MINUTES
FINANCE COMMITTEE MEETING
6:00 P.M., MARCH 7, 2022
AV ROOM #308, CITY HALL

Joseph Jenkins, Chairperson, called the meeting of the Charleston City Council Committee on Finance to order at 6:00 p.m., March 7, 2022.

A silent roll was taken by the Clerk and a quorum was established. The following committee members were present:

Joseph Jenkins, Chair
Bobby Reishman, Vice Chair
Ben Adams
Brent Burton (over Zoom)
Becky Ceperley
Mary Beth Hoover
Chad Robinson

Absent:
None

Other Councilmembers present:
Jennifer Pharr
Bruce King
Adam Knauff

I. <u>DISCUSSION:</u>

a. <u>Approval of Previous Minutes</u> - Councilmember Reishman asked for unanimous consent to dispense with the reading of the minutes for the February 22, 2022 meeting and that they be approved as distributed. There were no objections, and the minutes were approved.

II. RESOLUTIONS:

Resolution No. 609-22 Committee Substitute – Authorizing the approval of the American Rescue Plan Act budget as indicated on the attached list of accounts for City Allocations ~~and authorizing the Mayor or City Manager sign all required sub-recipient agreements relating to the American Rescue Plan Act allocations.~~

Be it Resolved by the Council of the City of Charleston, West Virginia:

That the American Rescue Plan Act budget as indicated on the attached list of accounts for City Allocations is authorized ~~and the Mayor or City Manager is authorized to sign all required sub-recipient agreements relating to the American Rescue Plan Act allocations.~~

Councilmember Jenkins added that the Community Applications were removed from the resolution.

Finance Director, Andy Wood, added that the resolution was based on the recommendations that came from the American Rescue Plan Act Advisory Committee recommendations. The resolution now only for City-led projects. The total for this allocation is $25.2 million.

Councilmember Reishman moved to approve the Resolution. With members present recorded thereon as voting unanimously in the affirmative, Chairperson Jenkins declared Resolution No. 609-22 Committee Substitute approved.

a. Resolution No. 610-22 – Authorizing the Mayor or City Manager to submit an application to the WV Division of Administrative Services under the Violence Against Women Act grant program in the amount of $31,500 and administer any funds awarded. These funds will be used to provide overtime reimbursement to the Charleston Police Department ($21,500) and Kanawha County Sheriff's Office ($10,000) for investigations of violent crimes involving female victims. There is a 25% match requirement that will be met through the unreimbursed salary portion absorbed by the department's salary and wage budgets.

Be it Resolved by the Council of the City of Charleston, West Virginia:

That the Mayor or City Manager is authorized to submit an application to the WV Division of Administrative Services under the Violence Against Women Act grant program in the amount of $31,500 and administer any funds awarded. These funds will be used to provide overtime reimbursement to the Charleston Police Department ($21,500) and Kanawha County Sheriff's Office ($10,000) for investigations of violent crimes involving female victims. There is a 25% match requirement that will be met through the unreimbursed salary portion absorbed by the department's salary and wage budgets.

Wood added that the City has received the grant for several years. It helps to pay for overtime for Detectives to work on violent crimes against women.

Councilmember Reishman moved to approve the Resolution. With members present recorded thereon as voting unanimously in the affirmative, Chairperson Jenkins declared Resolution No. 610-22 approved.

b. <u>Resolution No. 612-22</u> – Authorizing the Mayor or City Manager to approve and execute Change Order No. 1 relating to the 2021 CIP Pipe Lining project, in the amount of $12,000.00 to permit additional installation of pipe lining at the Lilly Drive and Sugar Creek Drive intersection, raising the total contract amount to $267,510.00 as the pricing details are indicated on Exhibit A attached hereto.

<u>Be it Resolved by the Council of the City of Charleston, West Virginia</u>:

That the Mayor or City Manager is authorized to approve and execute Change Order No. 1 relating to the 2021 CIP Pipe Lining project, in the amount of $12,000.00 to permit additional installation of pipe lining at the Lilly Drive and Sugar Creek Drive intersection, raising the total contract amount to $267,510.00 as the pricing details are indicated on Exhibit A attached hereto.

Wood added that some additional pipes need to be repaired in addition to the regular contract.

Councilmember Jenkins confirmed that they are stormwater pipes.

Councilmember Adams confirmed that the City has done lining like this in the past successfully.

Councilmember Reishman moved to approve the Resolution. With members present recorded thereon as voting unanimously in the affirmative, Chairperson Jenkins declared Resolution No. 612-22 approved.

c. Resolution No. 613-22 – Authorizing the Mayor or City Manager to approve and execute Change Order No. 2 relating to the Concrete Sidewalk and Accessible Ramp Project Agreement – Summer 2021, in the amount of $42,888.00 to permit additional installation of ADA improvements at the MLK Community Center and the Kanawha City Community Center, raising the total contract amount to $536,688.00 as the pricing details are indicated on Exhibit A attached hereto.

Be it Resolved by the Council of the City of Charleston, West Virginia:

That the Mayor or City Manager is authorized to approve and execute Change Order No. 2 relating to the Concrete Sidewalk and Accessible Ramp Project Agreement – Summer 2021, in the amount of $42,888.00 to permit additional installation of additional ADA improvements at the MLK Community Center and the Kanawha City Community Center, raising the total contract amount to $536,688.00 as the pricing details are indicated on Exhibit A attached hereto.

Wood added that this will use the existing contract for additional improvements at the MLK and Kanawha City Community Centers.

Chief of Staff, Matt Sutton, added that the improvements at the MLK Center were requested by the County Clerk to comply with ADA voting regulations.

Councilmember Reishman moved to approve the Resolution. With members present recorded thereon as voting unanimously in the affirmative, Chairperson Jenkins declared Resolution No. 613-22 approved.

d. Resolution No. 614-22 – Authorizing the Mayor or City Manager to approve and execute Change Order No. 1 relating to the purchase of Smart Meter Cellular Hardware Upgrades, in the amount of $10,100 to incorporate price increases over the purchase previously approved in Res. No. 589-22 on January 18, 2022 to upgrade existing Civic Smart parking meters to be compatible with modern wireless technology, raising the total contract amount to $76,600.00 as the pricing details are indicated on Exhibit A attached hereto.

   Be it Resolved by the Council of the City of Charleston, West Virginia:

   That the Mayor or City Manager is authorized to approve and execute Change Order No. 1 relating to the purchase of Smart Meter Cellular Hardware Upgrades, in the amount of $10,100 to incorporate price increases over the purchase previously approved in Res. No. 589-22 on January 18, 2022 to upgrade existing Civic Smart parking meters to be compatible with modern wireless technology, raising the total contract amount to $76,600.00 as the pricing details are indicated on Exhibit A attached hereto.

Wood added that, since being approved by Council, the prices have increased despite the best efforts of the Parking Director.

Councilmember Jenkins confirmed with Wood that by the time the purchase was approved by Council, the prices quoted had expired.

Councilmember Reishman moved to approve the Resolution. With members present recorded thereon as voting unanimously in the affirmative, Chairperson Jenkins declared Resolution No. 614-22 approved.

e. Resolution No. 615-22 – Authorizing the Mayor or City Manager to enter into a contract with Studimo Sound Stage and Light in the amount of $33,768.07 for sound and light production services for Live of Levee during the 2022 season.

   Be it Resolved by the Council of the City of Charleston, West Virginia:

   That the Mayor or City Manager is authorized to enter into a contract with Studimo Sound Stage and Light in the amount of $33,768.07 for sound and light production services for Live of Levee during the 2022 season.

Wood added that resolution is for sound and light production for Live on the Levee. The City has used this company before.

Councilmember Reishman moved to approve the Resolution. With members present recorded thereon as voting unanimously in the affirmative, Chairperson Jenkins declared Resolution No. 615-22 approved.

f. Bill No. 4950 – A BILL authorizing the Mayor or City Manager to execute a Quitclaim Deed for Barlow Drive to the West Virginia Department of Transportation, Division of Highways to finalize its inclusion in the Industrial Access Road Program.

Whereas, the City Council duly adopted Resolution No. 203-19 on June 3, 2019, and Resolution No. 246-19 on September 16, 2019, authorizing applications to the State Development Office to add Barlow Drive to the Industrial Access Road Program; and

Whereas, the City of Charleston's applications for the Industrial Access Road Program were approved and the City of Charleston and the West Virginia Department of Transportation, Division of Highways entered into Legal Division Contract No. 1908094 on April 27, 2020 and Legal Division Contract No. 2006036 on July 6, 2020, to memorialize the terms of the Industrial Access Road Program agreement; and

Whereas, as part of the finalization of the project funded through the Industrial Access Road Program, the City is required to transfer the relevant portion of Barlow Drive to the State of West Virginia to become a part of the State Road System.

Now, therefore, be it ordained by the Council of the City of Charleston:

That the Mayor or City Manager is hereby authorized to execute, acknowledge, and deliver a proper quitclaim deed to the West Virginia Department of Transportation, Division of Highways, conveying any and all right, title and interest of the City of Charleston in and to the portion of Barlow Drive beginning at the state-owned bridge over Elk Twomile Creek and continuing to its intersection with Twilight Drive to finalize its inclusion in the Industrial Access Road Program.

Wood added that the City went through a process with the Department of Highways to improve a slip along Barlow Drive. The Division of Highways has now agreed to take the responsibly of that road.

Councilmember Reishman moved to approve the Resolution. With members present recorded thereon as voting unanimously in the affirmative, Chairperson Jenkins declared Bill No. 7950 approved.

III. Presentation of the Mayor's recommended budget for the fiscal year ending June 30, 2023:

Mayor Goodwin stated that the Administrated started this budget process 3 years ago. The budget is balanced, maintains all critical City services and sustains infrastructure. It also has the largest demolition budget in history, as it is critically necessary for thriving neighborhoods. The budget allows for a 7% raise for every City employee to address the effects of inflation. This will additionally make positions within more competitive in the job market. It will also maintain the City Health Clinic. The Mayor added that economic recovery has been much better that expected. The City is investing in safety by continuing to tear down depilated houses, by increasing funding to Police and Fire and by investing in better street lighting and roads. Two new positions will be added to the Collector's Office to better serve local businesses. They will also be investing in my afterschool and summer job programs. The budget represents a priority in businesses, children and safety while recognizing that municipal government is about city services.

Wood stated that the budget is a continuous exercise that happens throughout the year and builds on itself year after year. The cycle for the FY 2023 budget formally kicked off in December 2021 with requesting information from various City departments. Throughout January and February 2022 assumptions related to various expenses are made and revenue projections and formulated based on up-to-date information from recent collection trends. The Administration believes on input and collaboration from the Departments and held meetings with multiple department heads and staff over the past few weeks to ensure that they can provide the services as efficiently and effectively as possible. The budget must be approved by Council between March 7 and March 28th. To avoid special meetings, the administration has consistently presented the budget at the first March meeting and sought approval at the second meeting. This allows time for Council members and the public to digest the proposal and seek out any answers to questions they may have. Approval isn't the last step on the budget journey. Up until the fiscal year begins, there is continued analysis to ensure everything is accurate and timing of projected expenses match up with revenue to ensure cashflow stays positive.

The FY 2023 budget totals $108 million. At the outset of the budget cycle, considering all the requests received from the departments, looking at current revenue expectations, and including the assumption of that significant COLA would be needed due to rising inflation, a negative $4.3m budget gap was identified. Through meetings with department and further analysis, that gap has been closed and the budget presented is balanced. The budget maintains all critical services of the City, provides a 7% COLA to attempt to keep employees whole as prices increase, maintains the same benefits package without raising employee cost (although the City's costs are rising), and provides for over $6m in vehicles and equipment, many items now significantly increasing over the projected costs from last year.

B&O revenue is the most significant source of the General Fund accounting for 50% of all tax and fees and over 43% of total General Fund revenue. Other major taxes and fees include Property Taxes (current and excess levies), City Services Fees or “user fee”, Hotel Taxes, ambulance fees, and fire fees, and refuse fees. This time last year, it was expected that general fund revenue would return to pre-pandemic levels in the FY 2024 which turned out to be a pessimistic assumption and tax and fee revenue is expected to be back on trend in FY 2023. There are several areas where revenue is growing, some faster than others, but overall tax and fee revenue in FY 2023 is anticipated to be $5m over the original FY 2022 estimates.

The total general fund revenue is made up of different components with the majority being taxes and fees. The spike in reimbursements beginning in FY 2020 and continuing into 2021 was a result of the funding provided from the CARES Act that allowed operations to continue in the face of stagnant tax collections. The drop-off in taxes is now spiking back upwards and should return to normal growth levels.

One significant difference in the original budget this year is the assumption of a starting fund balance of $4m. This is a result of expected revenue surpluses developing in the FY 2022 actuals and the recognition of unspent payroll dollars expected to accumulate due to vacancies. This will provide a more accurate assumption of a starting balance, and will potentially reduce a significant unassigned balance being available for allocation during the FY 2023.

Expenses total $107.9m, a growth in non-capital outlay expenses of around $5.5m over the original FY 2022 budget. As expected, personal service expenses (wages, benefits, retirements, etc.) are the most significant expenditure in the budget totaling over $74m or 69% of the budget which includes the cost for a 7% COLA salary increase.

The Cost-of-Living Adjustment was calculated at 7% based on the Consumer Price Index at the end of December 2021. Prices are increasing. These price increases hit our employees in their pocketbooks and diminish the amount of disposable income in their pockets. While 7% is a large raise in historical standards, we must remember that inflation hasn’t been 7% in 40 years. The total cost of the raise is $2.7m. This equated to a low end raise for $1,666 for the lowest paid civilian positions to a maximum $5k raise for the upper end of the pay scale. The starting police base pay will increase $3,150 annually and a firefighter on shift will increase $2,846. These increases will also trickle into Overtime rates with the actual effect to many employees being more than the published chart with overtime is considered.

It's important to note that the City hasn’t provided a COLA since the FY 2016 and after the compensation study that restructured paygrades. While the $2000 ATB in FY 2021 was given to all active employees and increased the starting rate for uniformed paygrades, the civilian grades haven’t been adjusted since FY 2017. The Administration is proposing those scales be increased by the 7% also to help with recruitment.

Health insurance is another significant cost for the City in providing competitive benefits to our employees. PEIA is increasing their rates on the local pool by 5% this year for their first increase since the 2018 plan year. This increase cost around $271k this year. The PEIA financial plan shows expected increases in the future also. These increases are potentially increased by effect of SB 574 currently moving through the legislature that raises certain reimbursement rates to providers. If these future year premium increases materialize as projected, PEIA is still saving the City (and the employees) in overall premium costs when compared with projections of where the self-funded plan would be had it remained in place. This year, the active employees are being shielded from the effect of the 5% premium increase and the City is absorbing that cost. This effectively moves the cost share to 81/19. This saves a Plan A family member $146 this year by not increasing the employee premium. Some other employee benefits include keeping dental and vision benefits flat with no increase, maintains all required pension contributions and maintains the employee health clinic.

The FY 2023 budget assumes the Select Committee on Insurance's recommendation to select the WV Communities Risk Pool for property, liability, workers' compensation, and other insurance coverages and saves the General Fund approx. $275k vs the expiring plan with further savings to be realized in the Coliseum and Parking Funds.

The budget starts with the highest budget for demolitions seen on record at half a million dollars, and also funds increased cost assumed for the transition to LED streetlights based on AEPs proposal to the City. It maintains the $3m paving budget and $1.1m in transfer to capital outlay funds. These funds are critical in addressing deferred maintenance needs. In the last week, I've learned of about $200k worth of fire alarm systems that are obsolete and need to be upgraded, we have tens of thousands worth of HVAC upgrades needed in facilities and 3 change orders just approved on this Finance agenda to continue infrastructure improvements in the City.

The budget includes a $900k operational subsidy for the CCCC, down from the nearly $1.8m needed in FY 2021. We're hopeful that as activity continues in the building and the management team focuses in on the local market that it will continue to come down in future years. It's never expected to be 0, but there should be continued improvement.

Inflation shows up in many expenses, fuel, construction materials, etc, but nowhere more so than in purchases of vehicles and equipment. The total estimate for the FY 2023 cycle compiled in the FY 2022 budget totaled over $5.2m. Best estimates using quotes and available information today totals over $6.2m for that cycle of equipment. Several of the high dollar vehicles, ladder trucks, pumper trucks, and packer trucks, have increased even high than an inflation indexed price of our last purchase of a similar item. Not only are there price increases, but material and manufacturing delays are also prevalent. This is why sound management of the fleet and scheduling replacements before it's too late is critical to maintain a functional fleet.

Council has taken steps to ensure sound fiscal management and help improve the long-term stability of the City. In the current fiscal year 2022, Council approved a plan to phase out the use of lease purchase packages to fund our vehicle cycles. This plan uses the municipal stabilization fund as the bridge funding until all current leases are paid off in 2026. This will require $3.6m to be drawn from the municipal stabilization fund in FY 2023 but will save over $219k in interest costs over the 5 years a similar lease package would be outstanding.

Uniform pensions systems are a significant expense item. The establishments of the half percent Sales tax to fund pensions with in 2013 was a great decision that helped shifts the growth in the plans off the General fund. By expanding on that foresight, this Council's refinancing of the 2015 Sales tax bonds in June 2021 allows an additional $270k to flow into the Uniform Pension Reserve Fund and grow for the next few years until needed to pay benefits. The pension boards have transitioned their investment management to the WVIMB and will receive improved discount rate assumptions in their next actuarial study. This will help to flatten that pension growth projection and ensure the plans are fully funded by 2046 without being a significant strain on the General Fund.

The proposed levy rates are not included in this package. There is a statewide issue relating to oil and gas well valuations and the Assessor's Office cannot provide the certified assessed values. It is anticipated that those will be available by the March 21st meeting for final approval, but in the event they are not, the State Auditor's Office has said they would grant an extension for budget approval. In any event, the Council will formally adopt the Levy rates at the statutory meeting on the 3rd Tuesday in April.

IV. Miscellaneous

Councilmember Burton stated that, since he was not going to be able to be at Council that evening, he wanted to comment on the insurance resolution. He fully supports the Committee's recommendation of WV Corp.

Councilmember Reishman motioned to adjourn the meeting.
Meeting adjourned.