

April 9, 2019s

A Special Budget Work Session of the Danville City Council convened on April 9, 2019 at 5:31 p.m. in the Conference Room located on the Fourth Floor of the Municipal Building. Council Members present were: James B. Buckner, 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 (8). L. G. "Larry" Campbell Jr., was absent (1). *Mr. Whittle entered the meeting at 5:50 p.m..*

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.

CLOSED MEETING

At 5:31 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 Buckner and carried by the following vote:

VOTE:	7-0-2
AYE:	Buckner, Jones, Miller, Saunders, Shanks, Tomer, and Vogler (7)
NAY:	None
ABSENT:	Campbell, Whittle (2)

Upon unanimous vote at 7:27 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

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(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 Buckner and carried by the following vote:

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

DISCUSSION ON PROPOSED BUDGET FOR FY 2020

City Manager Ken Larking noted the five year model has been updated to include a potential economic development project that could provide revenue in future years, of about \$1.2M beginning in FY 23 and going forward. The model also includes all the proposed tax increases and shows a good fund balance for the upcoming year. Mr. Larking explained should Council not implement a cigarette tax as recommended, the 10 cent personal property tax and the eight cent tax increase in real estate, it would have negative impacts in the five year model.

Mayor Jones asked when does the School Board have to know something to make their decision and Ms. Thomasson explained she has to advertise their budget, but as a proposed budget with a disclaimer that the numbers could change. Council, according to State Code, has to approve the School's budget by May 15th; the first reading and the public hearing will be on May 7th. Mr. Larking noted the model does show the increase for schools and DLSC; those are the only two increases that are factored in, the rest of the budget is fairly flat.

Ms. Thomasson distributed a list of the forty three positions that had been eliminated in the 2011-12 fiscal year. Of those, only two were added back; one was in the Commonwealth's Attorney's office a few years ago, the other was in the proposed budget for this year for an Animal Control Officer. In the next two sets of reports, the first one shows the City had in 2012, 1,136 authorized positions; in this budget, the City has 1,188 positions, an increase of 52 positions. Of those 52 positions, 22 are Constitutional, they are mandated. That leaves 30 positions that have been added; the City has not added back as many as were eliminated. Many of the positions were part time in Parks and Recreation that went to full time. Mr. Larking noted the reason was, the City had a hard time filling those positions with part time employees because the number of hours for part time employees was reduced to comply with the Affordable Care Act; the jobs were not as attractive to the part time employee. They were changed into full time employees by combining multiple part time positions into full time. The third handout shows the part time positions that were converted to a full time equivalent. Ms. Thomasson stated when she prepared the budget, there were 124 unfilled positions in the City.

Mr. Larking noted they will begin going through the departmental budgets; the operational budgets are pretty flat for the most part; they are not doing any new initiatives.

COMMUNITY DEVELOPMENT

Ms. Thomasson noted their Capital Projects is the Comprehensive Blight Removal with \$400,000 budgeted and to be funded with current revenues.

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FINANCE

Ms. Thomasson explained in Central Collections this year, they transferred Customer Service from Utilities, into Finance. Salaries and other costs have increased significantly, but there was a recovery. Utilities was paying the General Fund \$1,327,670 which was the cost of transferring that to Finance. Mr. Shanks noted the \$1.4M contribution from Utilities was in addition to what they contribute and Mr. Larking noted it was. They were paying that before, but they transferred that group of employees out of the Utility Fund budget to the General Fund budget. The thought was to be more customer friendly, to have both parts of the Charles Harris Building under one supervision process so they could work together and meet the customer's needs. Ms. Thomasson noted one position was eliminated in Utilities. Finance does not have any capital projects.

HUMAN RESOURCES

Ms. Thomasson noted the largest increase was in purchase services for \$125,000, a portion of that was for a salary study; it has been six years since the City did one. Ms. Weller noted that also includes the applicant tracking contract which comes up every three years for renewal. Mr. Saunders questioned, with the improvement in the economy, was the City seeing an increase in employee vacancies and Mr. Larking noted very much so. Public Works was having a very difficult time hiring certain positions because they will leave the City for a twenty-five or fifty cent increase in hourly pay in the private sector. Utilities and Transit are having some similar issues; across the board, it has been a challenge. Ms. Thomasson noted Transfers and Non Departmental shows the Health Clinic; Mr. Larking noted there will be a ribbon cutting for the Health Clinic on May 7th at 3:00 p.m. Mr. Shanks requested that Council have some input on the peer cities chosen during the salary study. Ms. Thomasson noted because of the health clinic, the City was able to keep the health insurance costs flat.

INFORMATION TECHNOLOGY

Ms. Thomasson noted the majority of IT's cost increases are in Purchase Services for maintenance service contracts on the City's technology. Director of Information Technology Inez Rodenburg noted they have spent about \$1.1M on maintenance contracts and that was for all of the computer systems for the City. They try to use three year contracts; last year they were down but this year a lot of the three year contracts are renewing and showing that increase. Mr. Shanks questioned the increase in Other Operating Costs and Ms. Rodenburg explained that was the charge-back for all department computers, the cost of the PC support. Microsoft Office is changing their model to go to the cloud. Next year the City will be installing Microsoft 365 which now puts the City on a cloud service subscription base; Microsoft will no longer support any of the stand alone programs.

CSP Plan

\$250,000 – Computer Plan – Replacement

\$ 93,885 – Enterprise Resource Planning Enhancements & Upgrades

SOCIAL SERVICES

Ms. Thomasson explained that close to 80% of Social Services was funded by the State; out of a \$9.2M budget, the State pays \$8,306,000 and the City's portion is \$905,740. There are no Capital Projects in Social Services.

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PUBLIC WORKS

Ms. Thomasson noted the General Fund portion is pretty flat and most increases are in salaries, benefits and internal services. They have a number of Capital projects to be funded in the FY20 budget. In response to Mr. Saunders, Mr. Drazenovich noted they have a 40% turnover rate and 10% vacancy rate. Dr. Miller questioned the Riverwalk Trail extension project and City Engineer Brian Dunevant noted this was the portion in front side of the White Mill; \$357,680 of the cost is grant money. Mr. Drazenovich explained this will be bid out to a contractor this summer. Mr. Larking explained anything in this part of the budget has no impact on the General Fund because it is all funded by state revenue.

CSP Plans for Engineering:

- \$ 216,500 – Intersection Improvement at Riverside and Audubon
- \$ 998,000 – State of Good Repair – Resurfacing
- \$4,657,500 – State of Good Repair – MLK Bridge
- \$ 100,000 - Riverside Drive Reconstruction
- \$ 398,680 – Riverwalk/Multiuse Trail Extension
- \$ 200,000 – Stormwater Improvements
- \$ 50,000 – Gateway Corridor Landscaping Improvements
- \$ 75,000 - City-Wide Wayfaring and Signage

CSP Plans – Buildings

- \$ 275,000 – Elevator Upgrades
- \$ 50,000 – Emergency Generators
- \$ 150,000 – General Maintenance
- \$ 250,000 – Roof Replacement
- \$ 100,000 – City Owned Parking Lots
- \$ 100,000 – Exterior Painting of City Owned Buildings

Ms. Thomasson noted the Motorized Equipment Fund in Public Works provides a lot of the City vehicles. Mr. Shanks questioned with the Police Department now using the larger vehicles, are they going to eventually be used by the departments and what kind of gas impact does that have on the budget. Mr. Drazenovich explained they typically roll the police cars back into the fleet. They are on the fence about using all those SUVs, they are going to be high gas users, but they can put propane on them after they get them. The question is, are there enough miles left in them to make that investment. They currently have almost twenty five propane vehicles and a lot of them are SUVs. Mr. Vogler asked Mr. Drazenovich if he knew how much it was saving the City using propane and Mr. Drazenovich stated they would have to make that calculation; Mr. Vogler asked Council be given those numbers.

Sanitation Fund

Ms. Thomasson reviewed the Sanitation Fund and Mr. Larking explained it was all funded by the \$16.50 per month fee that is added on the Utility Bill; it has been \$16.50 since 2005. Back when the City was looking at personnel changes, there were several position in the Sanitation Fund that were eliminated because they moved to the more automated trucks and didn't have to have as many men. Public Works has done a lot to be as efficient as possible in the delivery of this service and allows the City to be able to maintain the \$16.50 solid waste fee for this long a time.

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CSP Plan

\$300,000 – Sewer Line Reconstruction

\$250,000 – New Sewer Lines/Inflow and Infiltration Reduction

\$800,000 – Apple Branch Sewer Line Replacement (from Utility Revenues)

Mr. Shanks asked Mr. Drazenovich if there were any Stormwater management projects to deal with Apple Branch. Mr. Drazenovich explained Mattern & Craig is studying putting a detention pond above Colonial Court where the electric substation is located. They are also studying downstream trying to channelize and straighten the bottom where it jumps the banks; that was a multi-million dollar project. There are not any short term solutions to the bottom end of Apple Branch where there has been flooding.

Cemetery Fund

Ms. Thomasson noted everything in the Cemetery Fund is flat, and Mr. Larking stated the support from the General Fund is very low. Mr. Tomer stated revenues are expected to be down, are there less people being buried and Mr. Drazenovich explained that has been dropping for the last ten years as more people are being cremated.

Wastewater Funds

Mr. Tomer noted there was a large decrease in revenue in Charges for Services, almost \$500,000 and Ms. Thomasson stated that was under the Utilities portion. Director of Utilities, Jason Grey, explained that was Water/Wastewater Revenue. The Wastewater fee is decreasing 4% and the Water is going up 4%. Mr. Larking explained the Fund Balance situation in Wastewater is very strong, it is not as strong in the Water Fund. Staff wanted to be revenue neutral to most customers and lowered one rate and raised the other. Mr. Larking also noted there was a disparity in the number of customers that have both sewer and water.

UTILITIES

Mr. Larking stated the Utility Commission has reviewed all the budgets in detail, approved and forwarded them to Council. It does include the swap in the Water and Wastewater rates to balance it out and a reduction in the gas rate as well.

Water Fund

\$1,000,000 – Water Line Reconstruction (current revenues)

Gas Fund

\$1,500,000 – Cast Iron Main Replacement (current revenues and fund balance)

Electric Fund

\$1,500,000 – Street Light Upgrade (bonds)

\$2,000,000 – 25kv Conversion (bonds)

\$ 500,000 – System Reliability (current revenues)

\$3,000,000 – Substation Upgrades (bonds)

\$1,500,000 – Behind the Meter (bonds)

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Telecommunications

Ms. Thomasson noted Telecommunications was recommending the elimination of one position because of loss of revenues.

\$250,000 – n Danville – Fiber to the Home (fund balance and current revenues)

Ms. Thomasson reviewed General Fund Capital Projects funded with current revenues and noted if Council wanted to make changes to the budget using capital, those were the only projects that would impact revenues. The rest of the projects are grants, bonds and reprogrammed monies. Dr. Miller questioned if the Fire Department didn't need new vehicles this year and Ms. Thomasson noted they have projects using debt service.

Mr. Larking noted the retirees are requesting a bonus; they have met all the criteria except for the funding to pay for it. Mr. Larking stated if Council was going to do it, he recommended it be done before the end of this fiscal year; if the City waits until after July 1, the amount goes up significantly. The impact to the General Fund is \$390,000, the impact to all other funds is \$110,000. Mr. Larking noted since it was somewhat of a one time expense and won't happen for a few more years, it would be okay to use fund balance to fund it; it was not in the recommended budget, but if Council feels it needs to be added in, the way to pay for it would probably have to be fund balance. Mayor Jones noted he would do a straw poll on giving the retirees a bonus and the bonus should come from fund balance. After further discussion, the Mayor deferred the straw poll on the retiree bonus to the next budget work session.

MEETING ADJOURNED AT 8:49 P.M.

APPROVED:

s/ Alonzo L. Jones
MAYOR

ATTEST:

s/ Susan M. DeMasi, CMC
CITY CLERK