April 3, 2018s

A Special Budget Work Session of the Danville City Council convened on April 3, 2018 at 5:37 p.m. in the Council Chambers 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, J. Lee Vogler, Jr., Sherman M. Saunders, Fred O. Shanks, III and Madison J.R. Whittle (9). *Mr. Whittle entered the meeting at 5:50 p.m.*

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

INTRODUCTION OF CITY MANAGER'S PROPOSED BUDGET FOR FISCAL YEAR 2019

City Manager Ken Larking thanked Budget Director Cynthia Thomasson, Deputy City Manager Earl Reynolds, Director of Finance Michael Adkins, and Assistant to the City Manager Amanda Paez, the core budget team that helped put this budget together. Mr. Larking also thanked the Department heads who worked to present to the budget team their proposed and requested budgets. Mr. Larking noted the theme of this year's budget is to continue what the City is doing by Making Danville a Desirable Place to Live. The Council has identified three focus areas, Reduce Violent Crime, Improve Education and Grow Danville, which he believes makes Danville a desirable place for residents, businesses and visitors. These were the focus areas developed in 2016 and reaffirmed last year.

Mr. Larking reviewed his power point presentation and discussed some of the things done in the current year to address those focus areas.

Under the area of Reduce Violent Crime, the City has:

- established a Gang Task Force
- are in the process of hiring the coordinator with grant funds promised by the State
- established a Youth Services Task Force – a group of youth serving agencies that meet on a periodic basis, led by Mr. Reynolds, to make sure the City is coordinating all their efforts to help the youth as much as possible in the community
- upgraded equipment
- new personnel added to Police Department staff
- added Police vehicles
- began a new focus on Community Policing
- increased presence in higher crime areas using Focused Deterrence

Staff feels they are making an impact on reducing crime through deterrence, but also through Community Policing. People in neighborhoods feel comfortable knowing who their police officers are, they are able to easily say something when they see something, and feel confident that something is going to happen.

In the area of Improving Education:

- last year the City Council approved $1.6M in new funding
- At GWHS they started the Precision Machining Lab, it was constructed at the beginning of this year

- Last year the School Board held a retreat where they decided on developing a strategic plan
- They hired content area specialists to help with the core subject areas to make sure teaching and education are consistent in all schools throughout DPS
- They have hired a Community Engagement Person who will be working in the community to increase funding, and get donations to help accomplish some of their goals.

Grow Danville:

- The City has had a lot of River District success with new restaurants, additional retail, and new event spaces
- more residential lofts
- Craghead St. Streetscaping
- Riverfront Park Planning

All the improvements are because of the investments City Council has made in the River District, to make it an attractive place for people to live, work and to shop.

Mr. Larking noted the City has seen success in industrial recruitment, have created several lots at Berry Hill Mega Park, announced Unison at the Cane Creek Center Industrial Park this year, and Kyocera is nearing the end of their construction and will be having employees there in the near future. Danville was named in the top fifty micropolitan regions by *Site Selection Magazine* and were also named in the top ten *MicroAmerican Cities of the Future* by Foreign Directed Investment Magazine.

Danville has also had a lot of commercial development in the City and have continued blight elimination and focus on historic neighborhoods. The City is also focusing on Five Forks redevelopment and continuing the removal of historically insignificant, dilapidated structures throughout the City. Danville has competitive tax rates which help make it a desirable place to live with the real estate tax rate currently at eighty cents. With the average for all cities in Virginia at $1.06, Danville is twenty-six cents below the average. With regard to cities that have electric utilities, Danville is the second lowest in the state at eighty cents, the lowest is Radford at seventy-six cents and there are several that are above Danville. Danville's meal's tax is currently six percent, there are some cities that are at seven percent and a couple at seven and half percent.

Mr. Larking explained this year is a little different, the City received a grant for multi-year financial forecasting from the National Resource Network; this was a $350,000 project with 75% of the funding coming from the National Resource Network and 25% from local funds which were made up of a combination of City funds and the Regional Foundation. The multi-year financial forecasting project looks at the efficiency of the City's operations and recognizes some things that can be done to be more efficient. There will be a budget model created which is being worked on right now, with a five year forecast. Multi-year financial forecasting is not about driving the tax rate down to the lowest possible level and nothing else. It is about being as efficient as possible in the provision of government services so that the City can have funding available to make investments where they need, have fiscal sustainability over time, and stay competitive with the tax rates. Danville is in a great position right now with opportunities to make investments where they are needed, so the City can have the growth that is necessary to make it fiscally sustainable where they don't have to touch rates year after year. Mr. Larking noted he was happy to announce Danville Public Schools were notified that they will have half of the funding for their portion of the project covered by the National Resource Network; DRF is planning to contribute some funds, about $40,000 for DPS to put in and about $22,000 for the City to put in.

Mr. Larking stated a review of this year's budget challenges, mainly for the General Fund, involve personnel costs. The City's health insurance costs went up quite a bit and staff is projecting an $800,000 increase to the cost for health insurance. There is $331,500 budgeted to do what the actuary recommends for the current retirement system as is; that will only pay for half of what is necessary for Public Safety employees just to keep things where they are. The budget also has an enhancement to Public Safety retirement to be funded starting January 1st; that is a 2.2% multiplier from the current 2.0%, plus reducing the retirement age from 55 to 50 and the years of service from 30 to 25. Also included in this year's budget is an average 2% pay for performance which costs $700,000.

The City needs at least 3% growth in the tax base to keep up with the cost of doing basic government services, to keep the status quo. This year, the City's real estate taxes are projected to be flat and other taxes are projected to be less than 1%. The City is projecting a little more revenue in sales tax. This budget includes a 1% increase to meals tax to 7%, and projecting an additional $140,000 of additional meals tax revenue at the current rate; with an additional percent the City would receive $1.2M more. The real estate tax is projected to go down $200,000 and the reason is delinquent collections are projected to go down. Staff is adjusting the hotel/motel tax to be more in line with projections by lowering it $40,000 and expect more business license revenue, and machinery and tools revenue. Last year there was an increase to the personal property tax rate, it went into effect in January, and the City will be able to use the entire year of that revenue which is an additional $750,000. The Airport Commission has recommended a small increase to the hangar rental fees and staff is recommending a small increase to inspection fees to be more in line with other communities; the total increase in revenues of those would be about $30,000.

Mr. Larking reviewed some projects the City plans to do this year in the City Council identified focus areas.

- Crime analyst position in the police department that had been grant funded; the grant funding has run out and the City would like to continue that position
- Proposing a $1,000 enhancement to the Sheriff Deputies' salaries, a local supplement to be competitive with other areas
- New security cameras throughout the City and especially the River District
- More equipment for the police department.

Improving Education: City Council heard that the school system is planning to implement a new teacher pay scale, they want to do more for teacher recruitment and they likely will be able to establish a capital reserve fund based on having more carryover funds.

Grow Danville

- The Riverfront Park is in the capital budget, a little over half the funding is proposed to come from the Duke Energy Settlement Funds. The rest of the $2.5M is budgeted for the upcoming year and staff is hoping to receive grants and donations, and an additional $2.5 for the following year.
- Park Improvements, playgrounds, basketball goals, surfaces
- Expansion of the Riverwalk Trail
- Gateway improvements
- Economic development recruitment and expansion

The amounts associated with those projects are $445,000 for reducing crime and $3.9M for Grow Danville. The total budget is just over $290,000,000, a 1.3% increase over the current year and the major increases are in the General Fund. The Utility Funds are at $4.4M which is a combination of capital projects in the Water Fund and Purchase Power. Mr. Larking noted the Meals tax increase is a raise from 6% to 7%, it generates $1.2M a year; there are increases for Airport Hanger Rentals, Inspection Fees and some small increases projected for the Fee Schedule related to accommodating credit card transactions.

Mr. Larking noted one question asked of him was, what does this budget mean to the citizens of Danville and Mr. Larking explained the meals tax increase, among all the rates and taxes in the City of Danville, is about providing government services. But also in this budget and budgets done in the past, it is about making strategic investments in areas that make Danville a more desirable place to live; that should be on the top of everyone's list. Right now, everyone knows if you own a house in Danville, the value of that home is less than it ought to be, and that is because there are not enough people that want to move to Danville at this stage. Danville is doing a lot better, it has seen a lot of growth and success, but the City needs to do more. When people want to live in Danville, the value of homes will go up and there will be fiscal sustainability to be able to continue the government services.

Budget Director Cynthia Thomasson reviewed the format of the budget documents noting there are now three documents including the Proposed Budget, a Line Item Budget which is for Council's reference and the Capital and Special Projects Budget.

B. Review of Economic Development Budget

Ms. Thomasson distributed a handout for Economic Development entitled: *Budget Year 2019, Committed Economic Development Incentives.*

Mr. Saunders noted looking at Economic Development's increase/decrease for FY2019, it shows $22,570 less than last year, and asked during the twelve month period, what if they have a prospect that wishes to locate in the City and ED needs more money. Mr. Larking explained there are a couple things that can be done; if any department finds that they need additional funds, they can request those from him or the Budget Director and they can approve a transfer from contingency into the departmental budget. If that is not sufficient, they would need to find it somewhere else in the budget. Mr. Tucker noted they build in a small request for unanticipated projects that might come during the year that they currently aren't aware of.

Dr. Miller questioned if there was a limit on the amount of money they can use for each project before they have to come back to Council and Mr. Larking explained for every Economic Development project, staff comes to City Council and gets approval at the work session level. If there are funds budgeted, and available to do it, they have the ability to make that decision at that point; if they need additional funds, City Council will have to approve those. In every case, staff lays out the entire incentive package to City Council, in a closed session environment, so staff can get buy in from City Council on what they are trying to do.

Mr. Shanks noted looking at the section on Virginia Enterprise Zones with reference to Economic Development Fund, is there somewhere that Council can get a breakdown on that fund, in particular since 2012. Mr. Larking noted staff can provide something more detailed. Mr. Shanks stated there had been funding that for several particular purposes and with blight eradication, and he is asking about both; Mr. Shanks noted there was a large contribution to that fund in 2012. Mr. Larking stated in this year's budget the City shows no additional funding for Enterprise Zone because the City had leftover funds available that can be used in upcoming years. Mr. Tucker noted they also moved some funds to some other economic development projects so staff wouldn't have to request additional funds for those.

Mayor Gilstrap questioned the five employees in Economic Development, does that include any consultant and Mr. Tucker noted Economic Development has five full time employees and one consultant. Mayor Gilstrap questioned Other Purchase Services, are those incentives and Mr. Tucker explained it includes a number of things such as contracts for translation services, and outside purchase services for Due Diligence. Mr. Tucker noted they can provide Council with the details of the line items.

Mr. Tucker reviewed the Budget Year 2019 Committed Economic Development Incentives (a copy of which has been retained in Laserfiche in the City Clerk's folder *Presentations to Council.)* The first line item of $50,000 represents funds committed to Enterprise Zone grants to Goodyear Tire in Machinery and Tools rebates as a result of previously negotiated Performance Agreements. The next is EZ Local Jobs Grants which are only paid if evidence those jobs have been created, at $86,000. Mr. Tucker explained discretionary funds that staff requests for Unidentified Industrial Projects shows $250,000 and Industrial Enhancement Grants are funds that are requested in the event that the City is approached with a project during the year, that was not budgeted and they need to react quickly; that request is consistent with what staff requests each year. If those funds are not used, they will roll over into the next year as well. River District Development Grants and Enhancement Grants show $125,000 each; these are similar discretionary funds for unidentified River District projects that have not yet come into fruition. Mr. Tucker reviewed incentives that have been committed for various projects including JTI Leaf Services expansion over the last year for a 150,000 square foot addition to their building, that was $40,000. Lynn Street, the former Durham Hosiery Building, which is a mixed used development, that $375,000 is consistent with their development enhancement grant for that project. Ms. Thomasson explained those incentives total $1,051,000 and what was put in the budget is $1,000,450; that was to balance the budget and what the City could afford. As these items come forward, and the requirements are met, they will have the money. If they go over, the City will have to find the additional funds.

Mr. Tucker reviewed the River District Property Purchase and Improvement Plan which shows a $250,000 request for unanticipated acquisitions, and the Durham Hosiery Parking Lot, which is part of the City/IDA's responsibility for facilitating the Durham Hosiery project. That is a publicly owned parking lot but it has to be rebuilt, regraded and resurfaced. IDA Building Stabilization Projects have been estimated based on contractor estimates of the work needed, and there is IDA Property Maintenance for ongoing maintenance of IDA buildings. The total of River District Property Purchase and Improvement Plans totals $1,670,000.

Mr. Vogler asked if the covered bridge referenced is the old bridge that connected the White Mill that goes over the river and Mr. Tucker noted that was correct. Mr. Tucker explained the City received a $500,000 grant from the Virginia Department of Environmental Quality and VEDP to do environmental abatement, but that is not enough to cover the entire cost. The $400,000 requested are additional funds needed to complete the abatement process, remove the metal panels and treat the steel structure so it doesn't rust and deteriorate so it can then be repurposed. Mr. Shanks questioned the Durham Hosiery Parking Lot, that is not the new parking lot and Mr. Tucker noted it was not, it is the one between Lynn and Monument. Mr. Tucker explained it had to be regraded, a retaining wall put in because of the new Fire Station so that it drains properly, and it has to be resurfaced. Mr. Shanks questioned the $200,000 for property maintenance does that include fixing leaking roofs and Mr. Tucker noted that was correct.

Mayor Gilstrap noted this meeting needed to adjourn and the conversation will continue in the work session after the Regular Council meeting.

MEETING ADJOURNED AT 6:48 P.M.

APPROVED:

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MAYOR

ATTEST:

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CITY CLERK