straw poll to put the budget as presented tonight on the agenda; seven Council Members agreed to put this on an upcoming business agenda.

Mr. Garrison noted he was asked to be on the committee, and that committee first started as a group of citizens and staff meeting with the team from NRN. They did a lot of input into their thinking, they asked for suggestions and the group gave them suggestions. Once they got the report back in, he stayed on when Mr. Shanks and Mr. Tomer were added to that committee. He was on the subcommittee dealing with employee benefits. They met and decided it was not in the best interest of the City to initiate a wage freeze, that would create more problems down the road than what help it would be immediately. They did look at the idea of a retirement system contribution for City employees and recommended that be initiated with the employees hired on or after July 1st. They recommended that the health insurance dependent audit be done and supported the health clinic for employees. Those things actually led to a reduction in this budget. Mr. Garrison stated the City needs to keep tax rates high enough to not have to pull from the fund balance. In 2000, the tax rate was eighty-one cents; if it had remained at that rate, the City wouldn't be in this position now. Mr. Garrison discussed the possibility of a casino locating in Danville, noting he hopes it happens, but does not think the City should look at it now and say it will save money three years down the road. The City needs to look at what they need to do today to stay viable until that money comes in. Mayor Jones thanked Mr. Garrison for his service on the committee.

CLOSED MEETING

At 6:00 p.m., Vice Mayor Vogler **moved** that this meeting of the City Council of Danville, Virginia be recessed and that Council immediately reconvene in a Closed Meeting for the following purposes: discussion or consideration of the acquisition and/or disposition of real property for a public purpose where discussion in an open meeting would adversely impact the bargaining position of the City as permitted by Subsection (A)(3) of Section 2.2-3711 of the Code of Virginia, 1950, as amended, more specifically to consider both the acquisition of a specific parcel or parcels of real property as well as the disposition of a specific parcel or parcels of real property; and to consider an Economic Development discussion and update concerning prospective business or industry where no previous announcement has been made and/or the expansion of an existing business or industry where no previous announcement has been made as permitted by Subsection (A)(5) of Section 2.2-3711 of the Code of Virginia, 1950 as amended, and more specifically to consider the location of a prospective new business or industry to the area and expansion of an existing business or industry.

The Motion was **seconded** by Council Member Campbell and carried by the following vote:

VOTE:	8-0-1
AYE:	Buckner, Campbell, Jones, Miller, Shanks, Tomer, Vogler and Whittle (8)
NAY:	None
ABSENT:	Saunders (1)

Upon unanimous vote at 8:49 p.m., Council reconvened in open session and Vice Mayor Vogler **moved** for adoption of the following Resolution:

CERTIFICATE OF CLOSED MEETING

WHEREAS, the Council convened in Closed Meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Freedom of Information Act; and
WHEREAS, Section 2.1-344.1 of the Code of Virginia, 1950, as amended, requires a Certification by the Council that such Closed Meeting was conducted in conformity with Virginia Law;

NOW, THEREFORE, BE IT RESOLVED that the Council hereby certifies that, to the best of each Member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements of Virginia Law under Section 2.2-3711 were heard, discussed or considered, and (ii) only such public business matters as were identified in the Motion by which the Closed Meeting was convened were heard, discussed or considered by the Committee.

The Motion was **seconded** by Council Member Shanks and carried by the following vote:

VOTE:	8-0-1
AYE:	Buckner, Campbell, Jones, Miller, Shanks, Tomer, Vogler and Whittle (8)
NAY:	None
ABSENT:	Saunders (1)

MEETING ADJOURNED AT 6:35 P.M.

APPROVED:

s/ Alonzo L. Jones
MAYOR

ATTEST:

s/ Susan M. DeMasi, CMC
CITY CLERK