

MEMORANDUM

To: City Council
From: Wynter C. Benda
Date: March 21, 2023
About: Responses to Budget Questions

This memorandum will serve to compile and answer questions posed by City Council members throughout the Fiscal Year 2024 budget season. I will update this memo regularly and send to City Council, as well as, post it on the City's website at <https://www.lynchburgva.gov/fy-2024-budget-qa> and on the City's Facebook page. All questions posed by council members are included in this memo, however some questions require significant staff work and will be answered as soon as possible. Those questions are located at the bottom of the memo.

1. Questions from Vice Mayor Faraldi via email March 15, 2023:

- a. What would the implications of the following proposal be, and how would City Hall aim to construct a similarly prioritized budget with these adjustments?
 - Real Estate Tax Rate set at \$0.90 (operating FY 2024 at FY 2023 Real Estate Equalization per \$1.2 million credit)
 - Removal of Consumer Utility Tax, Gas & Electric (\$4,110,000 tax reduction)
 - Personal Property Tax Rate set at \$3.50 (\$1,830,000 tax reduction)

Staff Response on March 17, 2023: That scenario would mean that in FY 2024 the city would be unable to fund any of the new initiatives included in my budget proposal and would need to reduce the level of services it currently provides to residents. That means no additional local funding for Lynchburg City Schools, no salary increases for city employees, no compression adjustment for LFD employees, no pay progression for LFD or LPD employees, no pay increase for our 911 telecommunicators, no new positions added, etc. We would also need to reduce our current service levels to residents by roughly \$4-6 million annually. We would need to identify the services to reduce and would likely start with discretionary services like libraries or parks and recreation and go from there. We would likely see increased employee turnover, especially in hard-to-fill positions, begin to happen pretty quickly.

- b. How would allocating dollars to Lynchburg City Schools operate? For example, how many categories? If Council did this in FY 2023, what would those allocations be?

Staff Response on March 17, 2023: According to Virginia Code § 22.1-94, local governments can make appropriations either as a total lump sum or according to major categories, as presented in § 22.1-115. The categories are as follows:

- Instruction
- Administration, attendance, and health
- Pupil transportation
- Operation and maintenance
- School food services and other noninstructional operations
- Facilities
- Debt and fund transfers

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- Technology
- Contingency reserves

In January, LCS provided five years of budgets by category along with a review of the total number of SOQ funded positions compared to total positions at LCS. I've attached LCS' response to this email. However, to answer your question specifically, In FY 2023 LCS' budget utilized only seven of the nine eligible major categories of funding. The breakdown is below:

FY 2023 LCS Operating Budget by Major Category of Funding

<u>Category</u>	<u>Amount</u>
Instruction	\$73,187,674
Operation and maintenance	\$12,362,992
Administration, attendance, and health	\$9,188,788
Pupil Transportation	\$6,134,466
Technology	\$5,363,136
Facilities	\$40,210
School food services and other noninstructional operations	\$34,965
Debt and fund transfers	\$0
Contingency reserves	\$0
Total	\$106,312,231

2. **Question from Vice Mayor Faraldi via email March 16, 2023:** Heritage Elementary Pipe, Teacher's Lounge: What will it take to include this in the CIP?

Staff Response on March 16, 2023: To practically answer your question, it would take LCS submitting this project as part of their annual CIP request to the city. They have not done so this year.

We checked-in with LCS this morning. Considering Heritage Elementary sits on slab, LCS noted to city staff that this would be a big project, and as such, not their most immediate priority right now.

3. **Question from Council Member Wilder via email March 20, 2023:** How do I respond to these questions if someone ask me. I don't respond to comments on social media but I want to be prepared if someone ask me personally. I'm not talking about the Republican piece just the deal itself. I got a similar question from a local business owner.

"Republicans on City Council, all of whom are affiliated with Liberty University have announced they want to privatize the construction of a new fire station to be rented from LU for 30 years plus for \$400-450,000.00 a year while allow them to put advertising LU signage and logos on the fire station! At the end of 30 yrs LU still owns the site. This sounds like a triple net lease the City pays for everything for 30 yrs. with no competition

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from other companies that might do a better job for less money. I thought bidding was required for city contracts to avoid corruption and lower costs. This looks corrupt."

Staff Response on March 20, 2023: This opportunity with Liberty University will allow us to build a much-needed fire station sooner than we would have been able to do so on our own. Liberty is essentially providing the land for the fire station at no cost to the city. The annual payment to LU of \$400-\$450K a year is the repayment of the capital construction costs of fire station only – there is no initial land lease. Liberty University will also fund the costs of any design features in the station that go beyond a standard construction level and the cost of adding any of its colors or imagery to the fire apparatus housed at the station. We are of course working with our City Attorney to make sure we are in compliance with separation of church / state requirements. Bottom line – this fire station will allow the Lynchburg Fire Department to provide better service to all Lynchburg residents and likely help lower insurance rates around the city – thank you!

Questions pending staff response:

1. Questions from Council Member Misjuns via email March 15, 2023:

- a. The list of historical classification funding from schools. If they can put it together in one page, that would be nice.
- b. Also, the personnel associated with those lists - example, administrative and instructional should not be lumped together at one bucket of people.
- c. Ratios of staff to students in each school broken down by instructional, support and so on.
- d. The mandated funding levels and SOQ positions with as much detail as possible.
- e. A breakdown of staff by employee ID for all FTE employees (please delete names from the list) with columns that include department, position classification/rank, hire date, current salary, proposed salary with market/compression adjustment, proposed GWI (as one single item), most recent total score from NEOGOV employee review, and whether they are considered non-supervisory, supervisory, management or executive.
- f. The most recent managed vacancy list you mentioned last week in our one-on-one.
- g. The appropriation amount for each vacant position.
- h. A historical trend of managed vacancies by department for 5 years.
- i. A list of all professional organizations or memberships that the city pays for including the organization name and total amount funded.

- 2. Question from Council Member Dolan via email from a constituent March 16, 2023:** I have a genuine question. This is not an effort to take a "side". In the budget retreat, we were shown the slide pictured below. Council Members Helgeson, Misjuns, and Taylor seem to suggest the \$66M surplus can be returned immediately. Others in council want to wait until budget season is over to decide what to give back. City staff are suggesting the \$66M is being used as seen in the slide below. I'm confused on who is right. If the surplus is just sitting there unassigned, then yea, it makes sense to give it back to us. If we're operating under a budget and extra revenue comes in, why is it difficult to give it back? If it's so vital to keep the surplus for the reasons we see in the slide below, why is it not in the operating budget? In the upcoming budget discussions, I would appreciate more details to the last two years of surplus and why it can't just be

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returned back to us, in which we can move forward operating the city within our means, always returning surplus back to the citizens.

3. Questions from Council Member Faraldi via email March 17, 2023:

- a. Heritage Elementary Pipe, Teacher's Lounge: Please prepare a dollar amount for the project so council could consider including this in the CIP.
- b. If we removed the Consumer Utility Tax, Gas & Electric (\$4,110,000) from my request below, leaving City Hall with a \$1,830,000 tax reduction from FY 23 (through Personal Property Tax), what amendments could be made to fill some or parts of your proposals? Please utilize varying components, either in full or in part, to help build an amended draft for FY 24. For example, 3% GWI, no take-home vehicle, amended pay increase for 911 Dispatchers, etc. Please also articulate how/why services could be cut, as well as potential solutions to avoid this outside of increasing revenue, prior to solely offering a cut.
- c. For schools, could we have a similar "balance sheet" for the last five fiscal years? Also, what would it take to have a breakdown of what is included in each category? Finally, could a specific category realize or receive the state/local wage increase while another category did not?