

NOTICE OF SPECIAL MEETING

A SPECIAL MEETING OF THE CHARLOTTESVILLE CITY COUNCIL WILL BE HELD ON Thursday, December 6, 2018, AT 5 p.m. IN City Space, 100 Fifth Street, NE, Charlottesville, Virginia 22902.

THE PROPOSED AGENDA IS AS FOLLOWS:

Budget work session related to FY 2020 budget development and FY 2020-2024 Capital Improvement Program

BY ORDER OF THE CITY COUNCIL

BY Brian Wheeler

**CITY SPACE
December 6, 2018**

Council met in special session on this date with the following members present: Ms. Walker; Ms. Hill; Ms. Galvin; and Mr. Signer. Dr. Bellamy was absent.

Ms. Walker called the meeting to order at 5:06 p.m.

Work session related to FY 2020 Budget Development

Mike Murphy, Interim City Manager, provided an update on the meeting agenda. He introduced Assistant City Manager, Leslie Beauregard, who provided an overview on the key dates in the FY 2020 budget calendar.

Ms. Beauregard reviewed the budget guidelines with Council:

1. Annually review major local tax rates.
2. Develop operational budgets within projected available revenues.
3. Focus on Council's Strategic Plan Goals
4. Continue to incorporate the use of performance measures to assist in making decisions that support budget priorities related to City's Strategic Plan.
5. Continue the strong commitment to education by allocating up to 40 percent of new City real estate and property tax revenue to schools.
6. Invest strategically in employees by providing adequate pay, benefits, training, technology resources, support, and appreciation.
7. Annually review the living wage ordinance "so that every City contract for the provision of non-professional services will require that the contractor pay each employee assigned to perform services a living wage equal to no less than the lowest starting salary for City employees."
8. Fund no new programs or major expansion of existing programs without fully offsetting revenues or reductions in expenditures.
9. Balance reinvestment in the City's existing infrastructure and facilities and creation of new opportunities for investing in the future of the City.

10. Transfer at least 3 percent of general fund expenditures to the Capital Improvement Fund (CIP).
11. Budget a reserve for Council Strategic Initiatives.
12. Budget a Fund Balance Target Adjustment pool of funds to help ensure that the City continues to meet the important financial policy of maintaining an unappropriated fund balance in the General Fund.

Ms. Galvin asked if changes could be made to the budget guidelines? Ms. Beauregard responded that Council could make changes. Ms. Galvin suggested harnessing funds housing programs through a dedicated and sustainable funding stream that would earmark funds for the Charlottesville Affordable Housing Fund. She suggested the city capture a revenue growth differential in real estate property tax in certain high growth corridors, something she said would be referred to as a “Synthetic TIFF.” Ms. Galvin suggested 30 percent of the revenue could be earmarked from the growth corridors of the West Main, Preston, Water, and Emmet Street corridors. She added the Housing Advisory Committee’s policy group had endorsed the idea.

Mr. Murphy responded that new information was being presented at the meeting that included more than \$32.5 million in funding for affordable housing, which Council would also want to consider.

Ms. Beauregard reviewed the long term financial policies with Council:

1. Maintain a minimum General Fund balance of at least 14 percent of General Fund budget.
2. Maintain a minimum Downturn Reserve Fund balance of no less than 3 percent of General Fund budget.
3. Maintain sufficient working capital in the utilities funds (Water, Wastewater and Gas).
4. Stabilize all non-general funds by ensuring they have a positive fund balance.
5. Debt service as a percentage of the general fund total expenditure budget has a ceiling of 10 percent, with a target of 9 percent.
6. Transfer 1-cent of the meals tax revenue to the Debt Service Fund to be used for debt service.

Mr. Ryan Davidson, Sr. Budget and Management Analyst, provided Council with an overview of the FY 20-24 Capital Improvement Plan. The plan includes a proposed \$34.25 million in FY 2020 and \$124.5 Million over a five year period. There are over \$109.5 million in unfunded capital requests.

Mr. Davidson said the projects for City Schools included \$18.8 million over the five-year period. He also reviewed proposed funding for facilities, public safety, transportation, ADA updates, parks and recreation.

Ms. Galvin asked if funding for the Elliott Street streetscape was included? Mr. Murphy said it was not, and that the anticipated cost of that project is \$1.2 million.

Ms. Hill asked for examples of the Downtown Mall infrastructure repairs staff was planning to include in the proposal. Mr. Brian Daly, director of Parks and Recreation, responded with some specific examples.

Mr. Murphy provided Council with an overview of the affordable housing initiatives in the budget that is under development. He said staff recommendations followed up on the recent presentations from both the Charlottesville Redevelopment and Housing Authority and the Piedmont Housing Alliance.

He said \$32.52 million in affordable housing funding was included over the 5 year period:

- \$15M - Public Housing Redevelopment
- \$6.12M - Friendship Court Infrastructure Improvements
- \$4.4M - Friendship Court Redevelopment Phase I
- \$4.5M – Supplemental Rental Assistance
- \$2.5M – Housing Rehabilitation

Mr. Murphy said investments at this level would challenge support for compensation initiatives and available cash revenues. He said private philanthropy was also going to contribute a great deal to these projects. He asked Council to consider potential Memorandums of Understanding, changes to the CRHA board, and measurements of sustainability.

Ms. Walker said she was concerned that neither the Piedmont Housing Alliance nor CRHA are City entities, and in the case of PHA they could decide to do other things with their property in the future. Given the amount funding being discussed, she said City needs to make sure the relationship is stronger than an MOU with PHA.

Ms. Walker asked how we ensure the housing rehabilitation funds are long-term investments? Mr. Murphy responded with information on the limitations government faces controlling long-term home occupancy.

Mr. Davidson shared some of the major unfunded projects which total \$109.5 million in requests.

Ms. Hill asked what would not be included in McIntire Park. Mr. Daly responded with highlights of the \$6 million in unfunded projects. He said the City has not committed to any funding of the McIntire Botanical Garden. The projects contemplated that would support the park, such as parking areas, utilities, and restrooms, are currently unfunded.

Ms. Hill asked about the Meadowcreek Valley Trail Railroad Tunnel. Mr. Daly said that \$1.46 million project was unfunded.

Ms. Hill asked about sidewalk priorities and the \$3 million in projects that are unfunded. Mr. Murphy said the list included some priority projects and some that have not previously been identified as priorities.

Ms. Hill asked about other potential funding sources for the Elliott Avenue streetscape? She asked where it falls on the priority list? Mr. Tony Edwards, Neighborhood Development Services, responded that the initial funding was just for the design, not the right-of-way acquisition or construction.

Ms. Krisy Hammil, Sr. Budget and Management Analyst, highlighted for Council the different ways the CIP is funded. She said the debt projections are based on 1.5 percent growth, or an \$825,000 per year increase in debt service through FY 2026. Projections comply with the 10 percent debt policy limit, but the 9 percent target is exceeded beginning in FY23. The General Fund cash contribution increases from \$5.3M in FY19 to \$7.9M in FY24.

Mr. Davidson reviewed rough estimates of what different tax increases would contribute to the operational budget were they to be adjusted by Council. For example, a \$0.01 increase on the real estate property tax rate (currently \$0.95) would generate an additional \$757,704 in revenues. Per current policy, 40 percent of any new property tax revenue – both real estate and personal property – is dedicated to the City’s transfer of new revenues to the City Schools.

Mr. Murphy described for Council other issues to be considered as part of the FY 2020 budget, such as compensation, departmental operational budgets, and the school operational budget. Mr. Murphy pointed out that the City is now losing police officers to neighboring localities and a significant adjustment in compensation may be necessary for recruitment and retention of officers.

Ms. Hill asked what investments might be needed for maternity and paternity benefits? She asked where funds would come from to adjust the operational budget for compensation?

Mr. Murphy said salary adjustments needed across the organization, including moving the living wage to \$15.00/hr., were in the range of \$3.3 million. Mr. Murphy said Council would have to evaluate its priorities to accomplish these adjustments.

Mr. Signer asked what staff’s approach would be if revenues were not increased? He suggested across the board cuts could be considered at some level.

Ms. Walker asked staff to consider implementation of an employee sick bank which she said would be low cost and offer high value to employees.

Ms. Galvin said she wanted to focus her evaluation on five major categories of need: safety; infrastructure; education; asset management; and housing.

Ms. Walker asked that options for a bond referendum be considered as part of the budget.

Ms. Galvin asked for more specifics on what was included in the affordable housing funds. Mr. Murphy described the phase one support for Friendship Court. He described the CRHA projects which would receive support including Crescent Halls, and the additional funding private philanthropy could help accomplish. Mr. Murphy said he thought \$15 million was adequate for public housing redevelopment at this stage.

Ms. Galvin expressed support for including the Elliott Avenue streetscape project.

Ms. Walker invited members of the public to share their input.

Mr. John Hall said he thought with respect to affordable housing attention should be given to the tenants and stewardship, programs to foster pride of ownership.

Mr. John Gaines asked for feedback on a June 4, 2018 memo he provided Council and for which he said he did not receive a response. He suggested Council donate a portion of their salaries towards affordable housing. He said the revenue sharing funds from Albemarle County should go towards housing. He added Council should tackle gentrification and the safety of neighborhood streets. He asked Council to resume their neighborhood forums.

Ms. Anne Marie Hohenberger said she wanted Council to support the streetscape project for Elliott Avenue. She said there are safety issues with the growing number of residences and businesses.

Mr. Ned Michie said he was president of the Greenbrier Neighborhood Association and on the board of the Rivanna Trails Foundation. He called for support of the Meadowcreek Valley Trail Railroad Tunnel. He said trails and greenways contribute positively to social equity.

Mr. Tom Connant spoke in support of the trail investments in the Greenbrier neighborhood.

Ms. Joan Chapman spoke in favor of Meadowcreek Valley trail plans.

Mr. Jason Halbert said he applauded the transparency being applied to the neighborhood CIP projects and the prioritization list.

Mr. Sayed [last name?] said he was a refugee and in his apartment complex there are not safe places to walk and he supports a trail being built to Greenbrier Elementary School.

Ms. Emily Dreyfus of Legal Aid Justice Center thanked Council for its work to move forward on affordable housing. She serves on the CRHA redevelopment committee. She said the short-term funds for CRHA are promising but she is concerned about years three and four in the plan. She said the immediate needs at Crescent Halls are the top priority.

Mr. John Hall said Stribling Avenue needed investments in sidewalks and crosswalks.

Ms. Joy Johnson said public housing residents understand market rate units are a part of the redevelopment picture. She said maintenance needs will also have to be funded on a parallel track while redevelopment is being pursued. She called for a planner on City staff to be assigned to the redevelopment effort.

Ms. Walker adjourned the meeting at 7:14 p.m.