

April 23, 2019s

A Special Budget Work Session of the Danville City Council convened on April 23, 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, Sherman M. Saunders, Fred O. Shanks, III, Adam J. Tomer, Vice Mayor J. Lee Vogler, Jr., and Madison J.R. Whittle (9).

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

Mayor Jones presided.

DISCUSSION ON PROPOSED BUDGET FOR FY 2020

PARKS & RECREATION

Mr. Larking noted the changes in the Operational Budgets are minor other than increases for salaries. One adult transportation position was moved to the Transportation Division.

Parks & Recreation CSP

\$ 105,000	Facility Improvements – Renovation of Welcome Center Restroom; storage shed
\$ 50,000	Park Improvements – playground replacement per schedule
\$ 50,000	Parks Paving Projects – repair sections of park roads as needed
\$2,500,000	Riverfront Park – Phase II Construction
\$ 25,000	Riverwalk Trail
\$ 50,000	Equipment Acquisition
\$5,000,000	Track and Field Facility

Mr. Shanks questioned the \$2,500,000 for the Riverfront Park and Mr. Larking explained there were no plans to move forward until Council had the opportunity to review how it will be funded. The City has \$4M committed toward the park portion and another nearly \$1M for the white water rafting portion. The City was still looking for additional sources; Parks & Recreation has been working with someone to help them identify sources to come up with a majority of the remainder. Mr. Shanks questioned the \$5,000,000 for the Track and Field facility, some of the money was reprogrammed funds and some was to be determined. Ms. Thomasson explained the \$1,087,900 was the remainder of the funds that were already set aside. Mr. Larking stated they are waiting for Averett University to come back with a proposal on how they want to partner with the City to help fund it. The proposed facility would still be located at Langston and all the challenges had been factored in, including the Stormwater drainage. Part of that system started collapsing after Michael and the City has submitted some of that to FEMA for reimbursement which may lower the cost of the project.

TRANSPORTATION

The Transportation Fund includes Amtrak and the Airport.

Transportation CSP

\$ 288,893	Primary Runway Underdrain and Pavement Crack Repair – Reprogrammed/State
\$ 3,626,055	Rehabilitation of Terminal Ramp Area – State/Federal/Reprogrammed
\$ 126,149	Rehab of Ramp Area in front of hangars – State/Reprogrammed

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Mr. Buckner questioned the difference in Recoveries and Rebates for the proposed budget and Mr. Adelman explained about twenty years ago, the tower staff was financed through a National Weather Service grant agreement. The FAA wanted to put in an automated system which eliminated the grant funding to cover the salaries; at that time, the City Manager asked him to go to the corporations and Averett University to seek funding to cover a portion of their expenses. There used to be funds coming in from Dan River, Dimon and the Daniel Group; the City has purchased the Daniel Group hangar, and they previously provided \$2400 in funding for the Unicom recovery, that has been eliminated. All the City receives for the tower recovery fee comes from Averett University in the amount of \$4800.

Mass Transit

Ms. Thomasson noted Mr. Adelman received revised numbers from the State, they increased some operating funds; in addition to that, they denied a couple of capital purchases. In all, it made a difference of about \$102,000 of increased revenues, and it decreased the General Fund support of Transportation. Mr. Shanks questioned the regional bus service to Halifax and Mr. Adelman explained it was not part of this budget. The City has received information from the Virginia Department of Rail and Public Transportation that they recommend funding for the project. The Commonwealth Transportation Board has to approve it; once the City is notified of final approval, staff will go to Council and appropriate the funds. Mr. Larking noted this has a zero dollar cost to the City; the City's role in this partnership is to manage the operation. All the local matches are covered by grants at this point and then will be the responsibility of Pittsylvania and Halifax County.

FIRE DEPARTMENT

In response to Mr. Saunders regarding levels of Fire Department personnel, Mr. Larking explained the proposed budget includes all positions, and there are six positions that are included but were added to attrition. There was nothing in the budget related to reducing the number of stations. Those six positions were identified in the NRN report as ones that potentially could be eliminated; this budget does not eliminate them, it holds them to see how things go, but provides some relief to balancing the budget in the amount of \$230,000. They were mainly there to help fill in whenever firefighters were on vacation or sick. The NRN recommended that it could be more cost effective to utilize overtime when necessary instead of having those positions on staff full time. Closing a fire station was not projected to happen in the next fiscal year, it would probably take a year to plan for that. The process would involve identifying a new location and probably closing two locations. The City was in the early stages of working with a vendor to help identify whether or not it was possible to do that, and what effect it may have on service delivery. Mr. Larking stated there was currently a class of trainees about halfway through their training. The City will hire nine of them full time and have six or so available to be part time; if another vacancy occurs, they can move a part time up to full time. Mr. Buckner questioned when the replacement of turnout gear would be budgeted and Chief Eagle noted it was in his CSP for the year after next.

Fire Department CSP

\$700,000 Replacement of 1998 fire truck and 1987 tanker – state and bonds

Ms. Thomasson noted the tanker will be purchased in this fiscal year, it reduces the amount of bonds that will be issued as it was going to be purchased with bonds.

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POLICE DEPARTMENT

Mr. Larking explained Personnel Services went down, but Employee Benefits have gone up and that is retirement related. The reduction has to do with the number of police officers that did retire; it was a significant number. Chief Booth noted he has eleven sworn vacancies, one senior secretary and one animal control officer.

Mr. Tomer noted he has spoken with the City Manager about a referendum, hopefully this fall, where voters would vote up or down for bond funding for a new police station, and leave it up to the citizens if they want to fund that. It wouldn't be another tax increase that Council initiates, it was one that the citizens would initiate until the bond is paid off. Mr. Larking explained the City did a study on a new police station that showed the cost will be significantly more than what the City can borrow in any given year. The City has a \$6M bond limit, and can roll over some from the previous year; a police station will cost much higher than that. The only way to fund it would be to go to the voters for a bond referendum. The first step in that process would be for Council to receive the presentation from the consultants related to the building itself. Council would have to adopt a resolution to have a referendum, call for it to be placed on the ballot and the voters would then decide whether or not to approve the expenditure. There would be a corresponding tax increase that would be included on the ballot measure. Mr. Tomer noted Council should get that presentation soon and maybe get it on the ballot this November or next May. Mr. Vogler questioned if the SUVs that the Police Department switched to are costing the City more to keep up. Chief Booth explained the initial price and the update are more expensive for the SUVs than the Impalas; Mr. Larking stated they are projected to last longer. Mr. Shanks questioned how the City got by building a Fire Station without a referendum, was that money that was set aside over several years and Mr. Larking stated he believed that a couple of years of debt borrowing was put together. Ms. Thomasson stated the City used \$6M in one year, took some money from fund balance and then used money from another bond issue.

Juvenile Detention

Ms. Thomasson noted their overall budget is down \$106,000, basically because of debt service. Mayor Jones questioned how many juveniles were currently there and Michelle Johnson stated they had twenty-three today; it fluctuates constantly based on the operations of the Courts they serve. They have the capacity for sixty and usually stay about 50%, but it was down from what it normally was.

Adult Detention

Ms. Thomasson noted their budget was also down.

Police CSP

\$75,000	Close Circuit Television Expansion Phase III – General Fund
\$161,952	Tasers & Body Work Cameras – General and Reprogrammed Funds

Discussion of FY 2020 Budget

Mr. Larking noted over the past few years, since the Council identified their three focus areas, the City has made progress in those areas by making investments. Violent crime has been reduced dramatically and there have been improvements in education with the partnership with the school system and the funding Council has made available in previous years. Under Grow Danville, the

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City has seen the investments made in Economic Development reap positive results, with hundreds of job announcements, millions in capital investment, and unemployment down to an eighteen year low. The purpose of doing multi year financial forecasting is to lower the cost of government as much as possible, and also to be able to provide funds for investing in Danville's future. The implemented measures have lowered the five year fiscal gap by \$7.8M and the recommended budget lowers the gap an additional \$2.1M.

Mr. Larking noted the Real Estate Tax proposed was \$.88 per \$100, a cigarette tax of thirty cents per pack and an increase in Personal Property Tax Revenue earmarked for Economic Development; these were included in the recommended budget. The General Fund Budget is \$2.9M over the current fiscal year; removing the fact the City transferred Customer Service from the Utilities Fund to the General Fund, \$2.3M of that increase was for Danville Public Schools and \$280,000 was an increase for Danville Life Saving Crew. The eight cent real estate tax increase generates \$1.76M, the average household would pay \$72 yearly or \$6 per month. The implementation of a thirty cent cigarette tax would generate \$500,000, and there is some debate about whether that will be realized. It would put the total cost of a pack of cigarettes comparable to what people pay in North Carolina. The ten cent personal property tax rate generates \$100,000 the first year because it starts January 1, and \$300,000 in subsequent years. It would be an average of \$12.60 per year, per car with a \$15,000 value. The purpose of that was to reduce the reliance on fund balance to pay for Economic Development.

Mr. Larking stated there were three budget decision points that need to be asked, the first, was City Council in favor of funding education in the amount recommended in the budget. The next, was Council interested in using the Personal Property tax rate to lower the amount of fund balance used to fund Economic Development. How much is Council interested in increasing funding for Danville Life Saving Crew; if it was not going to be \$280,000, if it was going to be less than that, it will help determine what revenue sources and budget cuts were necessary.

Mr. Shanks noted they went through a rigorous process going through various components in the budget, he did not agree all the time with everything that came out of that committee. Mr. Tomer explained he was on the revenue subcommittee and their job was to look at various ways and how Danville compared to other cities for additional revenue. It isn't something the committee took lightly in recommending tax increases, but if members of Council are just going to vote no on the tax increases, he would ask that they at least have a recommendation on how the City is going to make up that revenue. Mr. Tomer noted he is fine with Council Members disagreeing with how the budget has been presented, but they need to have solutions. The City cannot rely on future projects, that was not financially sound. If Council is against the budget, then have alternatives.

Mayor Jones thanked Mr. Tomer and Mr. Shanks for serving on the committee and noted his agreement, the City Manager has presented a budget, if Council disagrees with it, have some solutions. Mayor Jones asked each Council Member their thoughts on support of the Schools.

Council Member Buckner noted his support of schools, the City has to fund them. Mr. Tomer noted the City needs to support the Schools and he does not have an alternative to the tax increases, unless it is laying off City employees. If that is the route Council wants to go, they should talk about it. Mr. Campbell stated education is one of Council's top priorities and he supports it, but every year there is a large increase and the City throws money on the problem. He believes moving forward, they need teachers to make sure students are prepared for jobs that are here and those to come. Mr. Saunders noted he supports the School system. When he was Mayor and Dr. Miller was Vice Mayor, in a meeting with the Superintendent and staff, they were told the School Board would close their office and move it and Galileo to Langston, to save money. Mr. Saunders stated

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he supports the schools but he still has not heard the answer about moving the school board and Galileo, why wasn't it moved, and what would be the cost savings if it was moved.

Mr. Whittle stated he wanted to know what the budget looks like next year on the five year plan. The City was looking at another eight cents of real estate tax and questioned how much was in the Wastewater Fund. Ms. Thomasson explained the support from the Wastewater Fund to the General Fund was done by formula and the City was at the maximum by that formula. The policy would have to be changed and Mr. Whittle stated, then change the policy. Mayor Jones noted the question on the floor was, was there enough time to change the policy and how much money could be allocated from the Wastewater Fund.

Mr. Shanks stated there was an excess in the Wastewater Fund based on good decisions that were made on how wastewater treatment was to be operated. It was saving the City money, and funds have accumulated in that account. He would like to see that number looked at from a financial side and see whether \$100,000 might be there, or \$300,000. It cannot be considered a perpetual revenue but it could be considered a onetime item, if anyone holds the same optimism he has for other solutions coming in the short term. Council changed the policy once, and he doesn't see why Council couldn't change it again. Mr. Tomer noted he was open to looking at it, but his only word of caution was Council has done a lot of one year solutions in the past and that is unfortunately why they are in the situation they are in as far as where fund balance was going to be.

Mr. Vogler noted as far as the schools, they all know it was important that they are funded at the proper level, and he wants to make sure Council does that. There has been growth, success and progress made, he does support the schools, but he does not support the real estate tax increase. The City has had some kind of tax increase for three years in a row; the citizens have had to bear these increases. At some point, there needs to be revenue growth that is based off business and industry and not the taxpayers. He would like to look at the Wastewater Fund, and there is \$1.35M in the budget for the River District projects, that number could come down, and \$400,000 for blight removal, that could be looked at.

Mr. Larking explained Economic Development was all Fund Balance, it would not be a sustainable source of revenue; Council would be using Fund Balance for Education instead of Economic Development. Mr. Vogler stated all this is under the assumption that nothing changes or arrives in the next year to two years. He is very optimistic about a couple potential prospects that would change the scenario quite a bit. Mr. Larking noted he did not believe it was a sound way to do it; the City's fund balance has been diminishing every year and the City is getting to the point where they are reaching their minimum policy.

Dr. Miller noted he wanted to address what Mr. Saunders commented on; many Council members are upset at where the School Board is located. They are paying about \$300,000 a year for their lease; in three years, that is close to \$1M, that needs to be looked at. On the real estate tax, two years ago, the City Manager asked Council to raise the real estate tax to eighty eight cents; if Council had done it, the City would have that revenue coming in. Council needs to listen to the City Manager, get the funds so the fund balance is not depleted and the City doesn't go into debt like Petersburg did.

Mr. Shanks noted he was in support of funding for the schools; last year was not a onetime thing, Council started something that had to continue. Danville Public Schools needs to be a destination school system. He was not in support of how it was being paid for, he will not support the cigarette tax and more than likely not support the full eight cents real estate tax increase.

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Mayor Jones suggested the City Manager take some of the ideas from Council, go back to staff and bring some ideas back to Council.

Mayor Jones did a straw poll on those in favor of the cigarette tax; only three council members were in favor and Mayor Jones noted the cigarette tax died. Dr. Miller noted that was the funding for the rescue squad and Mayor Jones noted they would have to figure out a way for that funding.

Mayor Jones did a straw poll on personal property tax; Mr. Larking noted this was to reduce reliance on fund balance for economic development. Mr. Shanks, Dr. Miller, Mayor Jones, Mr. Saunders, Mr. Campbell, Mr. Tomer and Mr. Buckner noted their support. Mr. Vogler and Mr. Whittle noted they did not support it.

Mr. Larking noted his understanding from Council was they want the funding for education in the budget as proposed, how to pay for it was to be determined and he will look at some of the options presented by Council. Mr. Larking stated he did not receive direction on how much to put in the budget for the Danville Life Saving Crew. It doesn't have to be \$280,000, it can be some other amount and whatever that amount is makes it easier to figure out how to fund it. Mr. Shanks noted he would suggest between \$250,000 and \$280,000, the \$30,000 difference may help. Mr. Tomer noted he wanted the \$280,000; Council could use part of the Personal Property tax increase to pay for it. He will have a hard time voting for a budget that doesn't give them the amount of money they deserve.

Dr. Miller noted some localities have a \$2.00 per night room charge in addition to a lodging tax and Mr. Larking noted the City does have the ability to do that, but just never instituted it. Council members requested staff look into that. Council agreed to a special budget work session on April 30, 2019 at 5:30 p.m.

MEETING ADJOURNED AT 7:43 P.M.

APPROVED:

s/ Alonzo L. Jones
MAYOR

ATTEST:

s/ Susan M. DeMasi, CMC
CITY CLERK