



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

Monday, May 9, 2016

6:00 PM

Council Chambers

Budget Work Session

1. Roll Call

Present: 5 - Mayor Christopher B. Jones, Vice-Mayor Richard Baugh, Council Member Ted Byrd, Council Member Kai Degner and Council Member Abe Shearer

Also present: City Manager Kurt D. Hodgen; Deputy City Manager Anne C. Lewis; and, Director of Finance Larry Propst.

Absent: City Attorney G. Chris Brown; City Clerk Erica S. Kann; and Chief of Police Stephen Monticelli.

2. Regular Items

2.a. Discussion on budget

City Manager Hodgen stated the budget presented is what comes as recommendation from staff; tonight is for council to discuss adjustments that council wants to make.

Mayor Jones opened the meeting by saying in order to provide schools funding for proposed raises or whatever they are going to do with the money, the superintendent informed him he would need \$167,000 to make his budget whole. The superintendent would bump the ADM up by 125 students and that would produce a state match.

City Manager Hodgen stated he was told by the Virginia Municipal League (VML) that the budget language in the state budget bill does not require new funds just matching funds. Because we provide the school system more than what is required, we meet the requirements of the budget language.

Council Member Byrd asked Mayor Jones what he would cut. Mayor Jones stated we have money in what will be returned to us.

City Manager Hodgen provided a fund balance update:

20,377,194.82 Current Balance as of 4-30-16

22,395,838.25 Projected Balance at 6-30-16
18,880,126.24 18% of FY17 budget (\$104,889,590)
3,515,712.01 Est balance in excess of 18% at 6-30-2016

2,000,000.00 Plus reimb from bonds for A/E
520,613.50 Plus funds from schools for FFEs
6,036,325.51 Revised bal in excess of 18% at 6-30-2016

4,160,000.00 Less funds needed for FFEs

1,876,325.51 revised est balance in excess of 18% at 6-30-16

City Manager Hodgen stated the \$4M is the furniture, fixtures, and equipment (FF&E) number he received from Craig Mackail. Council Member Byrd asked if that included what is removed from the cafeteria. City Manager Hodgen stated he did not know. Council Member Byrd asked if they have other fund balances. Finance Director Propst reported a \$1.5M balance in nutrition fund. Council Member Byrd asked if they have the ability to use that for the schools. Finance Director Propst answered yes.

Mayor Jones suggested we pull \$167,000 from the city's fund balance.

City Manager Hodgen reminded council that he has been suggesting that we hold on to fund balance to design the annex. The estimated cost of \$50M requires engineering and design fees of approximately \$4-5M. Council Member Degner appreciates the city manager keeping the high school in mind. He would like to see us pay the \$167K and save the rest of the fund balance for the next project.

Council Member Shearer asked the city manager if he wanted to earmark the \$1.8276M not to plug the budget. City Manager Hodgen stated that has been his standing.

Council Member Degner asked if there had been any changes on any projects. City Manager Hodgen stated we have deferred vehicle and equipment requests, etc. if there were other capital requests he thought we could defer, he would have done that before presenting the budget.

Council Member Degner asked if the projected fund balance includes how we project to end the fiscal year. City Manager Hodgen stated it was shown on the second line. He reminded council that we encumber funds every year for projects that are not completed in this fiscal year (i.e. paving). The fund balance estimate includes the encumbrance numbers.

Council Member Shearer stated it's safe to assume without increase in tax or revenue growth, we will see a similar end balance in one year from now. He added

that the tax increase is to grow the fund balance.

City Manager Hodgen disagreed saying that staff has taken into consideration that we have one hotel off line now and another soon to be offline. There are two Wal-Mart/Express stores opening outside of town. All will have an impact on our revenues. The budget letter outlined what is driving the tax increase.

Council Member Degner asked if we are approving more positions for the police department; are we over extended in this area? In addition, he questioned how many are grant funded. City Manager provided the history of council's approval in this department reporting the last budget included an increase of five officers effective January 1. Four new officer positions are grant funded. In this year's budget, we are adding one evidence technician and one police officer that will have animal control responsibility.

Council Member Shearer noted a \$1M overall increase in public safety. This was followed with a general discussion of how many positions have not been filled due to training or injury and the number of officers that the police chief needs to be where he wanted to be.

Council Member Byrd asked Mayor Jones if he wanted to take anything out or was he ok with the eight cent tax increase.

Mayor Jones stated he was not ok with eight cents unless we can roll the money back at some point. Mayor Jones stated he can live with eight cents until September, but he cannot live with it once he gets a check back from schools.

Council Member Degner stated he cannot reduce taxes in September knowing the high school situation. He would want to earmark money for the high school.

Mayor Jones stated he cannot live with always increasing taxes and then getting checks back. Knowing that the high school annex is coming, he would like to provide as much relief as possible now until we have to ramp up.

City Manager Hodgen stated if council would like to reduce the tax rate, they would need to tell us what to reduce.

Council Member Degner noted that Harrisonburg has been dealing with population growth more so than the other areas we compare ourselves to.

Council Member Byrd asked if eight cents will give us the \$167,000. He asked if based on our bond sale, do we have enough flexibility with the lower rate to accommodate the \$167,000. Finance Director Propst stated we used a budget number that was run in March working with our financial advisors.

Council Member Degner asked what assumptions we are using for revenues.

Harrisonburg City Public Schools Superintendent Dr. Scott Kizner stated we can

assume we get money back but he would be more comfortable with estimating \$400,000.

Council Member Shearer stated it is a symptom that we are bringing in more revenue and spending less year after year and setting a tax increase. He continued saying we have \$2.7M in natural revenue growth without a tax increase; we are looking at more money next year without a tax increase.

The \$4.6M is only the big ticket items. It also includes maintenance. We won't have money to pay to A&E, etc.

Council Member Byrd asked if council wanted to take off one penny for \$400,000 that is coming back and 1/2 cent for the debt that is coming off. He suggested we manage the budget like we did in 2008.

Council Member Degner asked what would be cut. Council Member Shearer stated if we do three pennies, he thinks we can get there with that. Council Member Shearer stated under the stormwater capital projects, \$1.7M is the new tax we created the amount of revenue we are bringing in. This is being transferred to pay for projects.

Vice-Mayor Baugh stated the three penny calculation covers the list in the budget letter only.

Council Member Byrd stated by going up eight cents, there is no incentive to manage.

Mayor Jones stated by what we do now, we are handcuffing what the schools can do in the future.

Council Member Degner stated we have been well managed to put us in this situation. In private business, we have investments in assets in infrastructure.

Council Member Byrd stated that our capital plan has a set date, but what I hear is that you are moving the date up.

Mayor Jones stated we are not at \$50M worth of problems at the high school yet. He indicated the schools could not fill an annex and feels good about it.

Council Member Shearer stated we are giving the city manager mixed signals because he is socking away money for building a high school. He added that these mixed messages make it impossible to manage a budget.

Mayor Jones suggested that it is because of the history of reimbursement from the schools and the extra/surplus money; he does not feel pressure to sock away for the high school.

Vice-Mayor Baugh tried to summarize the discussion saying he's heard tinkering with the recommended budget, we are trying to find \$167,000 and we are trying to find revenue projections to tinker with. Vice-Mayor Baugh asked if there were any other items we want to bring up now.

Council Member Byrd questioned at what point we pick up economies of scale. He asked if we could work differently most people work 8-5, can we double shift trash trucks, reorganize structure, make us more of a flat organization? City Manager Hodgen stated that in the trash truck example, we would need to replace the trucks on a quicker timeframe and council may hear complaints about services at the odd hours.

Council Member Byrd asked if it is fair to say we are running a 2% increase per year. City Manager Hodgen stated it is the capital that is driving the budget growth.

Mayor Jones stated we need to just keep talking through it. He added that he would like to see the outside charitable organizations reviewed on an annual basis. Vice-Mayor Baugh stated they are reviewed annually through the budget process. Council Member Byrd stated a similar scoring system to CDBG could be developed. Mayor Jones asked to see the list again.

3. Adjournment

At 7:42 p.m., there being no further business and on motion adopted, the meeting was adjourned.

CITY CLERK

MAYOR