



City of Harrisonburg

409 S. Main Street
Harrisonburg, VA 22801

Meeting Minutes - Draft City Council

Thursday, May 6, 2021

5:00 PM

Council Chambers

Budget Work Session

1. Roll Call

Note: Meeting was held virtually by all participants.

Present: 5 - Mayor Deanna R. Reed, Vice Mayor Sal Romero, Council Member Christopher B. Jones, Council Member George Hirschmann and Council Member Laura Dent

Also Present: 3 - City Manager Eric Campbell, City Attorney Chris Brown and Deputy City Manager Ande Banks

2. Discussion on Budget for FY 21/22

Mayor Reed opened the meeting.

Mayor Reed stated pursuant to Sections 2.2-3112(B)(1) and 2.2-3115(H) of the Conflict of Interest Act of Virginia, she declared for the minutes of this meeting that as a result of her employment with the On the Road Collaborative, which has a contract with the Harrisonburg City Public Schools, she has a personal interest in the transaction of the City's budget as a member of a business, profession, occupation, or group of three or more person the members of which are affected by the transaction. She further affirmed that she is able to participate in this Council's consideration of the City's budget fairly, objectively, and in the public interest.

Vice-Mayor Romero stated pursuant to Sections 2.2-3112(B)(1) and 2.2-3115(H) of the Conflict of Interest Act of Virginia, he declared for the minutes of this meeting that as a result of his employment with the Harrisonburg City Public Schools he has a personal interest in the transaction of the City's budget as a member of a business, profession, occupation, or group of three or more person the members of which are affected by the transaction. He further affirmed that he is able to participate in this Council's consideration of the City's budget fairly, objectively, and in the public interest.

Mayor Reed stated she will not participate in the discussion of community contributions due to her employment with On the Road Collaborative.

Mayor Reed stated at the first work session they had some questions for city staff, and city staff has prepared some information in response.

Council Member Dent stated she asked for information on the levels of taxation and effect on a house of a value of \$200,000.

Vice-Mayor Romero stated he asked at the last meeting about what the real estate tax increase impact would be on properties at different tax increase levels. Vice-Mayor Romero

asked what the personal property tax in our community looks like in comparison to real estate property tax, and what it looks like in comparison to other localities. Vice-Mayor wanted to have information on the incremental tax increase for real estate tax. Vice-Mayor asked if Council must wait until a certain part of the year to act to raise taxes.

Eric Campbell, city manager, stated staff was prepared to answer the questions about real estate tax, but would need to come back at a later meeting with information on personal property tax. Larry Propst, director of Finance, showed a slide with the tax rate increments for a \$200,000 value property from 1 cent to 15 cents. Council Member Dent asked whether the amounts shown were for a year. Mr. Propst stated yes, the amounts are for a year.

Mr. Propst reviewed a slide showing the interest rate for a 25-year bond issuance around 2% and noted these are variable.

Vice-Mayor Romero asked what the interest rate was last year when we were planning to go to bond last year compared to this year. Mr. Propst stated the rates are lower but he needs to check his records for the exact amount. Vice-Mayor Romero asked what the highest interest rate has been when the city has gone out to the bond market. Mr. Propst stated we would be going back into the 1990s or 1980s for that data, and he thinks during the last 10 years since the recession interest rates have been at historic lows. Vice-Mayor Romero stated he would like the information on the rate one year ago.

Mr. Propst stated the personal property tax rule of thumb is 1 penny of personal property tax equals \$25,000, and 1 penny real estate tax is \$450,000. Mr. Propst stated page 15 in proposed budget has a table showing a comparison of the city's real estate and personal property compared to other localities. Mayor Reed stated she knows Augusta County is raising personal property tax. Mr. Propst stated current tables do not reflect proposed changes for this year for any locality. Mr. Campbell read the rates listed in the budget.

Council Member Jones stated he knows the city manager decided not to propose raising real estate or personal property taxes, and presented a balanced budget. He asked if the city manager could show projects other than the second high school that could be funded through a tax increase if City Council decided to raise taxes. He stated he wants to see how a tax increase could benefit city employees and residents for a tax increase for other projects and services. Mr. Campbell stated he needs to know the real estate tax rates City Council is suggesting in order to provide information on which projects could be covered by the revenue.

There was discussion by City Council members about the amount of a real estate tax increase. The discussion centered around 3 cents or 4 cents.

Council Member Jones stated he wants to know what services could be funded other than a bond for the second high school with a tax increase, there are many needs.

There was additional conversation around whether the amount of a tax increase should be 3 cents or 4 cents.

Mr. Campbell stated he saw a majority of City Council members indicate they favored a 4 cent increase. He stated he needs clarity on whether the increase is for city services

enhancement or 4 cents for something else.

Mayor Reed stated there is also American Rescue Plan Act funds coming, but we do not know how these will be able to be used.

Vice-Mayor Romero stated the tax increase for him would be for HHS2, it is better to start the project now because the project will get more expensive, people most concerned about education, and while he doesn't want to raise taxes during a challenging time if we don't do it now the project will be more expensive later. He stated this is not a light decision and in the long run will be saving more money by moving forward now than if we wait. He stated he agrees with enhancing other services but a high school is needed now and the bond market is lower now.

Council Member Jones stated we are behind on the high school project, he is in favor of the second high school, we are coming out of a pandemic, there are other services on hold and things we planned and wanted to do that we haven't been able to get done, it is a disservice to the community to not also look at those services, the school system receives 40% of budget, we have nearly 1000 of our own employees who are not going to see an increase in their paycheck, and we do not receive federal funding like the city schools do. He stated we need to look at other things we need to take care of like our public works building, we need services to operate at a high level. He stated the second high school would not have been built even if started on time and still would need to plan how to carry out instruction during COVID-19. He stated we need to take care of other things or our community will not continue to be attractive. He stated we need to not pay too much for the school but we can't buy what we can't afford. He stated a tax increase is going to hurt affordable housing even more. He stated he understands some people are looking at giving our assets away and we cannot give our assets away.

Mayor Reed stated we need to both build the high school and take care of the city. She stated she talked to the families of the children she works with and they want the school restarted. She stated City Council needs to come up with the best plan to get the high school started and continue with the projects for the city government. She stated we need to take care of our students and the rest of the residents, we need to figure out how to do both, we made a commitment to build the second high school and it would be being built if not for the pandemic.

Council Member Dent stated she is concerned about the bond rates because Mr. Propst told her timing the market is not as much of an issue. Council Member Dent stated she is concerned about the construction costs rising due to the possible federal funds coming that may trigger more construction projects. Council Member Dent stated there is urgency to start. Council Member Dent stated she asked Mr. Propst questions about taxation and the sweet spot of the amount of tax increase needed to finance the bond and different taxation options and bonding options. Council Member Dent stated she understands from Mr. Propst it is better to issue a bond for the entire project cost at once. Council Member Dent stated one idea she was interested in was local bonds, but Mr. Propst told her that would be an inefficient and administratively challenging way to raise the needed funds for the second high school project, but that when the public offering of the bond occurs, we could advertise that for anyone locally interested. Council Member Dent stated she was exploring creative ways and the best ways to fund the project. Council Member Dent stated the first half of the American Rescue Plan Act funds need to go to COVID-19 related costs. Council Member Dent stated we are not where we were economically last year and there

will be recovery due to the federal funding and we need to get ahead.

Vice- Mayor Romero stated that there are needs for the city, but the city has received federal relief, we have been able to compensate with the relief, we will be fine if we bond sooner rather than later, we know how to contain the pandemic even if there are spikes, the second high school is a need and we need to move forward, we are not giving things away and are listening to people's ideas, not willing to give land away.

Council Member Jones stated he doesn't like doing things for our teachers that we don't do for our city employees, they are all city employees, it bothers him that the city manager doesn't have the funding to take care of city employees the same way we take care of teachers. He stated he respects the city manager not wanting to put more burden on residents and businesses with a tax increase during a pandemic, he presented the budget the way he is supposed to do it. He stated we need to take care of our residents the same way we take care of students, students need a good place to live while going to school. He stated he appreciates the schools and teachers, knows they need more space, but that the same principal needs to apply to all departments in the city to make Harrisonburg great. He stated we shouldn't exhaust and strip down the recovery act funds when the money hasn't even yet been received, City Council took a lot of CARES funds and gave it to the people, but by doing this it meant less money for city services. He stated he is not against starting the second high school. He stated in the first liaison meeting the city schools representatives said their relief funds could cover a certain amount and timeframe of the projects, now it is less, he wants to hear what they can do now, that puts pressure on us. He stated they are able to do some robust things for the school system, want to do the same things for city services, need to keep our community desirable or we will lose tax revenue.

Mayor Reed stated it pains her that it is framed as us versus them, she feels the same way about city staff as much as she does about teachers, need to restart the project, need to do it the best way we can. Mayor Reed stated we are not favoring teachers over city staff.

Council Member Jones stated if we raise taxes and all of it is dedicated to the bond for the second high school and we weren't able to support city staff with any increases then it will look like we favor one, we need to adjust the budget to take care of other city services, if the economy is good enough to take care of the school then lets trust it all the way.

Council Member Dent asked if Council Member Jones wants to raise taxes above what is required for the second high school bond to enhance city services.

Council Member Jones stated he does not know how the city manager would use the funds from an additional tax increase, he's frustrated that the school board is telling us what to do with funding we don't have, and he wants the city manager to give City Council a list of items he would pay for if City Council approved additional funds.

Council Member Dent stated she believes there are placeholders that once the American Rescue Plan Act funds are received we can use these funds, we may not need to raise taxes for things we put off, there may be funding coming.

Mr. Campbell stated we can't say things with certainty because we don't have the guidance from the U.S. Treasury or the amount of the funds, there are projects we need to do as a city and once we get the guidance we will match these projects up appropriately, and will

need to consult with our auditors to make sure the city is acting appropriately.

Mayor Reed stated the superintendent wants the ARPA funding to go toward the school, but that the city manager stated there are city services the American Rescue Plan Act funds should be used for. Mr. Campbell stated he does not yet know what projects fit within ARPA until the guidance comes from the U.S. Treasury and these funds are coming to the city from the federal government to assist local governments with recovery from the pandemic.

Council Member Dent stated that raising taxes makes it unnecessary to share ARPA funds with the city schools.

Council Member Jones stated city schools is getting a higher cost-of-living adjustment than city employees, city employees deserve the same increase, our employees have been out fighting the pandemic, he does not think a tax increase should only go to the bond, the ARPA fund guidance may not let the city manager do some things, tax increase may give him more flexibility.

Council Member Hirschmann stated there are a lot of things we need to pay attention to in the city, does not know that there is enough money around to take care of everyone and build a high school, could raise taxes to take care of everyone but it will be difficult for residents, he agrees we need more classrooms, thinks there were other options available that were not nearly as expensive as a second high school, these other options would have left more funds for other needs without increasing the burden on residents, he wishes we could start all over.

Mayor Reed asked if any other Council Members had comments.

Council Member Jones stated if taxes are increased City Council should consider raising community contributions by an additional \$100,000 to \$500,000.

Mayor Reed asked Mr. Campbell if he had anything additional. Mr. Campbell asked for clarity on what information City Council wanted brought back regarding a tax increase.

There was discussion among City Council members. Council Members requested for the city manager to bring back information on how much of the bond can be covered with 4 cents and what additional city services could be funded with a 3 cent tax increase.

Vice-Mayor Romero wants to know what raises for the city staff looks like over the last few years compared to teacher, the funds for teachers is from state funds, needs to be clear that these are different funds and raises being higher is due to different funding.

Council Member Jones stated we need to keep the different funding sources in mind when discussing the tax increase going to the bond for the second high school because the city has constraints that city schools does not and also receives 40% of the funding in the city's budget. He stated city schools provides education services, and the city provides other services like fire and water that is used by city schools and is expected to be provided well, the city has more responsibilities than city schools. He stated the public does need to be educated on the different funding sources for city schools. He stated the residents want to take care of employees of city schools and city government equally, do not care about

where the funds come from.

Council Member Dent asked Mr. Propst if there is a minimum tax increase to get the bond and if the bond could be split in half. Mr. Propst stated staff can take it into consideration during the analysis.

Mayor Reed moved City Council into the conversation about community contributions and recused herself. Vice Mayor Romero opened the discussion of Community Contributions. Council Member Jones stated he wanted community contributions to increase to \$500,000. Council Member Dent clarified it was \$591,000 requested. Council Member Jones stated he understand city staff's approach when the amount to allocate was \$400,000, but he wants it to be \$500,000. There was discussion between City Council members about wanting to find additional funds and the process of reviewing recommendations during this work session.

Chris Brown, city attorney, requested clarification on whether City Council was planning a third work session. Vice-Mayor Romero stated no.

Council Member Dent stated she sent out a draft spreadsheet with different funding scenarios to all council members, no one replied to the email as then it would be a meeting.

Council Member Jones reviewed the funding recommendations in the spreadsheet created by City Council members. There was conversation about the recommendations.

Council Member Jones asked Ande Banks, deputy city manager, to describe the services provided by Valley Program for Aging Services and Valley Associates for Independent Living. Mr. Banks provided a description of the services of both. Council Member Jones stated he would be in favor of changing the recommended funding of the two organizations to be more similar by lowering funding for Valley Program for Aging Services and increasing funding for Valley Associates for Independent Living, and asked Mr. Banks if there is funding through other avenues for Valley Associates for Independent Living. Mr. Banks stated Community Development Block Grant funding had been explored by the organization in the past, but is a tough fit given the federal regulations. Council Member Jones asked if Valley Program for Aging Services receives federal funding, and Mr. Banks stated he was unable to answer. There was further conversation among City Council members about whether to adjust the funding for Valley Program for Aging Services and Valley Associates for Independent Living, if adjusting it above a requested amount would set a precedent, and funding by category. Vice-Mayor Romero asked Mr. Banks whether the application includes a use for the requested amount. Mr. Banks stated the applications provided to City Council show the organization's planned use of the funds, and Valley Program for Aging Services' application showed a breakdown of its anticipated use. Conversation continued among City Council members about adjusting the amount and there was agreement to not provide more funding than requested to an organization.

There was discussion about adjusting funding for organizations by the category they were placed into by City Council members and about which organizations did not apply for funding. Council Member Jones continued reviewing the spreadsheet showing the recommended funding changes proposed by City Council members.

City Council members discussed funding to the Salvation Army and whether the amount of

funding should remain the same as last year. Vice-Mayor Romero asked Mr. Banks why the Salvation Army is requesting more funds this year. Mr. Banks stated he did not have the information directly available. There was discussion among City Council about evening out funding between organizations they placed into the same category and about the possible reasons for the Salvation Army's funding request.

Council Member Jones stated he thinks it is possible to find the additional \$100,000 to increase funding for community contributions.

There was additional discussion about funding recommendations for specific organizations.

Vice-Mayor Romero asked if there was any additional conversation. Council Member Dent asked where the \$100,000 in funding will come from. Council Member Dent stated more information is needed about Salvation Army's request.

Mr. Campbell asked City Council where the additional funding is coming from. Council Member Jones suggested reserves or additional tax revenue. Council Member Dent stated she wanted it to come from the increase for the jail but this wasn't possible legally, she also wanted it to come from the golf course but this may not be possible until the studies are provided on operations and land use, that according to the city manager closing the golf course will have some decommissioning costs and is not as easy as flipping a switch. Council Member Dent asked if we are currently using fund balance and if it is possible for the funding to come from reserves.

Mr. Campbell stated we are using our fund balance already. Mr. Campbell asked if it is City Council's expectation that staff balance the extra \$100,000 and if they had a preference. Council Members Jones and Dent stated they support city staff figuring out the funding. Vice Mayor Romero stated maybe balance with the American Rescue Plan Act funds.

Vice Mayor Romero stated he wants to know how we hold the organizations accountable to using the funds as they say they will, and that we should consider this in the evaluation of providing funding the following year. He stated he wants to know how the city is improved by the funding provided. Mr. Banks stated the application asks how the organization intends to use the city funds and a detailed budget on use of funds, and the organizations report to city staff throughout the year on use of the funds. There was discussion by City Council members about the information provided by city staff.

Council Member Jones stated he is glad organizations report to city staff. He asked if funds are disbursed quarterly and Mr. Campbell confirmed they are.

There was discussion among City Council members about organizations that receive funding having the opportunity in the future to come present to City Council.

Vice Mayor Romero asked if there was any further discussion. Council Member Dent read some information from the Salvation Army's funding application.

Council Member Dent stated she would provide Amy Snider, assistant to the City Manager, the spreadsheet with City Council's funding recommendations for community contributions.

Council Member Jones stated he is excited about the community contributions recommendations by City Council, the increased funding for community contributions, and seeing the information about tax increase possibilities. He stated he wants to see what can be used for city services and the bond payment for the second high school. He stated this is the best work session he has participated in. He stated he thinks the city manager gave us the right budget, and we are pushing the city manager somewhere else against his advice which is why he wants to make sure the city manager has additional tools, and it doesn't negate the prior commitment for the school or use money we do not yet have. He stated he appreciated the conversations from other City Council members about community contributions.

Council Member Hirschmann stated he thought it was a good work session with pros, cons, and agreement.

Council Member Dent stated she thought the work session went well, and working through the community contributions on categories and priorities.

Vice Mayor Romero stated he takes this very seriously and it is a difficult decision and those who may agree or disagree understand this is why Council is elected and the more educated he is the more helpful it is. He thanked city staff for their professionalism and provision of information. He stated this is not an easy decision and he is taking it seriously and he was satisfied with the conversation at the work session.

Mayor Reed stated this was a great work session and that disagreement was not toxic.

2.a. Discussion on the proposed 2021-2022 Budget

3. Adjournment

At 6:48pm, there being no further business and on motion adopted, the meeting was adjourned.

DEPUTY CITY CLERK

MAYOR