A Special Budget Work Session of the Danville City Council convened on March 28, 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, L. G. "Larry" Campbell Jr*.,* Mayor Alonzo L. Jones, Dr. Gary P. Miller, Sherman M. Saunders, Fred O. Shanks, III, Vice Mayor J. Lee Vogler, Jr., and Madison J.R. Whittle (8). Adam J. Tomer was absent (1). *Mr. Whittle entered the meeting at 5:49 p.m., and L. G. "Larry" Campbell Jr., entered the meeting at 5:57 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.

**INTRODUCTION OF THE CITY MANAGER'S PROPOSED BUDGET FOR FY 2020**

Mayor Jones recognized Superintendent of Schools Dr. Stan Jones who introduced School Board members Ms. Terri Hall, Brandon Atkins, Crystal Cobbs, and Elizabeth Leggett. Mayor Jones recognized City of Danville Treasurer Shelia Branch.

Mr. Larking reviewed his Power Point presentation *Danville Forecasts a Brighter Future, 2019-2020 Proposed Budget,* a copy of which has been retained in Laserfiche in the City Clerk's folder *Presentations to Council.* Mr. Larking noted the five year financial forecast has shown a long term structural gap in Danville that needed to be filled. The crime rate has fallen in Danville, the 2018 murder clearance rate was at 82%, and property crime rates have also fallen. This is due to focusing on community policing, establishment of an Office of Gang Prevention staffed by the Youth and Gang Coordinator, and increased focus on community policing with neighborhood walks, coffee with a cop, an officer assigned as a community and youth engagement liaison, and a police youth academy.

Mr. Larking noted the City has also been focusing on education resulting in Danville Public Schools doubling the number of fully accredited schools, teacher pay raised an average of 12% last year and nearly 100% of the teacher positions filled with licensed teachers. That produces high quality instruction in the classroom and better student outcomes. Students earning industry certifications has grown, jumping 23% from 2017 to 2018, college enrollment continues to improve as well as on time graduation rates. The Local Economy continues to improve with significant industrial recruitment and retention project announcements, significant state investment occurring at the IALR to expand the workforce pipeline initiatives, significant developments at the Mega Site, announcements in the River District and continued neighborhood revitalization. Economic Development has increased jobs and unemployment is down to 4.4%, the lowest in eighteen years.

Multi-year forecasting initiatives resulted in several million dollars in annual cost savings that will be carried forward into the future. Mr. Larking noted the fiscal gap in FY 2023 showed $6M of fund balance left and continued deficits in the budget. Cost savings will improve that outlook, still showing a decline, but better than originally forecasted. With the rate increases that are included, the gap looks better by 2023; going from $6M, to $16.6M. However, continued investment in the school system, with a 3% increase after the current proposed budget, shows 2023 down to $12.4M.

Mr. Larking explained Danville is a low tax burden City; the average household pays $900 less than peer communities, which is 27.7% lower than the average. The real estate tax rate remains among the state's lowest, currently twenty-six cents lower than the state average. This budget proposes low taxes with increased school and EMS funding, and a real estate tax increase to eighty-eight cents. A cigarette tax increase of thirty cents per pack for improved EMS service and

K-12 education would generate $500,000, and an increased personal property tax to $3.60 is included for economic development. The budget puts focus on education and public safety initiatives with a $2.9M increase in the General Fund (excluding transfer of customer service from public utilities to the general fund), of that, $2.3M is an increase for DPS and $280,000 is for the DLSC. The vast majority of the increase for the general fund is related to these two items.

The budget includes initiatives to reduce violent crime/improve public safety, improve education and growing Danville. Costs for initiatives are $1,553,125 for Crime/Public Safety, $4.3M for Education and $2,095,530 for Grow Danville. These initiatives are paid for with a combination of current revenues, debt service and appropriations from unreserved fund balance. An eight cent real estate tax increase would generate $1.76M and cost the average household $72 per year, and a thirty cent cigarette tax would make the cost of a pack of cigarettes comparable to what people pay in North Carolina. A ten cent personal property tax rate increase would generate $150,000 on the first year because it is implemented in January and $300,000 in subsequent years. The average annual increase for a $15,000 car would $12.60 per year.

Vice Mayor Vogler questioned the cigarette tax anticipated to generate $500,000 in revenue in its first full year, where did that figure come from and Mr. Larking noted the National Resource Network. Mr. Vogler stated when that same thirty cent tax was discussed in 2011 and 2012, it was estimated to generate around $300,000 a year; he is not sure that $500,000 figure is accurate, and is not sure it is a sustainable source of revenue as the surgeon general has stated one of the biggest things that can be done to encourage people to quit smoking is to raise the price. Mr. Larking noted there has been an internal staff debate about this, some say it should be less and some say it should be higher. His decision was to put $500,000 because that was what the NRN had estimated. It may not come in that amount that first year, it may come in less and the City would have to make some adjustments if that were the case. Mr. Shanks noted he has similar concerns and several months ago asked that research be done with the most recent localities in Virginia that raised cigarette taxes to see the results. This tax was going to have some negative impacts for business owners as well as citizens; if Council is going to go this route, they need to know the facts.

Mr. Vogler asked if staff had information on what the median income is compared to the state average, believes it is substantially less and would like to see how that lines up in relation to the tax rate. Mr. Larking noted that goes back to what the tax burden was and factors in median income. The NRN plan showed, on average, factoring in median income for people who live here, Danville was a low tax burden community, and would continue to be a low tax burden community even with the increases.

Dr. Miller stated if people smoke less, that is a good thing, expenses will be less, medical costs will go down and it would cost the City and community less. Unfortunately, it is very addictive; people will continue to smoke no matter what the price of cigarettes. The City needs a source of revenue and cigarettes are costing this community millions of dollars, they need to pay their share. Mr. Shanks noted they also need information to find out the impact of lost sales of other items beside cigarettes, and what are the impacts to the City as far as savings with less people smoking. Mr. Saunders stated people are going to smoke regardless of the price, noted his support of the DLSC and reminded Council they had this discussion several years ago. Council chambers was packed with people who run the convenience stores opposing the cigarette tax and suggested Council needs to look at some other revenue stream to generate this $500,000. Dr. Miller noted his agreement, Council chambers was packed, and all wore shirts against the cigarette tax, paid for by Altria out of Richmond; the tobacco company sponsored those people.

Mr. Larking noted the budget as proposed, if not for increases for schools, trying to back off of using fund balance for economic development, and an increase for the DLSC, would not require tax increases in order to go forward.

Superintendent of Schools, Dr. Stan Jones, reviewed at school programs, before school programs, and the Behavior Intervention Team that meets with any child and parent that are struggling, and try to wrap services by connecting that family with services in the community. There are social workers and student assistance coordinators, and those roles are designed to connect families that are struggling to get resources in the community. Three years ago they only served students in 6-12 in the alternative program, now they serve students in K-12 at Langston. Dr. Jones noted oftentimes when students struggle, they don’t come to school, and that is truancy; they have a very intensive truancy intervention team. If an elementary student is missing school, that is not a student problem, it is a home and parent problem. They work very closely with the court system to try and hold that parent accountable, and that sometimes results in mandated services for that family to ensure that child is in school. Through Title I Funds, they have a number of intervention and partnership services where they work with parents directly to help them help their children learn how to read, and help them with math. There are a number of initiatives that are designed to connect parents and help them build support for children at home.

Mr. Saunders noted for parents that may have some legal issues that affect the children, is there any kind of partnership with the courts and schools. Dr. Jones noted the court system mandates a number of things such as getting the child to school, and parent counseling. The school social workers are the people that if the child is missing school or there is any evidence of neglect, they report that to Danville Social Services. Those mandates from the Court are imposed on the family to try to support that child being successful.

Mr. Campbell noted he has heard the City has been losing 100-150 students per year; Dr. Jones noted they also are gaining students, when discussing enrollment loss, it is not one-way. Dr. Jones distributed a handout *Students from Other School Divisions Attending Danville Public Schools* noting forty seven students from outside the school division are attending Danville Public Schools, and four hundred eleven students attended private schools and schools in other divisions in 2017-18; they have not collected that data for 2018-19. Dr. Jones noted the division lost eighty students last year. Mr. Campbell questioned the additional $4M for DPS, and Mr. Larking stated what they have learned from the NRN is that Danville is well below the average for peer cities when it comes to the contributions to operations in DPS. They also know that the school system is not where it ought to be, it used to be a destination school system. The investment in teacher pay increased the percentage of licensed teachers in the classroom to 97%, which will be better experiences and better outcomes for the schools. With better outcomes, the schools become attractive to people. Mr. Larking explained the NRN report suggests the City contribute an amount getting them to the average contribution. He hopes after this budget is adopted that the school system and the City would work together to develop an education compact and very clearly lay out what is the appropriate amount for schools and how to get to that number.

Mr. Saunders questioned if the school system is doing anything to stop the slide of students into other schools districts and to get them back to Danville. Dr. Jones stated they are, by bringing in programs like the advanced manufacturing program at GWHS, creating innovative work force development programs that no one else offers, and the IB program at Galileo; those types of investments will offset the enrollment loss. Dr. Jones noted there was a bigger issue in enrollment loss than what Danville Public Schools is doing or not doing. The State of Virginia had a decline of two thousand students in 2018; the issue of enrollment loss is a dynamic across the entire state. The only place that is really growing in the state is Northern Virginia; Pittsylvania County lost one hundred forty two students this year. Dr. Jones stated the $2M they carried over for this year to pay for the teacher compensation scale resulted in DPS having a 97.1% filled rate as of October 1st. To sustain that teacher scale costs under $400,000 a year; they will be able to maintain competitive pay because they have revamped their teacher scale which cost them $2M, but to sustain that is $400,000.

Mr. Saunders noted for the precision machining program, does the City have a pipeline and Dr. Jones noted the students in the precision machining program are enrolled in DCC, those are dual enrollment courses. The inaugural class of students in that program will graduate this May; many have already been offered jobs. They have created career potential labs in the two middle schools, where students in sixth, seventh and eighth grades are exposed to the non-career pathways, and advanced manufacturing is one of them. Dr. Jones discussed his handouts including enrollment trends in Danville, Halifax, Henry County, Martinsville and Pittsylvania County and stated enrollment loss is an issue across the state. Mr. Shanks questioned how many students were in the junior class of the precision machining program and Dr. Jones noted nine; the goal was twenty students per class. Mr. Shanks stated he hopes the school system can advertise this program in other localities. Dr. Jones noted the program does need to be marketed to DPS students and they have some marketing materials they are rolling out.

In response to Mr. Whittle, Mr. Larking explained last year they appropriated $20,380,000 to DPS; DPS had $2M that the City gave them previously that they got to keep, essentially, they had a $22M budget of City funds. They used all of it to fund their operations and the teacher pay increases. This year, the City wants to make that whole, because they don't have that carry forward money available. He is recommending $22M to DPS to make sure there is an ongoing revenue source to pay for teacher pay increases. Mr. Larking noted the eight cent real estate tax increase was for the school system. Mr. Whittle noted the City just keeps putting it on the tax payers and that was where his problem was. Nobody wants to hear it but they have to start cutting employees. If its two hundred employees, that takes care of the $10M a year the City is short. Mr. Whittle stated it was up to Mr. Larking to choose the employees, Council is there to set policy and Mr. Larking is there to put it in place. Mr. Larking noted he cannot pick two hundred employees and not know what services Council does not want.

Mayor Jones questioned if that was a discussion Council wanted to have, having Mr. Larking look at cutting two hundred employees and Mr. Whittle noted that would be a start; the City doesn't have anywhere else to get it. Mayor Jones took a straw poll, if Council wanted to ask the City Manager to look at cutting two hundred employees; Mr. Whittle was the only Council Member in favor of looking into employee cuts. Mr. Shanks noted they had the discussion last year and discussed a little bit this year. Council always seems to choose a tax increase as opposed to a reduction in service and wished there were some options. It may not be two hundred employees, it may be through attrition maybe fifty or seventy five. He is not opposed to looking into what Mr. Whittle was suggesting; not that drastic, but they should have those options provided to Council.

Mr. Larking handed out a sheet prepared by the Budget Director that was asked for by Council Member Tomer. He wanted to know what was a mandated cost and what Council had flexibility on. If all the General Fund expenditures are added up, including the amount appropriated for schools, it represents $62.78% of the total General Fund spending. The rest would be discretionary, $41M; of that $41M, $35M is positions, there is about $6M left over which is used for the tools they use to do their job. When the General Fund is broken down, there is flexibility but not a lot. When talking about cuts, there is $41M to work with out of the $112M; the rest is either schools or mandated. Mr. Larking noted Police and Fire make up about $15M of the $35M.

Mr. Vogler noted it would be good if Council could look at what percentage of total revenues the City allocates to the school system and historically, over a ten year period, how does that look in comparison to a percentage of the City's overall spending. Also, have a discussion, such as what Richmond does, where they have set a percentage of their revenues they fund to the schools.

7:03 recess
7:16 reconvene

Mr. Larking noted the next thing to discuss was Transfers Out; the first one was Schools and the next is Danville Life Saving Crew. DLSC's request was for an additional $280,000 annually to go toward ambulance service in the community. The City has also had a request for $260,000 to renovate the Northside EMS Station; staff has included funds in the budget for that to be paid for with debt service. Both requests are included in the budget. Mr. Larking stated Robert Woodall from the DLSC is present to answer any questions. Mr. Woodall stated Regional One answered a lot of the inter-facility calls; after they closed, DLSC had to change their business model. They had to hire more career staff and increase coverage at the Northside facility. They spent about $275,000 initially on the Northside Station and probably another few hundred thousand in the last ten years upgrading it. They never intended staff to spend the night there, but people are there 24 hours a day and they need to renovate that building. Dr. Miller questioned how difficult it was to get volunteers and Mr. Woodall noted right now staff is made up of half volunteers and half paid staff. Mr. Woodall explained they also have a Junior Rescue Squad from ages sixteen, from the local high schools and they do recruit from the high schools. Mr. Woodall also discussed the DLSC equipment and rescue equipment.

## **CONSTITUTIONAL OFFICES**

Mr. Larking explained most of the Constitutional Offices are pretty close to current year; there are the same number positions for the upcoming year as in the past year, and overall the budgets are fairly flat. Ms. Thomasson noted the State is recommending a 2% salary increase for the Constitutional Offices and that is incorporated in the budgets.

### Commonwealth Attorney's Office

Mr. Larking noted there is state law regarding body cameras, Mr. Newman has been able to work with the City to develop a solution and it is incorporated in this budget. Michael Newman, Commonwealth's Attorney, explained a law was passed in Richmond indicating that for up to 75 body worn cameras a locality has, they shall fund a position in the Commonwealth Attorney's Office; from 0-75 is one position, from 75 – 150 is another, etc. In the City of Danville, the number of body worn cameras the Police Department and the Sheriff's Department has is 157. Mr. Newman stated he was not there to ask for three positions; that was $195,000. He came before Council three years ago asking for a position because he saw this coming. He has one person in his office, they work with IT, are able to share videos and don't have to spend time burning DVDs. Instead, via email, he can allow people such as defense attorneys to have access to view the video they request. Mr. Newman noted he is asking for $35,000; pursuant to the State law, his office can reach an agreement with the locality and rather than fund all the new positions, he is asking for $35,000. Most will go to his staff, for a possible raise for the entry level positions to help retain people. He can spread the money out to his attorneys and staff for a small bump up.

Circuit Court

Mr. Larking noted this budget is fairly flat with no new initiatives. Gerald Gibson, Clerk of the Circuit Court stated he does not have any special requests, thanked Council for what they do and their continued support throughout the year.

Treasurer

Mr. Larking stated the Treasurer's Office Budget shows an increase of about $5,000; Ms. Thomasson noted the majority of that was salaries and this will show in each department in the personnel services and benefits. The benefits are up a little more because the State increased the contribution for the retirement system.

Commissioner of Revenue

Mr. Larking noted the budget was flat except for the personnel related costs that have increased.

City Sheriff

Mr. Larking explained the City Sheriff rolls into the Jails; the increases are personnel costs of salaries and benefits. Under Jails, Other Operating Expenses is the health and food costs; they were able to reduce that.

Ms. Thomasson noted under the General Assembly, there is a request for Capital Outlay of $7,000; this relates to what Mr. Newman discussed. Judge Reynolds spoke with her and explained when they have a case and video is presented as evidence, they didn't have a way for the jury to view the videos. They would have to bring the jurors back out to the courtroom, secure it and then back to their locked room to do their deliberations. Judge Reynolds is requesting a system costing $7,000, where they will be able to have it in the jurors' room to view the video clips.

Mr. Larking noted in reviewing the rest of this section, the budgets are flat; Ms. Thomasson explained the registrar is up because she is anticipating more primaries next year.

Mr. Larking reviewed questions that Council requested more information on for the next meeting regarding the proposed cigarette tax, and the DPS wrap around services for at risk students. Mr. Whittle also questioned the 2% pay for performance, what percentage gets that and Mr. Larking stated he thinks most employees get it and Mayor Jones requested that be part of the Human Resources presentation.

MEETING ADJOURNED AT 7:52 P.M.

APPROVED:

*s/ Alonzo L. Jones*
MAYOR

ATTEST:

*s/ Susan M. DeMasi, CMC*
CITY CLERK