



City of Harrisonburg

409 S. Main Street
Harrisonburg, VA 22801

Meeting Minutes - Draft City Council

Mayor Christopher B. Jones
Vice-Mayor Richard Baugh
Council Member Ted Byrd
Council Member Kai Degner
Council Member Abe Shearer

Tuesday, May 19, 2015

6:00 PM

Council Chambers

Budget Work Session

1. Roll Call

Mayor Jones called the budget work session to order at 6:00 p.m.

Present: Mayor Christopher B. Jones; Vice-Mayor Richard Baugh; Council Members Ted Byrd, Kai Degner and Abe Shearer; City Manager Kurt D. Hodgen; Assistant City Manager Anne C. Lewis; and Finance Director Larry Propst.

2. Regular Items

2.a. Discussion on budget

Council Member Byrd would like to see a reduction of 2% in expenses because the budget as proposed has an 8% increase in the real estate tax. The other options he proposed were a decrease in labor costs or an increase in revenue. Further, he proposed to hold public safety harmless because it is a core function of government. Regarding all other requests, Council Member Byrd said he is not decreasing, rather, not increasing as much as they want to increase.

Mayor Jones asked City Manager Hodgen if the schools were able to make any reductions. City Manager Hodgen received correspondence from Dr. Kizner stating the schools could reduce their budget by \$108,315. In addition, but unofficially, the \$30,780 for the Rescue Squad's LODA can be reduced pending a meeting of the Rescue Squad's board of directors.

Council Member Degner suggested an additional reduction of \$15,000 from the Public Safety building electricity line item.

Council Member Byrd asked if the city manager is still staying pat on the revenue estimates. City Manager Hodgen said yes.

Council Member Byrd asked excluding public safety how many current vacant budgeted positions exist? Mr. Propst said he did not recall this information off the top of his head.

Mr. Byrd would like to eliminate the entire real estate tax increase. City Manager Hodgen pointed out the budgets that were presented by the departments include \$14M of cuts in order to continue providing existing services.

Council Member Degner suggested that having a surplus is a better situation to be in. He added that we are coming out of a recession that was not easy to predict. The recent surplus could have been due to conservative estimates.

In response to a question about the number of city employees, City Manager Hodgen noted that on a per capita basis we are below our comparable localities.

Mr. Propst said the projected surplus at end of April could be \$1.8M after the one-time capital expenses are deducted that have already been approved.

Mr. Propst estimated the sales tax revenue natural growth at a 3.75% increase.

Council Member Degner cannot support cutting labor at this low real estate tax rate.

Council Member Byrd is supportive of reducing the amount of the proposed increase for the school budget.

Dr. Kizner said schools would be returning \$108,000. He stated a salary increase similar to what the city did this past year, a health insurance rate increase of 12%, and federal and state mandates drive budget numbers in personnel.

Council Member Shearer said he would like to have as small of a surplus that schools has at year end. He added that our real estate taxes should be low because we have other taxes that bring in other monies. City Manager Hodgen noted other comparable localities such as Lynchburg that have the same advantages as Harrisonburg in terms of other revenues and yet still have much higher tax rates to support the services they provide.

Council Member Degner said that we could engage the community over the next year to see what services they would like to cut, if they do not want to see a tax increase.

Mayor Jones said that the community is not showing up at these tax increase meetings or budget work sessions.

Council Member Byrd said he is responsible for some of these increases.

Council Member Degner said the budgeting process has frustrated him.

Council Member Byrd suggested that in January council could have a work session and state the targets they would like to hit. He would like to use a revenue based model - how much money does the city have coming in - that's how much money the city has to spend.

Council Member Degner stated we are disproportionately low in real estate. Council Member Byrd said we should be lower after separating out the revenue received from the electric commission.

Council Member Degner said this is a multiple year conversation because of projected needs we have coming up. Further, he stated if we want to start not doing as much, let's have a conversation with the community to see what they do not want.

Council Member Byrd said he is frustrated because council has funded things in the past that are not yet operational today.

Council Member Byrd said that Central Stores has \$2M sitting in the budget and asked why. Mr. Propst stated the Central Stores budget is \$168,000 adding that when items are pulled from inventory in Central Stores, they are paid by the department it is charged to. He stated the inventory value is approximately \$1.2M. Mr. Propst added that we are looking at Central Stores to move to a more "just-in-time" approach. Council Member Byrd said the payment of inventory could be a one-time infusion of dollars.

Council Member Degner said we have a report that says we have inefficient buildings. He suggested a sustainability coordinator could look at energy efficiency and staff efficiency. Mayor Jones said he would like to have someone on our side to go up against schools.

Council Member Byrd suggested that council establish a personnel committee to look at benefits, salary, and verify all needed positions, etc. He said council could have these answers early saying council had no input on the benefit package again this year. Council Member Byrd said this is 27% of the actual budget and none of us are getting this information.

Council Member Degner said a sustainability coordinator could benefit schools as well and be paid for by both entities to reduce ongoing operational costs. He said the report showed savings that could be produced in schools. He added that some expenses make you more efficient operationally - i.e. sustainability. Council Member Degner said spending on the lowest bidder doesn't always produce savings. He suggested council could knock out millions of dollars over the next 10 years.

Mayor Jones said he thinks the city needs a personnel committee and sustainability coordinator.

Council Member Shearer said his hope is that the baseline is cut; he does not have confidence in the projections.

Council Member Degner asked council if they would like to slap another 1% natural growth increase.

City Manager Hodgen said if at least three council members would like staff to increase the revenue line items, he would.

Mayor Jones suggested an equivalent of one penny of the end of year surplus be used to balance the budget. Council Member Byrd does not want to use surplus to balance the budget.

Council Member Shearer suggested the furniture, fixtures and equipment for the new school could come from reimbursement for architect fees that we will get when we issue bonds and from the sanitation fund balance.

Mayor Jones asked if council were to increase the revenue to 4%, would that be enough reduction for a one-half cent decrease in the tax rate.

Council Member Degner asked about how much over our requirement (18% do we want to be).

City Manager Hodgen suggested that he reduce the reserve from contingencies from \$250,000 to \$210,000 for a \$40,000 reduction. Added to the aforementioned totals, this would provide another one-half cent decrease in the proposed tax rate from the last work session. Furthermore, he reminded council that they can make a downward adjustment to the tax rate in January if council finds we are too high in September when this fiscal year is closed.

3. Adjournment

Mayor Jones adjourned the meeting at 7:19 p.m.

CITY CLERK

MAYOR