

FINANCE COMMITTEE NOTES -- FINAL
Tuesday, September 27, 2022

GENERAL BUSINESS

Meeting commenced at 11:30 a.m. in Council Chamber.

ATTENDEES

Committee Members: Council Member Jeff S. Helgeson, Chair; Council Member Randy Nelson; Council Member Beau Wright; Mayor MaryJane Dolan, Ex-Officio.

Others: Wynter C. Benda, City Manager; John H. Hughes, IV, Assistant City Manager; Rhonda Allbeck, Assistant Director of Financial Services; Starlette Early, Budget Analyst

1. Approval of the Draft Finance Committee Meeting Notes from July 26, 2022.

The Finance Committee Meeting Notes from July 26, 2022 were approved as submitted.

2. Report on the General Fund Reserve for Contingencies.

There were no new items to report, leaving a current balance of \$1,200,000 including \$50,000 for the City Manager's Discretionary Funding.

3. Approve the submittal of a grant application to the Virginia Office of Emergency Medical Services Emergency Medical Services Grant Program through the Rescue Squad Assistance Fund (RSAF) for \$54,162 with resources of \$27,081 from the RSAF grant and \$27,081 from the FY 2023 General Fund Fire Department budget to purchase one (1) Lifepak 15 monitor/defibrillator and one (1) Lucas 3 chest compression system for the Fire Department.

Fire Chief Greg Wormser presented information about the grant, including the 50/50 local match. The application was approved.

4. Elimination of Business License Tax for Businesses with Gross Receipts Less than \$50,000.

Commissioner of the Revenue Mitch Nuckles presented this item, stating there are currently 510 businesses with gross receipts in the range of \$10,001 - \$50,000. There is no business license requirement for businesses with gross receipts less than \$10,000, and this code would eliminate the business license requirement for these additional 510 businesses. He reported the total gross receipts of these businesses in 2022 are \$15,384,958, with 2022 Business License Tax totaling \$15,417, and Business Personal Property (BPP) totaling \$19,833, for a total revenue of \$35,250 due from these businesses. He confirmed eliminating the Business License Tax for this group would result in reduced revenues of approximately \$35,250 annually.

There was discussion regarding historical changes to the business license that eliminated the requirement of obtaining a business license for those business with gross receipts less than

\$10,000 (approximately 500 businesses) and the staff time related to administering business licenses for businesses with gross receipts less than \$50,000. Mr. Nuckles reported about 15 – 20% of the population moves each year, and this makes sending renewal notices and communicating with business owners a challenging process. The application of the business license is also the initial process that flags the creation of a business equipment account.

Council Member Helgeson indicated the revenue loss seemed nominal compared to the time savings for the staff and the benefit to those business owners. Council Member Nelson asked if this code change was recommended by the Commissioner, and Mr. Nuckles reported he supported the change. There was discussion regarding voluntary compliance with the Business License requirement, the registration requirement that is still applicable for short-term rental operators, and the remittance of lodging tax associated with this short-term registration through Community Development. Mr. Nuckles also indicated all businesses must still receive approval through Community Development to operate a specific type of business in a desired location.

Council Member Wright questioned whether the City would be able to reconcile the accuracy of lodging tax remitted by a short-term rental without the Business License requirement. Mr. Nuckles reported beginning October 1, Airbnb is scheduled to begin collecting and remitting transient occupancy tax to the locality. Airbnb has notified their hosts to no longer collect the lodging tax, as they would begin collecting and remitting on their behalf. The legislation passed by the General Assembly requires the facilitator (Airbnb, VRBO, etc.) to provide room sales information to the locality. Council Member Wright inquired about the cost to increase the exemption up to \$100,000 gross receipts, and Mr. Nuckles reported it would be approximately \$68,000, or 0.55% of the total revenue generated by this group.

Finance Committee members indicated they are open to further discussion in the work session. Council Member Nelson indicated he would be in favor of at least the \$50,000 exemption due to simply keeping up with inflation.

5. Review collections received from five of the City's revenue sources.

Rhonda Allbeck reported revenues were trending up, as they have in the prior months.

6. Estimated FY 2022 Unassigned General Fund Balance.

Based on the estimated ending Fund Balance of approximately \$43 million above the adopted Fund Balance, Chairman Helgeson proposed to return \$5 million in revenues the City will receive due to Council voting to not equalize the real property tax rate during the 2022 budget deliberations. In response to Council Member Wright's concerns regarding this proposal, City Manager Benda made comments regarding possible impacts of taking this action outside of the fiscal year budget process, the definition of surplus as defined in relation to State Code authority for returning surplus revenues to citizens, information forthcoming regarding property assessments from the City Assessor, and his overall level of comfort to make decisions of this nature outside of the Fiscal Year 2024 budget. Council Member Wright expressed his recommendation to take opportunity to think strategically about how these funds might best work within the City's financial plans and for Council to

spend some time fact gathering before making any decisions that would have long-term impacts. Council Member Nelson reflected on the past budget process and how the City decided to provide a credit back to citizens for some of the additional revenues received above those anticipated. He expressed concerns regarding the City's loss in revenues as a result of significant market fluctuations in property values during the 2005 – 2008 timeframe. He recalled by lowering real property tax rates in response to market conditions, the City was not able to pay their employees to maintain essential service levels. He doesn't want to repeat this scenario and agreed with Council Member Wright he would like to understand all the factors surrounding the market conditions, consider potential long-term impacts, utilize expert opinions, and also consider how investment of these funds might save additional money for citizens.

Chairman Helgeson responded that his proposal is only taking a portion of the \$16 million additional revenues and giving it back to where it came from by Council's vote to raise taxes. He expressed the citizens should take priority now and it should be an easy first step by Council to give back the additional unnecessary \$5 million in real property revenues. There was additional conversation by Council Member Nelson regarding the possibility of eliminating the Meals Tax to benefit those people who do not have kitchens, work several jobs and do not have the choice to cook at home, and for other reasons they are forced to eat out. He believes there is time to weigh in on all the issues and consider all the priorities. City Manager Benda commented Meals Tax is a tax considered to be paid by many people living outside of the City.

7. Roll Call.

Council Member Nelson reported there is foliage that needs to be cut back around the bottom of the MLK sign located south on Fifth Street.

Meeting adjourned at 12:21 p.m.