



City of Harrisonburg

409 S. Main Street
Harrisonburg, VA 22801

Meeting Minutes - Final City Council

Thursday, May 9, 2019

6:00 PM

Council Chambers

Budget Work Session

1. Roll Call

Mayor Reed called the work session to order at 6:01 PM.

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

Also Present: 4 - City Manager Eric Campbell, City Clerk Pam Ulmer, City Attorney Chris Brown and Police Chief Eric English

2. Regular Items

Discussion on the proposed 2019-2020 Budget

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 persons, 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 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 persons 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.

City Manager Campbell stated there was a change in the transit fund where some anticipated grant money was not received; therefore, the actual Appropriation Act will be different from those in the proposed budget.

Larry Propst, finance director, stated in addition to the transportation changes the final CDBG allocation for next year has been received and that amount on the proposed budget will reflect those changes as well.

Vice Mayor Romero asked if those expected funds for transportation were for a particular project. Mr. Propst stated it was for additional busses.

Council Member Jones asked if all of the contingency funds for FY 2018-19 were used this year. Mr. Campbell stated these funds are considered a holding fund which fund the cost of living increases and any unanticipated needs. Mr. Propst stated any leftover contingency funding usually gets appropriated to a capital project or has, in the past, been used for services needed with ice and snow removal. Council Member Jones stated he is looking for any available funding for the community contributions and it looks as if the contingency funding shows an increase of 1% this year and asked if it was needed.

Mayor Reed stated during the retreat the Community Contribution funding came up and City Council asked staff to evaluate the process. She stated the data has since been received. She stated we really should review this part of the budget to make sure we, as a council, agree on how we give to the community. She thanked staff for providing the information, that it was apparent that a lot of work went into it and asked if council had anything they wanted to say on this topic.

City Manager Campbell stated there is a correction to Option 2: it should say 5% reduction equals \$26,000 instead of \$46,000 available funds.

Mayor Reed stated there are organizations that have been on the list for up to 20 years and her concern is that she does not see any opportunity for new organizations to get on the list, and/or it is difficult if they wanted to. She was concerned about the amounts awarded, how they are determined, and whether we are being fair. She stated now is the time to bring up any questions or concerns and try to hash it out.

Council Member Jones thanked staff for putting the data together. He stated he thinks community contributions are a great idea, however, what has been happening is reflective of councils prior to his appointment. He stated even though he voted for these in the past he also had asked questions to try and help other organizations. He stated he never had the votes to completely change the process nor is the process reflective of how the council has evolved over the past few years. He stated when he looks at the list, some organizations never knew these funds were available, such as the Harrisonburg Rockingham Day Care, and for many organizations they have never formally asked us. He stated a lot of times programs are geared to Low to Moderate Income (LMI) children, which he feels that is unfair: why aren't we supporting diversifying that and helping all kids. He stated he doesn't feel we can raise the real estate taxes another penny to give everyone what they want, but he thinks we have the

funds and the opportunity to adjust. He stated organizations shouldn't count on receiving funds for their budget from council, especially those organizations that aren't helping with staffing and things of that nature or driving revenue into the city. He stated there are a few organizations that are generating revenue for the city that shouldn't be considered community contributions - they should be on their own list. He stated the Parks and Recreation budget is huge, and do we really need to continue giving \$70,000 to the First Tee Program every year.

Council Member Hirschmann asked how many organizations applied that didn't make the list. He asked if we allow organizations to ask for up to 25% of their budget will that open up possible funding for other organizations.

Mayor Reed stated there is a list of organizations that have applied for numerous years that never make the list and that is why she wants to make sure this is a fair process. Council Member Jones stated there are organizations that received funds that he has never seen, they never have presented to council, never invited a council member to board meetings, or never thanked council for support. Mayor Reed stated she agrees: if funds are given these organizations should be letting council know where the funds have been used.

Mayor Reed stated there should be categories. She stated it doesn't make sense how some of the funding is distributed. Council Member Hirschmann stated we all agree, we just need to figure out the way to do it to make it fair.

Vice Mayor Romero asked when the application cycle begins. City manager Campbell stated outreach starts in November and the cycle ends January 30th which allows 60-90 days to apply. Council Member Jones stated we should do something now instead of waiting until next budget season. Vice Mayor Romero stated it is hard to judge organizations without knowing about them and it would be hard for him to decide who does and who doesn't get funding. He stated there should be accountability in place. He stated we need to know they are meeting their goals and we need to see how these funds will be utilized.

Mayor Reed stated she is in favor of awarding this year as it is proposed, but, looking fresh at it for next year where everyone needs to re-apply, evaluate and establish a process.

Council Member Jones stated we can remove the tax increase and pull all funding for these organizations until they present to council or we keep the tax increase, but still require the organizations to come to council and present their needs, allocating later. He stated he would also be in favor of reducing everyone in order to allow funding for new organizations. He asked how much of the 60% of our population that is Asset Limited Income Constrained and Employed (ALICE) are benefitted by some of these organizations, such as the First Tee Program.

Council Member Hirschmann asked if the options provided are the same as it always has been or are they suggestions. City manager Campbell stated these are recommended guidelines to move forward, there were no set guidelines previously. Council Member Hirschmann stated he feels it is too late to really change the contributions in the upcoming budget, but organizations should expect changes on the next budget. He stated he feels all of council recognizes that there is a problem and agrees that something needs to be done. The questions are do we do it now and possibly disrupt several organizations that were depending on those funds or do we do it later before the next budget season.

Council Member Jones asked the city manager if he could have the \$228,000 out of the contingency fund. City manager Campbell stated if funds are taken out of the contingency plan then certain projects and positions will have to be removed.

Vice Mayor Romero asked if we have heard from organizations that have received funds over the years and what hardships they would have if they lost funds. City manager Campbell stated we have not heard from those organizations. Vice Mayor Romero stated he feels cutting 5% is not going to be sufficient and would be interested in cutting a larger amount to make up for the new organizations that are applying and are not getting funding. He stated he wants to know more about the programing of these organizations and the outcomes of each of these contributions. City manager Campbell stated the 5% reduction shown in Option 2 only applies to those organizations that received \$5,000 or more in last year's budget. Vice Mayor Romero stated for those that didn't get anything something is better than nothing at this point.

Council Member Jones stated we should exempt the Harrisonburg Downtown Renaissance (HDR), the Arts Council, Chamber of Commerce, Valley Fourth and Court Square Theater from the cuts, and reduce the other organizations by a certain percent. He stated we could then divide those funds amongst the organizations. He stated HDR, the Arts Council and Court Square Theater are revenue generating non-profit organizations, who in turn pay the city back in revenue generation.

Mayor Reed asked why we contribute to WVPT. Council Member Jones stated it is because it is a non-profit public television organization.

Council Member Baugh stated historically we have allocated a relatively finite amount of funds. He stated all the organizations needed funding, and the real issue is how hard it is to get on the list and there never have been any guidelines. He does not feel that taking all contributions away at this point is a good idea, but we have between now and the next budget to really figure this out. He stated he had recommended this before, but nothing ever happened. He stated council may not all agree on who should and who should not stay on the list and council should not set a five-year maximum contribution limit as it really isn't feasible. He stated the suggestion in option 3 to break out into categories would be helpful.

Council Member Jones stated this discussion has been taking place since February and it pains him to hear that some are saying change shouldn't be done tonight. He stated if we don't understand the process then the one cent increase is just being thrown away. He stated the way it is now, there is no accountability and no follow up of the contributions.

Council Member Baugh stated there is accountability in the process at the staff level. City manager Campbell stated it is not a 100% accountability, as there is no follow up on how the funds are used. He stated research was done by staff as to how other municipalities do their contributions and it was all over the place, there was no consistency. Council Member Baugh stated it's like we are giving out money to organizations that are raising funds from those people that have less money because we took money from them in taxes to contribute to these organizations. Council Member Baugh stated some localities don't give contributions. Mayor Reed agreed with Council Member Baugh but she feels the list reflects that the city is choosing to invest in certain organizations and those not on the list feel unsupported.

Council Member Jones stated if we are putting our stamp on these organizations by providing contributions, raising taxes by that same amount, he is uncomfortable with making residents contribute to these organizations in a round-about way without them having a choice. He stated every organization should come to council, tell council why they need the funds, make a presentation, and then council will have the information to decide on funding.

Council Member Baugh stated the Community Development Block Grant (CDBG) was a free for all before his time, and it has since been tweaked, structured, and applications are scored prior to funding allotments. He stated it appeals to him that perhaps taking something along the lines of option 3, using the principals and structure from the CDBG process, and applying them to community contributions may be a good path.

Vice Mayor Romero stated the system in place now is not working. Council Member Jones stated if we vote for this then it is saying we are ok with it.

Mayor Reed asked when the last time was that someone new got on the list. Council Member Baugh stated during his 11 years on council Our Community Place was one of the only ones he remembers being added. Mayor Reed stated that organization should be getting more funding because of what they do. Council Member Jones stated they should have requested more. Vice Mayor Romero stated the application discourages organizations from applying for more funds. Mayor Reed stated it is known that new organization requests will not get on the list.

Council Member Jones stated he does not understand why the contributions are focused on the organizations that actually cover a true need in the city.

Mayor Reed stated she does not want to walk out tonight without a game plan or decision. She asked Council Member Baugh if he is more likely to agree with option 3. Council Member Baugh stated he is not really what he said, but if we need to make a decision tonight, his sense of the group is that there may be support for option 1 to get through this year, option 2 does not sound like something everyone would agree on, option 3 or a hybrid of it can be discussed, or someone can come up with an option 4.

Council Member Jones thinks the fastest thing to do would be to pull off the revenue generators and reallocate from there. Council Member Hirschmann stated is a potential way to go. Council Member Jones stated it would be an approximate total of \$336,000 to be reallocated. Mayor Reed asked how those funds would be divided and redistributed. Council Member Jones stated we should do it this year, not wait, we should hold the funds, have everyone reapply other than those organizations that are not included (i.e. Court Square Theater, HDR, Valley Fourth, Chamber of Commerce) and disburse accordingly. Council Member Hirschmann stated that will affect those organizations' budgets this year. City manager Campbell stated if we go on that recommendation, everyone will be removed from the list and the process starts over, except for those organizations that have been deemed exempt from the process. Council Member Hirschmann stated he has a problem with suddenly leaving some organizations out to dry who had expected approval based on the past procedures.

Council Member Jones stated if this decision causes too much heartburn then perhaps council should help everyone and ask the city manager to find the funds needed.

Vice Mayor Romero stated what he is hearing is to exclude the organizations that are exempt and remove all other organizations and require them to reapply for allocation of this years budgeted funds.

Council Member Baugh stated in the past, a tone was set, organizations would come to council and ask for money. He asked what information we would require 30 plus organizations presenting to council during a regular meeting. He asked if perhaps there could be a group created to determine recommendations to council, and if so what their criteria would be. He stated he feels it is bad policy to let anyone come to a meeting and ask for money.

Mayor Reed stated she feels having a separate sub-group to review applications and provide recommendations is a good idea. She stated she is hung up on not providing funds to those on the list now. Council Member Baugh agreed.

Council Member Jones stated he is not comfortable awarding the old organizations and not funding the new organizations and would rather ask staff to find the money to

cover all of them or remove everyone from the list and re-evaluate.

Vice Mayor Romero stated he agrees somewhat with Council Member Jones in that he would hate to see some of the new organizations not get funding but thinks we could do a slight correction now and dive into a deeper revamping of the policy and process prior to the next budget season. He stated he is leaning towards option 2, not everyone would get what they want but we would still be able to fund everyone on the list.

Council Member Jones asked city manager Campbell what would be affected if council asked for full funding for the organizations. City manager Campbell said it would affect service delivery at this point as the budget is balanced. He stated it would either cut positions or programs.

Mayor Reed stated Vice Mayor Romero is requesting option 2 with a higher percentage to be shaved off and then redistributed. Vice Mayor Romero stated that is correct, we have many organizations expecting funds and would feel more comfortable at increasing the percentage to shave in order to fund organizations that have never made it on the list.

Council Member Jones asked Mr. Propst for contingency info for this year and stated if we are rolling unspent contingency funds into capital projects why can't we use those funds now for this.

A discussion took place regarding shaving off some contributions to allow other organizations to get some funding. City manager Campbell stated if we shaved 10% across the board it would equal \$52K which would include all organizations.

Council Member Baugh stated it has not yet been discussed as to how any additional funding would be allocated.

Council Member Jones stated to fully fund the new requests and hold the old ones we would need an additional \$228,000 and funds could come from contingency funding. City manager Campbell asked what if we ended up needing those funds for unknown conditions such as winter road salt, those funds are for those types of unforeseen spending.

Further discussion took place regarding trying to find extra funds.

Council Member Jones asked if we ended up with a surplus this year. City manager Campbell stated there was no surplus this year. Council Member Jones proposed the city manager and the finance director rebalance the budget for \$228,150. City manager Campbell stated that would mean positions and programs, such as police positions, would come out of the budget in order to provide additional contributions.

Council Member Baugh stated when you take funds out of general funds one year, you start at a negative the next year, which really creates a challenge and if there is an economic downturn, there is not a cushion, and it is not sustainable.

Mayor Reed stated she does not agree with using contingency funds nor does it seem like anyone else on council agrees. She stated she does not want to upset the budget for that and is more inclined to shave off the contributions to fund some others and work on a revised plan for next budget session.

Vice Mayor Romero stated if extra funds come in perhaps we can earmark them for additional contributions.

Council Member Baugh stated there is an option to approve the budget as is but taking a hard look when the books are closed from the previous years, as city manager Campbell is saying we are hitting this fund balance hard and extra funds may not be available.

Council Member Jones stated he does not understand why contributions get so much scrutiny, it should not be this complicated, either we want to do it, or we do not. Council Member Baugh stated he comes from the opposite angle, because it's the nature of the beast to deal with this, there is a long list of very worthy organizations, how does a group decide.

Mayor Reed stated because there are no guidelines we find ourselves in this position. She stated she is more focused on the fairness piece of the process, not the amount funded, is not comfortable pulling funds from organizations without warning, and is not for pulling funds from a balanced budget and jeopardizing services and positions.

Vice Mayor Romero suggested finding a way to reduce the funding and allowing new organizations to get some funding, with a fair warning for next budget season to all applicants.

Vice Mayor Romero proposed we look at a version of option 2 at an agreed upon percentage, shave off funding from any organization getting more than \$5,000 (other than those exempted) and decide how to disburse those funds.

Mayor Reed stated she can agree with Vice Mayor Romero and requests a new procedure moving forward.

City manager Campbell asked what the preferred percentage of reduction would be.

Mayor Reed stated it should be determined by tiers.

Vice Mayor Romero stated he is trying to keep the budget as stable as it was presented.

Council Member Jones stated it is our job to disrupt the budget if it is needed.

Vice Mayor Romero stated council should do this one time, possibly looking at tiers with higher percentages from higher contributions or perhaps we could try to fund 90% of the new requests. Mayor Reed and Council Member Hirschmann agreed with using a tiered policy.

City Attorney Brown stated if council is concerned about vetting programs that are requesting money would it make sense to fully fund new applicants that have not been vetted.

Council Member Jones asked if we can shave 50% from current funding, for a total of \$114,000 and fund 1/2 of the new groups with those funds.

Council Member Baugh thinks we can solve all the injustices here but taking money away from these organizations (even if small percentage) is not a great idea. He stated we should bite the bullet and follow the city manager's recommendation and figure out what to do moving forward. He stated if we do not do that it's either taking money away from organizations or adding to our budget.

Council Member Jones stated he could see leaving it alone, he does not have support to make the change now, so leave it alone for this budget and plan on next steps before next budget season.

Council Member Hirschmann stated he was ok with that for the time being, but we need to make sure we look at making changes before the next budget. He stated perhaps we can do a bit of shaving this year and give to a few new groups, but next year will be totally different and no guarantees of funding to any organizations.

Vice Mayor Romero stated he feels there is no consensus and he wants more support in the steps that will be taking moving forward. He stated he is willing to support keeping as is and making changes for next year.

Council Member Baugh stated the most underappreciated moment in this process is during the meeting in February when city manager Campbell tells council he is working on the budget and asks anyone who has any needs to contact him. Usually nothing happens in that moment, and although there seems to be a consensus that we do not like what we are doing with contributions are handled, but we do not say anything until too late. He stated if by the time we get to February next year we have not addressed this, and nothing is said to the city manager, we will end back in this same dilemma.

Mayor Reed stated it sounds as if we all decided to leave the contributions budget as is for FY 19-20.

There was some discussion on plans for next year's procedures, but nothing was solidified.

Council Member Jones asked city manager Campbell what is being done about the Sustainability Coordinator since it is not in the budget. City manager Campbell stated there is not anyone doing the work of that position currently, however, staff is working with the organizations to come up with policy guidelines and the new position is not feasible at this time. Council Member Baugh stated for the time being we are focused on the plan, not the actual coordinator position, and coordination between the departments we have is sufficient for this stage.

3. Adjournment

At 8:37 p.m., there being no further business and on motion adopted, the meeting was adjourned.

CITY CLERK

MAYOR