

1. **Isn't economic development a discretionary expense?** It is discretionary, but necessary to improve the economic outlook of Danville. The why is explained in the answer to the next question. The proposed budget for FY 2019-20 includes \$2,050,000 for a variety of economic development projects. All but \$150,000 of this is projected to be paid for with General Fund Balance. The \$150,000 is projected to be paid for with the 10 cent increase to the Personal Property Tax. The purpose of that tax increase is to reduce the reliance on the General Fund Balance to pay for economic development. An additional \$300,000 of economic development funds is projected to be paid for with repurposed capital improvement funds. (Since capital project funds are budgeted by ordinance that allows the funding to remain over multiple fiscal years, there is sometimes a remaining balance when actual project costs come in under budget.) All but \$150,000 of the revenue identified for economic development projects is from one-time sources of funds. It would be unwise to use one-time funds to pay for ongoing expenses like the operational budget for Danville Public Schools. Starting in the current fiscal year, the Finance Department only transfers funds out of fund balance into the project budget for economic development on an as-needed basis. Therefore, if a project does not occur, the funding is not provided.
2. **Is it necessary to put IDA funds in the budget?** Can it be done on a case-by-case basis? Since we fund economic development with Fund Balance, that is essentially what we are doing. Staff receives approval from City Council and the IDA prior to allocating any funds for projects. The reason it is placed in the budget is because staff is able to maintain confidentiality with prospects without having to go back to City Council for specific approval, which would put confidentiality in jeopardy. Confidentiality is important because in order to get State of Virginia incentives, the Governor makes all official announcements for projects that receive state funding. The timing of announcements is always contingent on the Governor's availability and timing, which would make it logistically challenging to have City Council take official and public action to amend the budget for all economic development projects.
3. **Why not take the \$1.3 million out of the budget and use it for schools?** As was stated above, the \$1.3 million is coming from a one-time source of revenue. The need for increased school funding is to support an ongoing expense, which requires a sustainable revenue source. The funding would need to come from increased revenues or decreased expenditures in operational funds for City services. Essentially, this would mean cutting general fund services – police, fire, planning, building inspections, economic development, parks and recreation, library, building maintenance, administrative and support services, social services, etc. (Some of these functions are paid for with dedicated revenue streams that could not be reallocated to some other purpose.)
4. **Why is the City of Danville investing in economic development?** In order for Danville to compete for jobs, the City needs to make it attractive for businesses to choose to locate in our community. We do this by making investments in quality of life, workforce development, and education. Since we are not in a high-growth area, we also must do more to make it easy for a company to choose our community. This often involves incentives and breaking down other barriers to starting a business, like ensuring the

availability of suitable properties. A few weeks ago, City Council received a presentation on the current status of the Multi Year Financial Forecasting Committee. Here is a link to that presentation: [Multi Year Plan Update](#) In it, you will find a description of economic development outcomes over the past 5-6 years starting on page 6 of the document. It demonstrates that what the City has done with economic development under the leadership of current staff has produced the following results:

- a. 43 performance agreements signed
 - b. 637 new full time jobs and 79 new part time jobs committed
 - c. Nearly \$130 million in new capital investment committed
 - d. Project breakeven point for current projects – 2024
5. **Can the IDA at least breakeven?** It does. If you factor in the above information, it can be shown that the investments made in economic development over the past five years have and will produce a positive return on investment within a 5-7 year time frame.
6. **Why did the IDA have a five year lease with Telvista instead of a lease that lasted for the term of the borrowing?** Since this decision was made in 2005 by people who are no longer with the City, it would be difficult to determine all the reasons why the deal with Telvista was structured that way. However, we can suppose that the reason for the five year term is because the majority of the amount paid in the lease had to do with retiring the debt for the financing of the building, which is a fixed asset that retains value. The lease agreement allowed Telvista to purchase the building at any time for the remaining amount owed. If they left, the IDA would retain the building, which would continue to have value – just not in cash. Thankfully, the PRA Group is planning to purchase the property for slightly more than what is left to be paid on the loan.
7. **What happens to the \$8,400 per month in revenue from the IDA to the City for the Telvista Loan?** Since the budget team was aware of the fact that Telvista had left and we did not have confidence this revenue source would continue, the proposed budget did not include any revenue from the IDA for this purpose.
8. **Since we don't have to pay the \$48,000 in loan payments, can that money be used to lower the need to raise taxes for education?** No. The source of funds for the \$48,000 per month was Telvista, which is no longer leasing the building. The building will be sold and the proceeds will be used to pay off the debt. There will be no ongoing source of funds.
9. **Can you make sure that prospects put some capital investment into their projects from their own funds?** Prospects are required to put in capital investment toward their project. All incentives for projects are either provided after meeting performance objectives (capital investment) or are secured with liens on property or with a letter of credit from a financial institution. Incentives (which also includes state, Tobacco Commission, and other grants) typically average between 10-20% of total capital investments and is determined based on the quality of the project. The City portion of these incentives is typically 2.5% to 5% of the total capital investment.

10. **Why can't the City only work with prospects that want to own their building?** Providing the option of leasing improves Danville's chance of landing a prospect and creating jobs in our community, which is our ultimate goal. When the IDA leases a building, it retains ownership of the property, which retains its value. If the decision to locate in Danville depends on whether the prospect can lease a building, it often makes sense for the IDA to provide that option.
11. **Can you understand why citizens would not be happy with the City considering forgiving a loan while also asking for a tax increase?** It is understandable that citizens would be unhappy. We don't like that Telvista closed, either. However, these are two separate issues. The tax increase is necessary to provide funding for Danville Public Schools on an on-going basis. The revenue from the loan was about \$100,000 per year and would expire in a few more years. The increase for schools is about \$2.3 million per year with the prospect for additional increases in the future. If Telvista was still paying on the loan, the need for a tax increase would have been reduced by less than half a cent and those proceeds would have ended in few years, which would have required a slight tax increase at that time. Regardless, current leadership in the City had no control over the decision to recruit Telvista and, recently, their decision to leave Danville. We must make decisions based on current circumstances.