

November 19, 2019 Council Meeting

A called meeting of the Council of the City of Martinsville, Virginia was held on November 19, 2019 in Council Chambers, Municipal Building, at 7:00 PM with Mayor Kathy Lawson presiding. Other Council Members present included Chad Martin, Jennifer Bowles, Jim Woods and Danny Turner. Staff present included City Manager Leon Towarnicki, Assistant City Manager/City Attorney Eric Monday, Clerk of Council Karen Roberts, and Deputy Police Chief Rob Fincher.

Mayor Lawson called the meeting to order and thanked residents for attending and their interest in the reversion study.

Hear a presentation regarding the City's consideration of reversion to town status: City Manager Towarnicki explained that the reversion process started again about a year ago and that a new study was requested to update information provided in 2012. The next step is to set a public hearing for December 10, 2019. The presentation tonight is more about the process and implications when reversion happens and how it affects the City as it reverts to a Town. Towarnicki said there is a lot of incorrect information circulating in the community.

City Attorney Monday provided a PowerPoint, explaining that the City has been discussing the option of reversion for about 20 years due to financial constraints.

Martinsville
A CITY WITHOUT LIMITS

Considering Reversion

Martinsville
HENRY COUNTY VIRGINIA

Why Is Reversion Being Considered?

- The cost to provide services for the citizens of Martinsville continues to increase, while revenue does not. Balancing the budget requires use of fund balance, increasing rates and fees, or significant reductions in service (or combinations of all 3).
- Continued use of fund balance to balance the annual budget is unsustainable.
- Reversion allows the possibility of consolidation of certain like services (schools and constitutional functions) with those currently provided by Henry County.

Reversion/Consolidation Efforts over the years

Year	Event
1980's	Joint commission to study
1996	Community wide effort- public hearings.
2002	Working group on schools consolidation.
2006	Reversion study - City decided to stop process
2008	School consolidation - failed when BCS would only consider Contract
2013	Reversion Study - City votes 3-2 not to start the reversion process.
2016	City votes to update necessary studies to start reversion process
2018	City hosts South Boston, Clifton Forge, Bedford City and their county counterparts to inform community on benefits.

Commission on Local Government Study

During the 2016 regular session of the General Assembly, the existing moratoria for city annexation, county immunity from city annexation, and the granting of new city charters was extended until 2024 (Appendix A). Additionally, the Commission on Local Government (CLG or the Commission) was directed to study and provide a report to the General Assembly by December 1, 2018, on the following:

1. Evaluate the structure of cities and counties in the Commonwealth;
2. Evaluate the impact of annexation upon localities;
3. Consider alternatives to the current moratorium on annexation by cities;
4. Consult with and seek input from the Virginia Municipal League, Virginia Association of Counties, and localities directly affected by moratorium.

Commission on Local Government Recommendations (DEC 2018)

The Commission suggests that the Commonwealth may consider making the moratoria permanent especially relative to independent city structure. Accordingly, the Commission has identified the following for consideration:

1. Modify reversion and consolidation statutes to remove obstacles.
2. Make reversion and consolidation more cost-effective through incentives.
3. Grant additional powers to counties through reversion and other interlocal agreements.
4. Evaluate mandated service delivery methods to identify appropriate service level.
5. Relax the requirements for the establishment of joint authorities and special districts.
6. Provide planning grants to explore interlocal agreements and other operational efficiencies.
7. Evaluate adequacy of local fiscal resources to identify enhancements.
8. Create or expand programs to reduce local fiscal stress.
9. Incentivize additional regional cooperation and regional programs.

WHY does the City need to consider Reversion?

We can deliver the same services we have today at a savings to the taxpayer with more money to have for capital/infrastructure needs.



MARTINSVILLE 2019 BUDGET GF REVENUE

MARTINSVILLE GENERAL FUND REVENUES	Total	%	Comments
How Labels			
FEDERAL AND STATE	\$8,903,362	29%	APPROPRIATIONS DEPEND ON STATE/FEDERAL CONDITIONS
REAL ESTATE	\$6,550,000	21%	STAGNANT/DECLINING
TRANSFERS/FUND BALANCE	\$2,833,532	9%	PRESSURE ON UTILITY AND GENERAL SURPLUS
PERSONAL PROPERTY	\$2,100,000	7%	STAGNANT/DECLINING
SALES USE	\$2,000,000	6%	ECOMMERCE IMPACT
BPOL	\$1,800,000	6%	CONSTANTLY UNDERFIRE FROM STATE TO ELIMINATE
REVENUE FROM USE OF MONEY/PROP	\$2,000,000	6%	
COST ALLOCATION	\$1,069,305	3%	COST ALLOCATED TO UTILITY FUNDS BASED ON SERVICES
RECOVERED COSTS	\$892,622	3%	
UTILITY COSTS/FUND	\$830,000	3%	
ELECTRIC TAX	\$655,700	2%	
PERMITS FEES & LICENSES	\$546,125	2%	
OTHER	\$330,368	1%	
CAR TAX	\$320,000	1%	
BANK TAX	\$330,000	1%	
CIGARETTE TAX	\$200,000	1%	
TIRES & FORFEITURES	\$133,500	0%	
OTHER LOCAL TAXES	\$133,750	0%	
PENALTIES	\$100,000	0%	
INTEREST	\$100,000	0%	
Grand Total	\$30,885,893		

MARTINSVILLE 2019 GF EXPENDITURES

2019 FY BUDGETED EXPENDITURES	DOLLARS	Percent	Description
CONST OFFICE / STATE MAN	\$ 6,860,402	22%	Funded by State / City pays Benefits
PUBLIC SAFETY (POLICE/FIRE)	\$ 6,430,242	21%	
SCHOOL TRANSFER	\$ 6,427,640	21%	
GENERAL GOVT	\$ 4,527,932	15%	
PUBLIC WORKS	\$ 3,914,125	13%	Fully funded by State
LOCAL ORGANIZATIONS	\$ 1,754,464	6%	Contracts (911, Social Services, Library)
PARKS/RECREATION	\$ 589,221	2%	
UTILITY BILLING	\$ 381,867	1%	Transferred to Utility Operation
TOTAL GENERAL FUND	\$ 30,885,893		

Major Challenges Facing the City

Schools:

We have a steady declining population, meaning less state money each year. Schools look to the City to make up the difference.

State is about to re-calculate the LCI, which determines state funding. This will likely result in a further shift of funding burden to localities, approximately \$2M to combined Martinsville-Henry County. This will occur regardless of whether the City reverts.

Jail:

The Jail and City Farm are completely full, with annual costs of \$100-200K+ to house elsewhere. A jail expansion would be \$30M+ if built to state standards (with 25% covered by the state), or \$1-2M+ if a new metal pod is built without state aid for construction and annual operations.

TAIL WINDS

Wastewater:

Henry County has refused to pay its \$6-8M share of the Smith River interceptor, and seeks to reopen its own system, which would lose the City \$1M in annual revenue.

Revenues:

City revenues are largely consumed by Schools and Public Safety, with very little discretionary funding left available for items such as economic development, social improvement programs and property maintenance.

- City is financially stable. **THE CITY IS NOT BROKE NOR WILL IT EVER BE PROVIDED THAT WE CONTINUE TO MAINTAIN OUR FUND BALANCE.**
- Fund balance is where it is supposed to be: (Projected YE 2018)
General Fund – 10% 3.1million
Utility Funds – 11 million
- Revenue sharing is coming but still 5-10 years away.
- Sound budget management allows savings to support new budget year.

HEADWINDS

- Services have been curtailed but minimal impact to citizens: Housing, Armory, Mustangs, Parks and Rec contracted out.
- Taxes and fees have increased since 2013
 - Two separate Meals Tax rate increases – from 6% to 6.5% in FY14, and 6.5% to 7% in FY18 – no more increases possible.
 - Two water/sewer rate increases, and two electric rate adjustments
 - Cigarette tax increase in FY18
- Employees have been reduced, choices getting tougher.
- School population continues to decline (2453 in 2009, 1785 in 2019). Council/SB will be dealing with budget shortfall later this month.
- City Jail capacity shortfall / Impact of County Jail.
- **Revenues stagnant and/or undersized.**
- Expenditures/needs will continue to exceed budget
- Capital needs not supported with dedicated revenue stream sufficient to meet the needs.

Overall Summary

- The City can continue in the current (“treading water”) mode of operations indefinitely, with continued reductions to offset increases. Ultimately there will be an impact to services & programs (required reductions) and required revenue sources (increase in taxes).

What is Town Reversion?

Partial consolidation of localities

Restores traditional town/county relationship, subject to special conditions

County – schools, social services, health & mental health, constitutional officers

Town – urban services (police, fire, water, sewer, etc.)

How Reversion Differs from Full Consolidation

County consent not required as in full merger

City may pursue without County’s consent, but City must still meet legal requirements

Voter approval not required as in full merger, but law could change (exception: Clifton Forge special vote)

By creating a town government, residents retain control over urban services (water, sewer, police, fire, refuse collection)

• TO REVERT OR NOT TO REVERT, THAT IS THE QUESTION

Advantages of Reversion

- Reduce residents’ tax burden by spreading costs over larger tax base & eliminating service duplication
- Regain annexation authority after two years
- Reduce competition for businesses and increase regional cooperation
- State financial incentives offered

Disadvantages of Reversion

- High cost & aggravation of process
- Uncertainty of impact of special terms that may be imposed by court
- Loss of control over schools and certain other services, except indirectly as county voters
- Diminished civic pride from losing independent city status

When to consider Reversion?

- Local tax burden becomes unreasonably high in relationship to residents’ income level – (i.e. can the city afford to remain independent?) City’s has high fiscal stress rating.
- Tax base is static or declining, yet service expenditures are increasing
- Lack of competitive business sites reduces odds of solving financial problems within current boundaries

Three studies required:

1. effect on City,
2. on County,
3. and on Schools.

Reversion Process

STEP ONE – Commission on Local Government Review

- Notice & supporting evidence filed by city with COLG
- County files response
- Two or three-day hearing with presentation/cross examination of witnesses
- COLG files report of finding/conclusions

STEP TWO - COURTS

- Three-judge court appointed by S.C.
- Typically 6 to 9 months before court ruling issued
- Potential appeal to Supreme Court

Reversion Process

STEP THREE – Court issues ruling, setting terms and conditions.

- Power to direct such conditions "as it deems appropriate" to achieve the following objectives:
- Ensure an orderly transition to town status
- Adjust financial inequities
- Ensure protection of the best interests of the localities and their residents

STEP FOUR – CITY DETERMINES WHETHER TO MOVE FORWARD

- Town status is permanent; town may not return to independent city status
- **City may decline to accept town status prior to 21 days after entry of the court order granting reversion; important right, as court might impose conditions that make town status unacceptable**
- If court declines to grant town status or the city declines town status, no new proceeding may be brought for five years after court proceeding.

All Council members must vote on reversion, simple majority rules.

Negotiation may occur at any time, on any or all subjects.

City may decide to cancel reversion up to 21 days after the court renders judgment.

Legal Standard for Reversion –What City must Prove

1

City with population of less than 50,000

2

Town status will not substantially impair the ability of the County to serve its residents

3

Town status will not cause a substantially inequitable sharing of resources and liabilities

4

Town status is in the best interests of all affected persons, based on a balancing of equities

5

Town status is in the best interests of the Commonwealth in promoting viable local governments

§ 15.2-4106. Hearing and decision by court.

- A. The special court shall enter an order granting town status if, after hearing the evidence, the court finds that:
- The proposed change from city to town status will not *substantially impair* the ability of the adjoining county in which the town will be located to meet the service needs of its population;
 - The proposed change from city to town status will not result in a *substantially inequitable* sharing of the resources and liabilities of the town and the county;
 - The proposed change from city to town status is, *in the balance of equities*, in the best interests of the city, the county, the Commonwealth, and the people of the county and the city; and
 - The proposed change from city status to town status is in the best interests of the Commonwealth in promoting strong and viable units of government.

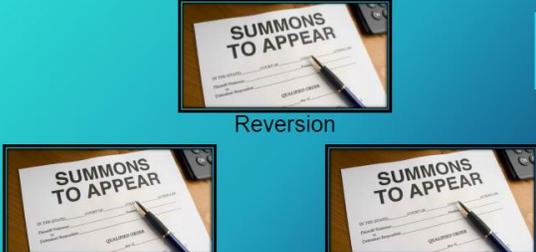
- B. The court shall have authority to impose such terms and conditions as it deems appropriate to:
1. Ensure an orderly transition from city status to town status;
 2. Adjust financial inequities;
 3. Balance the equities between the parties; and
 4. Ensure protection of the best interests of the city, the county, the Commonwealth, and the people of the county and the city.

Effects of Reversion

Town eliminates:

1. School system (school buildings become HCPS property).
2. Constitutional Officers (but Jail and Farm remain town property).
3. Annexation moratorium (after two years).

<p>Town keeps:</p> <ol style="list-style-type: none">1. Current debt.2. Current contracts.3. All Departments (including Police, Fire & EMS).4. All utility systems.5. All Authorities, Boards (except School Board) and Commissions.6. Ownership of all City properties except schools.	<ul style="list-style-type: none">❖ City Council reverts to Town Council, election cycle remains the same.❖ County will control redistricting for Board of Supervisor Districts.❖ Town may annex land after two years.
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<p>Town may annex two years after Reversion. § 15.2-3209. Hearing and decision.</p> <p>The court shall determine the necessity for and expediency of annexation, considering the best interests of the people of the county and the city or town, services to be rendered and needs of the people of the area proposed to be annexed, the best interests of the people in the remaining portion of the county and the best interests of the Commonwealth in promoting strong and viable units of government.</p>	 <p>Reversion</p> <p>Sewer Line Contribution</p> <p>PSA Violates State Environmental Policy</p>
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	 <p>CITY HAS ALWAYS DESIRED TO NEGOTIATE A SOLUTION WITH THE COUNTY.</p>
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	<p><u>Next Steps:</u></p> <ol style="list-style-type: none">1. Studies available in early December for Council review at City Hall, in same manner as annual audit review.2. Dec 10th Public Hearing.3. Studies made available to public and media/our city website.4. Vote.5. Email questions or comments to town@ci.martinsville.va.us
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Mayor Lawson explained that tonight was the first time that Council had viewed the PowerPoint. Council Member Bowles requested that City residents be offered the first option to speak over County residents. Lawson opened the floor to comments.

Reverend Theodore Crutchfield of 115 Moss Street has property in the City and the County. His concern is that he is already being overtaxed for vehicles on his private property and if the City reverts, he fears that he will be required to pay both a City and County tax. He feels that

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the City needs to correct their personal property rates first and that Martinsville residents should be given the option to vote on reversion and not just Council Members.

Robert Becker of 1105 Cherokee Trail asked about gerrymandering if the City reverts. City Attorney Monday explained due to the racial makeup of the City, if gerrymandering occurs then it will be obvious from the impact of the minority vote; in which case he will contact the appropriate state officials immediately for review. Becker stated that there is a large, significant African American voice in Martinsville, which will not be silenced.

Ophelia Griggs lives at 267 Halfway Road in Henry County and owns property in the City. Griggs thanked Monday for an informative PowerPoint. She asked about the City's reserve and the fund balance and if those funds can be applied to paying off existing debt. Monday explained that the debt incurred by the County is significantly more than the City. The debt is structured just like a family mortgage and cannot be paid off all at once using those funds. The willingness of the bond market requires that a minimum amount remain in that reserve. The City is run like a household but with different terminology and a larger scale dollar amount. The City's debt would not be pushed off on the County and any future debts incurred by the City would remain in the City. City Manager Towarnicki further explained the City Council sets the policy for the City in regards to the cash reserve and the fund balance. The perception that the City is going broke is a misconception. Towarnicki explained the amount held in the fund balance and reserve is a calculated amount to maintain and keep the City departments functioning as needed. The City does not want to be in a situation to spend those reserves then get into a situation where the reserve is depleted. Every City has that reserve; however, the policies for each location differ. Monday referred to the Petersburg community who found themselves in a financial situation because they depleted those reserves.

Avery Palmer of 377 Belva Lane in Collinsville had hoped to see someone from the Henry County Board of Supervisors in attendance. He requests that someone from Henry County sit down with Martinsville Council to discuss the reversion.

Mary Martin resides at 1276 Cameron Road Martinsville and is a County resident. Martin expressed concern regarding what happens after the reversion is complete; the City could legally annex and no one is discussing the effect of that on Henry County. Residents would then have both Town and County tax, which would not be fair to those County residents affected. Reversion needs to be voted on by all residents in Henry County and Martinsville since this affects all residents. Martin suggests that in fairness, since the final study will not be available until December around the holidays that everyone should have the opportunity to review the reversion study. She asked Council not to jump into making decisions until the General Assembly has the opportunity to work through it and to see what happens with the County resolutions. Monday explained that it is fine for a County resident to attend a City meeting to express concerns. Monday said that Martinsville has consistently been willing to talk reversion

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with Henry County. He recommends that Martin express her concerns to the Henry County Board of Supervisors since they are the ones refusing discussions.

William Gardner resides at 718 Gratten Road and is a student at Henry County schools. Gardner explained that the decision to revert affects him and he truly believes this is the best decision for the children of Martinsville and Henry County.

Warren Mitchell of 1300 Carver Court asked that the issue with taxes be discussed so that no resident in the City or County be double taxed. Mayor Lawson explained that would be discussed fully with the County. Monday explained that although there may be two tax bills that does not mean that the total tax amount would be double.

Charles Roark of 107 Courtney Terrace said Tim Hall of the County is waiting on the City's offer before deciding what to do next. Monday confirmed that the City has formerly contacted all Board of Supervisors requesting communication. Roark asked for a copy of that correspondence. Vice Mayor Martin said Council would love to talk to the County about common interests, however Henry County does not plan to discuss reversion until Martinsville Council votes to revert.

Martha Woody of 1105 Cherokee Trail remembers when the City and County had separate Social Services departments. Bringing those two departments together was a challenge with many hurt feelings but now the community has a very strong department that is more beneficial to all residents of both the City and County. She feels the same will ring true for the school systems when consolidated. Monday shared that the Martinsville law enforcement and public safety departments have a wonderful working relationship with the Henry County departments. The joint Economic Development Coalition is another positive joint collaboration. All resulted from the City and the County sitting down to talk things out.

Council Member Woods made a motion to set the public hearing for December 10, 2019. Council Member Bowles seconded the motion with all Council voting in favor.

There being no further business, Council Member Turner made a motion to adjourn the meeting; the motion was seconded by Council Member Bowles with all Council Members voting in favor. The meeting adjourned at 8:25pm.

Karen Roberts
Clerk of Council

Kathy Lawson
Mayor