



City of Richmond

900 East Broad Street
Richmond, VA 23219
www.richmondgov.com/city clerk

Meeting Minutes

Finance and Economic Development Standing Committee

Thursday, April 19, 2018

5:00 PM

Council Chamber, 2nd Floor – City Hall

The Honorable Cynthia Newbille – Chair
The Honorable Michael Jones – Vice Chair
The Honorable Parker Agelasto – Member
The Honorable Kim Gray – Member *(Late arrival)*
The Honorable Kristen Larson – Member
Lou Brown Ali, Council Chief of Staff
Bonnie Ashley, Deputy City Attorney
Lisa Braxton, Interim Deputy City Clerk
Bill Echelberger Jr., Council Budget Analyst
Charles Jackson, Council Budget Analyst
Pamela Nichols, Assistant City Clerk
Alexander Rawles, Boards and Commissions Administrator

Call to Order

Chair Cynthia Newbille called the meeting to order at 5:01 p.m.

Evacuation Announcement and Citizen Speaker Guidelines

Pamela Nichols, assistant city clerk, provided information on the appropriate manner in which the Council Chamber is to be evacuated in the event of an emergency along with citizen speaker guidelines.

Public Comment Period

There were no public comments.

Approval of Minutes

Member Parker Agelasto moved to approve the minutes of the Thursday, March 15, 2018, meeting at 5:00 p.m., which was seconded and approved: Ayes 4, Larson, Agelasto, Jones, Newbille. Gray had not yet arrived.

Board Vacancies

Alexander Rawles, boards and commissions administrator, reported that there were mayoral appointment vacancies for the Minority Business Enterprise and Emerging Small Business Advisory Board and Board of Directors of the Richmond Metropolitan Transportation Authority; however, there were no appointment applications for the committee's consideration.

A copy of the material provided has been filed.

Presentations

There were no presentations.

Paper(s) for Consideration

The following ordinance was considered:

ORD. 2018-030

To amend ch. 12, art. I of the City Code by adding therein new §§ 12-18 and 12-19, concerning the preparation of strategic action plans by each City department, agency, and office, for the purpose of aligning the service delivery goals of each City department, agency, and office with the City's overall strategic plan.

Patron: Ms. Robertson

The patron requested the committee to continue ORD. 2018-030 to June committee meeting.

There were no comments or discussions and **Member Larson moved to continue ORD. 2018-030 to the June 21, 2018 Finance and Economic Development Standing Committee meeting, which was seconded and approved:** Ayes 4, Larson, Agelasto, Jones, Newbille. Gray had not yet arrived.

The following ordinances were considered:

ORD. 2018-101

To authorize the Chief Administrative Officer, for and on behalf of the City of Richmond, to execute a First Amendment to Stone Brewery Cooperation Agreement, as Amended, dated March 2, 2015, between the City of Richmond and the Economic Development Authority of the City of Richmond for the purpose of revising the definition of "Phase 2 Facility" to allow for the demolition of an existing structure and construction of a new building.

Patron: Mayor Stoney

ORD. 2018-126

To authorize the Chief Administrative Officer, for and on behalf of the City of Richmond, to execute a First Amendment to Stone Brewing Company Performance Agreement, Dated November 14, 2014, between the City of Richmond, Virginia, Stone Brewing Co., LLC, and the Economic Development Authority of the City of Richmond, Virginia for the purpose of revising the definitions of "Existing Building" and "Phase II" to allow the demolition of an existing structure and the construction of a new building.

Patron: Mayor Stoney

Member Gray arrived and was seated.

Chair Newbille explained that ORD. 2018-101 and ORD. 2018-126 will be discussed at a Closed Session of Council on Monday, April 23rd and asked the committee to consider forwarding the items to Council with no recommendation.

Member Larson stated that concerns have been expressed regarding the demolition of the existing building; therefore, she would like to discuss an amendment to the ordinance requiring public input and a review process for the newly proposed building.

Chair Newbille remarked that the community has also expressed interest in the company's compliance to Section 106 of the National Historic Preservation Act.

There were no further comments or discussions and **Member Larson moved to forward ORD. 2018-101 and ORD. 2018-126 to Council with no recommendation, which was seconded and unanimously approved.**

The following resolution was considered:

RES. 2018-R029

To request that the Mayor secure from the Greater Richmond Transit Co., Inc. certain City-contributed funds projected to be unexpended for the operating costs of the Broad Street Bus Rapid Transit project and introduce an ordinance to amend the Fiscal Year 2017-2018 General Fund Budget to establish, to the extent and in a manner permitted by law, financial and non-financial assistance programs for businesses in certain areas adversely affected by the construction of the Broad Street Bus Rapid Transit project.

Patron: Ms. Gray

Member Gray provided an overview of RES. 2018-R029.

Member Larson and Chair Newbille expressed their support.

There were no further comments or discussions and **Member Larson moved to forward RES. 2018-R029 to Council with the recommendation to approve, which was seconded and unanimously approved.**

The following ordinance was considered:

ORD. 2018-031

To amend ch. 12, art. II of the City Code by adding therein a new § ~~[12-37]~~ 12-38, concerning the disposition of cigarette tax proceeds, and to amend Chapter 26 of the City Code by adding therein a new art. XVIII, consisting of sections numbered 26-1277 through 26-1288, concerning the levy of a cigarette tax, for the purpose of imposing a new tax on the sale of cigarettes with the intent of making additional funds available for the ~~[renovation and replacement]~~ capital maintenance, repair, and improvements of public ~~[school facilities]~~ schools in the city. (As Amended)

Patron: Mr. Agelasto

Member Agelasto updated the committee on the amendment to the proposed legislation, and offered an overview for the request. Member Agelasto provided the committee with a listing of the schools' five year capital improvement projects. Member Agelasto stated that maintenance costs are increasing and now is the time to address the schools' needs. He reiterated that Virginia has the lowest cigarette tax nationwide.

In response to a recommendation by Member Agelasto for public hearing speakers to state their residing localities, Bonnie Ashley, deputy city attorney, stated that the committee could ask speakers to state the location of their residence; however, it could not be used as a requirement to speak.

Opposition

Tom Bryant, executive director and legal counsel for the National Association of Tobacco Outlets, indicated that the proposed tax was one of the single largest municipal tax increases ever proposed, the projected tax revenue was not accurate, and convenience store owners will be negatively impacted because Richmond is surrounded by counties without a cigarette tax.

Mike Thompson, president of the Thomas Jefferson Institute of Public Policy, stated that the proposed tax will impact the sale of non-tobacco products, and the tax revenue paid to the city from small business owners. Mr. Thompson indicated that the City of Petersburg's lost revenue as a result its imposed cigarette tax and the City of Norfolk has increased its cigarette tax four times within twelve years to maintain a flat tax revenue.

Richard Marianos, retired employee of the Bureau of Alcohol, Tobacco, Firearms and Explosives, stated that the increased costs will result in illegal smuggling of cigarettes into the city which will place greater demands on local and federal law enforcement agencies.

Vice Chair Newbille asked Mr. Marianos to provide the committee with a copy of the information he had referenced.

Patrick Fleenor, consultant for Altria Group, stated that the proposed tax will cause customers to travel to non-taxing locations for their purchases; therefore, the estimated tax revenue will be considerably less.

Dwarkesh Shah stated that a cigarette tax will have a greater impact on business owners than the meals tax since it will also affect the sale of non-tobacco products. Mr. Shah stated that his gross sales will decrease by approximately thirty percent if Council approves the new tax.

Ted Constable remarked that, Philip Morris USA is located in the city; therefore, consideration of a proposed tax differs from that of other localities. He stated that the proposed tax could cause Philip Morris to move its business elsewhere, which would have a devastating impact on the entire city.

Vernon Knapp, 7-Eleven field consultant, asked the committee to consider the impact the proposed tax will have on many of the small business owners who invested everything to start a business in the city. Mr. Knapp stated that select businesses should not be required to shoulder the financial responsibility for the schools.

George Lowe stated that the proposed tax could result in an increase in crimes amongst those without a financial means to purchase cigarettes, and indicated that the minimum wage for most cities with a cigarette tax is higher than that of the Richmond.

Mike Welch, Fas Mart Convenience Stores, stated that he supports funding for the city's schools; however, he was concern about the negative impact it will have on businesses and residents.

Ernest GunaRatnam, 7-Eleven business consultant, stated that he was concerned about the financial impact the proposed tax will have on 7-Eleven Stores, especially those that are not considered high volume. Mr. GunaRatnam stated that cigarette sales generate traffic for non-tobacco products and to lose those customers would eventually result in financial loss.

Scott Trammell expressed concern about the impact the proposed tax will have on his current employer, Philip Morris USA. Mr. Trammell reported that Philip Morris participates in annual outreaches and the company and its employees donate millions of dollars in funding and services for the city's residents and schools.

Caroline Amin commented that money is needed to address the maintenance needs of the schools, but the proposed tax will negatively impact small business owners' abilities to provide for their families.

Thakur Dangal stated that he supports funding for the schools, but increasing the cost of cigarettes will negatively impact his business.

Alsanai Ali stated that the proposed tax will impact city residents who cannot travel to the surrounding jurisdictions for their purchases and will cause many business owners to lose their businesses.

Robert King commented that if the tax is imposed, most smokers will travel to non-taxing localities for its purchases, which in turn, will reduce the tax revenue to the city.

Jeff Smith III, Virginia Wholesaler and Distributors Association's executive vice president, stated that the Virginia Wholesalers and Distributors Association will be responsible for maintaining the local cigarette stamp; however, there are concerns that, as cigarette retailers close as a result of the tax, the Association will have a large inventory of costly and unusable cigarette stamps. Mr. Smith explained that the city needs to also consider the fees for administrative costs, enforcement and other charges and expenses which have not been addressed.

Support

Garet Prior stated that the cigarette tax will provide funding to address the critical needs of the schools. He stated that it is unfair that students are attending schools in such deplorable conditions.

Robin Gahan, senior director of government relations for the American Heart Association, stated that a significant increase in the cost of cigarettes will not only save lives, but provide funding to address the critical needs of the schools.

Chris Lombardi, speaking on behalf of the Support Richmond Public School Public Group, expressed support for the proposed tax and stated that, if Council does not approve the proposed legislation, it is the expectation of the citizens that Council and the mayor will present a robust funding strategy for the schools.

Tanya Francis, president of the Franklin Military Academy's PTA, stated that, the schools' maintenance needs have been neglected for years; however, the city needs to show its support for the students by approving the proposed tax.

Charles Pool provided a copy of a newspaper article regarding the benefits of the proposed tax. He stated that the proposed tax will provide funding for the schools, as well as, the cost increase is one of the most effective way to reduce the use of cigarettes amongst young people.

A copy of the material provided has been filed.

Ruthie Morrison stated that the proposed tax will reduce students, teachers and staff's exposure to unhealthy conditions. Ms. Morrison indicated that seventy percent of Virginia's residents have expressed their support for a cigarette tax to improve public health.

John Wack, director – Finance, stated that city administration was concerned about the additional funding that will be needed to administer the proposed tax, cost for the purchase of the cigarette tax stamp and identifying a vendor to affix the stamp.

Member Gray explained that she understands the needs of the schools, and she must also consider Philip Morris and its employees' contributions to the schools and the communities. Member Gray stated that she cannot support a funding source that is not sustainable.

Member Larson stated that the condition of some of the schools were deplorable and the proposed revenue will be a starting point for critical repairs.

Vice Chair Jones stated that there were many factors associated with the proposed request which he was still taking into consideration. Vice Chair Jones remarked that reports have shown that cigarette sales were gradually declining; therefore, he was concerned about Philip Morris' ability to maintain its workforce in another five years. Vice Chair Jones also disclosed that he had received campaign funds from the Altria Group.

Chair Newbille reported that, the approved meals tax has created an opportunity for city leaders to develop a comprehensive school funding plan to address the deplorable needs of the schools. Chair Newbille stated that she was not willing to support a segmented plan and that she will continue her commitment to develop a fully funded comprehensive proposal.

Member Agelasto stated that Council has struggled for years to find adequate funding to maintain the schools and with each delay, the cost for repairs is increasing. Member Agelasto further stated that the schools cannot afford any more delays, and urged the committee to consider forwarding the proposed legislation to Council with its recommendation.

Member Larson stated that she supports forwarding the proposed legislation to Council.

Chair Newbille asked the patron if he was willing to continue ORD. 2018-031 to allow time for the development of a comprehensive funding plan.

Member Gray commented that the city has the ability to look at other options to fund the schools and she does not believe the proposed request is the best way to achieve the goal.

There were no further comments or discussions and **Member Larson moved to forward ORD. 2018-031 to Council with no recommendation, which was seconded and approved:** Ayes 3, Larson, Agelasto, Jones. Noes 1, Gray. Abstentions 1, Newbille.

Discussion Item(s)

There were no discussion items.

Staff Report

Bill Echelberger and Charles Jackson, council budget analysts, provided the April staff report.

A copy of the material provided has been filed.

Adjournment

There being no further business, the meeting adjourned at 6:50 p.m.