

Council Work Session
February 8, 2014

At 10:00 a.m., Mayor Byrd called the Council Work Session to order, there were present: Mayor Ted Byrd; Vice-Mayor Charles Chenault; Council Member Richard A. Baugh; Kai Degner and Abe Shearer. Also present: City Manager Kurt D. Hodgen; Assistant City Manager Anne C. Lewis; and City Attorney G. Chris Brown. Absent: City Clerk Erica S. Kann.

The first topic was the New Elementary/Middle School. City Manager Hodgen stated a \$36.5M construction estimate will result in debt service in the range of \$1.9M per year for 30 years with anticipated operating costs of \$2M per year. The total impact is \$3.9M per year which equals \$0.10 on our tax rate. Mr. Hodgen also noted that in FY 17- 18, city debt service payments drop by about \$600,000. Council members agreed they would like to see a long term capacity plan (CIP) from the School Board that will take council out 12 years or so.

Next, City Manager Hodgen asked council if they had any questions or comments regarding the Salary Study. Mr. Shearer wants to know what the city is doing with benefits before deciding on an option.

Third, City Manager Hodgen described the conditions at the City/County jail. The facility is at capacity at current jail (about 340 there now) and currently have 100 inmates at MRRJ at a cost of \$35.00 per day ($\$35/\text{day} \times 100 \times 365 = \$ 1,277,500$ annually with $\frac{1}{2}$ of all costs are City responsibility.) There is no “formal agreement” in place with MRRJ at this point.

Mr. Hodgen provided the following options:

- a) Continuing to rent (presumably);
- b) “Buying into” MRRJ at up to 200 beds – working with MRRJ Board now to determine what that number would actually be – also what annual operations costs under buy-in would be; other organizational issues – representation on Board, how current City/County jail fits into the larger picture (could it become part of the MRRJ system?);
- c) Alternative sentencing – who qualifies? Is there support among judges, Commonwealth Attorney’s office? What are the costs? Would it impact enough inmates to provide needed space in current jail?; or
- d) Construction of “lower security” facility by City/County – who qualifies? What are the costs? Where to locate? Would it impact enough inmates to provided needed space in current jail? (“ballpark” estimate of 25 – 30% (or a max of about 120) inmates would be “lower security”.

The fourth topic on the agenda was the Resource Recovery Facility (RRF). City Manager Hodgen explained that the glut of cheap landfill space continues to create issues for the RRF in terms of being able to bring in enough trash to operate at 200 tpd capacity. There is not enough trash volume in city and county alone to meet City’s financial and operating needs or County’s financial and operating needs. This lack of adequate trash volume impacts our revenues and our ability to meet our contractual obligations to JMU.

Mr. Hodgen reminded council that the JMU contract ends in 2024. Given their construction of a new gas-fired steam plant, they may have no interest in buying steam from the City beyond 2024. Furthermore, the debt service at RRF also ends in 2024 (\$19.8M principal and interest remaining or \$1.8M/year avg.) JMU would still require the use of the “chiller” portion of the RRF as it provides cooling for the East Campus; so consideration could be given to selling facility to JMU. Our facility could also continue to be a “back-up” to JMU’s new steam plant. Should the city discontinue burning of trash, we would pursue contract disposal at other landfills in the region. We would not want to become a landfill “owner” again. The city could convert RRF to transfer station under this scenario, if there was no sale of facility to JMU.

The fifth item on the agenda was Stormwater Management. City Manager Hodgen noted that the impact of regulations is still being determined, but it is a given that there will be new costs associated and fees assessed. The Stormwater Advisory Committee will be developing a stormwater project “CIP”-type document for planning and financing purposes.

The next topic was the Health Insurance Fund. City Manager Hodgen reported the Health insurance fund is currently below our minimum fund balance requirement and has been in about a three-year, poor performance cycle. Our pool includes the City, Schools, Harrisonburg Electric Commission, Massanutten Regional Library, Community Services Board, Harrisonburg Rockingham Regional Sewer Authority, and Rockingham Harrisonburg Alcohol Safety Action Program. Our plan administrator has presented rate increase and coverage adjustments that should get fund back to fund balance requirements. However, the fund may need to apply special assessment to members pending rate changes that would be effective July 1. Members could be “reimbursed” as fund gets back to fund balance requirements. There was some discussion as to whether the employer/employee rate structure would be modified. Council asked Mr. Hodgen to provide 70/30 cost info for single through family rates.

The seventh topic was Retirement Liabilities. City Manager Hodgen explained that this is a VRS issue and to some degree a state issue that hasn’t been fully resolved, at least in terms of how the City’s share of teacher liabilities will be shown in our financial reports. At the present time, we are assuming that the City will have to show the full cost of teacher retirement liability rather than a City/state sharing of costs. Relative to non-school employees, based on the most recent actuarial valuation date, the City’s retirement plan is a little over 70% funded. This percentage is higher than the state’s for their employees and is generally in line with other local governments, but of course the higher the percentage funded, the lower the long-term liabilities are for the City and the better our overall finances appear.

The city’s VRS contribution rate is scheduled to increase from 12.56% to 12.76% for fiscal year 2014-15. We had been expecting an increase to 14.55%. Should council desire, we can pay more to VRS than the amount they have set (perhaps an informal or formal policy of “rounding up” our contribution rate; this year, for example, round up to 13%).

The next topic was Financial Management Policies. City Manager Hodgen suggested council consider increase in fund balance policy from 16% to 18% (4% for liquidity purposes, 14% unassigned, versus current 4%/12%), to be effective prior to 2014 bond issue. At the same time, could consider revisions to Investment Policies (in same document), pages 4-5 of the

Financial Management Policies. The Finance Director will submit draft revisions in advance of 2014 bond issue).

The ninth item was Budget Support for Outside Agencies. City Manager Hodgen provided a handout of outside agency requests to date including new requests and noted which he believed to be non-discretionary.

Next City Manager Hodgen reported on the Budget Process and the addition of Be Heard Harrisonburg as a tool to solicit input from citizens. It was reported that council will be provide a summary of the survey. Discussion included if there was a way to look at the comprehensive plan and see how the budget matches up and can we be aware of what we are not funding.

The tenth item on the agenda was Stone Spring / Erickson (Phase 4). City Manager Hodgen explained this will be around a \$4M project including final engineering. All right-of-way has already been acquired. The City has applied for \$2M in VDOT revenue sharing funds that would require a \$2M city match. We should know in May if we are approved; funding would be available after July 1. Given other pending financial commitments, we may want to consider deferring this project for a few years. Phase 4 should be completed, but it is not a critical or time-sensitive project. There was some discussion that the county is not going to do their section any time soon so our four lanes would go down to their two lanes.

The next item was Bike/Pedestrian Infrastructure. City Manager Hodgen asked council about their expectation/desire beyond completion of Phase 1 projects (Bluestone Trail and North End Greenway) in terms of timing and financing especially regarding the Cale Trail and Hillandale to Harrisonburg High School, etc.? Council agreed that they've made a commitment to have Hillandale to have the trail to the school open when the school opens and it only makes sense to do the Cale Trail at the same time.

The twelfth item was Other Facilities. Mr. Hodgen suggested that what will be the Old Municipal Building should not be vacant for more than a year or two before renovating and that we possibly renovate at same time as new school and include in the same bond issue. Mr. Hodgen said that Harrisonburg Downtown Renaissance will need to move out of Hardesty Higgins as Tourism has space needs that are not being met. There is a possibility that we can move Fire Administration to the Municipal Building or potentially even the Sheriff.

Mr. Hodgen also outlined other facility needs:

- a) Fire Station #1 is in need of first renovations since 1970's (preliminary estimate of \$800K);
- b) Completion of Smithland Park and Ramblewood Park – build-out of both estimated at \$15M; and

Other CIP project priorities identified by of Council members included:

- a) Energy efficiency/sustainability of buildings;
- b) Sidewalks on Country Club Road;
- c) Traffic intervention system; and

- d) Impact of house bill regarding DEQ taking over the administration of county stormwater management and whether or not they exempt from reduction requirements.

The next item on the agenda was Downtown Park. City Manager Hodgen wanted to seek Council consensus on priority on this item given other parks and recreation needs and overall capital needs. Council agreed that they needed to hear a revised proposal from the Plan Our Park group. In addition, we may need to move forward to remodel basement of old MB for offices and bathrooms for Farmers Market. Mr. Hodgen reported that he had discussed this with our architect. Council also agreed that the input from the Parks and Recreation Commission is important as Smithland and Ramblewood may be a higher priority than a downtown park. However, all agreed that if there were private funds to do this project, it could move up higher on a priority list.

The fourteenth item on the agenda as the Downtown Parking Deck. City Manager Hodgen wanted to seek Council input on this particularly clarity relative to planned replacement of Water Street deck, but not necessarily existing Water Street site given logistical challenges. This item also needs to be clarified in the CIP. Council concurred.

The next item was Personnel Needs. City Manager Hodgen alerted council for the potential need for the following positions:

- a) Facility Manager/Sustainability Coordinator – current plan to bring this online in conjunction with the new Transit Facility; first-year focus in that area and that expansion into other buildings and programs;
- b) Potential new needs (FY 15-16) - Accountant, Risk Manager; and
- c) MS4 Coordinator.

The sixteenth item on the agenda was Update Zoning Ordinance. City Manager Hodgen reported that the Director of Community Development is looking for some direction in undertaking a comprehensive update of the City's Zoning Ordinance. The last comprehensive update was in 1996. The work would be done by consultant, estimated \$50k cost.

At 12:50 p.m., there being no further business and on motion adopted, the meeting was adjourned.