

MEMORANDUM



To: City Council
From: Wynter C. Benda
Date: April 12, 2023
About: Response to Work Session

Yesterday afternoon during our budget work session we reviewed the impact of implementing the budget actions in the “*Budget and Performance Expectations of the City Manager*” document – what we will call the Adjusted Budget. Specifically, those items include:

- Reducing real estate tax rate to \$0.89 per \$100 of assessed value
- Waiving the refuse collection and vehicle license fees in FY 2024
- Assessing vehicles at 90% of FMV to calculate personal property tax
- Lowering Business License tax rates to account for the first \$150K of gross receipts exemption
- Providing additional funding for local match for state salary increases for SOQ funded positions
- Implementing public safety pay progression and Lynchburg Fire Department compression strategic plan, and
- Providing a five percent GWI to general city employees, where needed

A link to the PowerPoint presentation can be found [here](#).

As we discussed, the Adjusted Budget would result in a revenue reduction of \$12,650,000 and an expenditure reduction of \$5,310,000 over the City Manager’s Proposed Budget and create a budget gap of \$6,795,000.

CALCULATING THE BUDGET GAP

Description	Amount
Revenue Adjustments	(\$12,650,000)
Expenditure Adjustments	(\$5,310,000)
Technical Adjustments*	(\$545,000)
Budget Surplus / (Deficit)	(\$6,795,000)

* Structural Budget Gap is \$6.79M as Proposed FY 2024 Budget includes \$545K of ongoing expenditures above FY 2023 due to department need, not included in the new initiative table and not related to inflation.

There was discussion about exactly which initiatives were included in this calculation – to clarify I’ve outlined what’s in and what’s out below:

WHAT’S IN

- \$2,100,000 – Increased funding for Lynchburg City Schools (LCS)
- \$2,620,000 – Five percent general wage increase (GWI) for general city employees

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- \$3,020,000 – Public safety employees targeted compression / progression

WHAT'S OUT

- \$1,380,000 - Debt service reserve
- \$950,000 - New organizational capacity positions and operational support
- \$860,000 - New Police positions and operational support
- \$530,000 - Other new public safety positions and operational support
- \$320,000 - New Constitutional Officer positions and operational support
- \$200,000 - New Housing Toolkit
- \$170,000 - New Police take home car program

Next, we discussed strategies to close the budget gap. We can make a big dent in the gap by implementing two central actions:

- \$2,000,000 – Reduction of expenses by budgeting for vacancy savings
- \$2,600,000 – Reduce ongoing funding for vehicle replacement

That still leaves us with a budget gap of about \$2.2M. To close that gap, we will either need to cut city department budgets by around three percent or use one-time revenue (General Fund Balance or a reduction to pay-as-you-go capital funding) to close the budget gap.

Both of those options are not without draw backs. Department budget cuts will result in service level reductions, while funding ongoing expenses with one-time revenue creates a structural imbalance in the budget and violates City Council's Financial Management Policies.

Tomorrow I will ask city departments to begin the process of identifying budget cuts and developing service impact statements for City Council to consider. I plan to present these options to City Council at the April 25th budget work session.

In the meantime, it's important that we arrive at consensus on what's in and what's out of the budget in the next couple weeks. I hope to engage Council on this at our budget work session on Tuesday, April 18th. Keep in mind, if we were to add any additional spending, the budget gap will only grow from here.

If you have any questions or concerns, please don't hesitate to contact me.