

May 26, 2020 Council Meeting

The regular meeting of the Council of the City of Martinsville, Virginia was held on May 26, 2020 in Council Chambers, Municipal Building, at 7:30 PM with Mayor Kathy Lawson presiding. Other Council Members present included Jim Woods, Danny Turner, Jennifer Bowles and Chad Martin. Staff present included City Manager Leon Towarnicki, Assistant City Manager/City Attorney Eric Monday, Finance Director Linda Conover, Assistant Finance Director Mandy McGhee, Community Development Director Mark McCaskill and Deputy Police Chief Rob Fincher.

Mayor Lawson called the meeting to order and advised Council would go into Closed Session beginning at 6:30 PM. In accordance with section 2.1-344 (A) Code of Virginia (1950, and as amended) and upon a motion by Council Member Turner and seconded by Vice Mayor Martin with the following 4-0 recorded vote: Vice Mayor Martin, aye; Council Member Turner, aye; Council Member Woods, aye; and Mayor Lawson, aye. Council Member Bowles arrives for closed session at 6:45pm. Council convened in Closed Session to discuss the following matters: (A) Discussion of the award of a public contract involving the expenditure of public funds, including interviews of bidders or offerors, and discussion of the terms or scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the public body, as authorized by Subsection 29, and (B) Consultation with legal counsel and briefings by staff members, attorneys or consultants pertaining to actual or probable litigation, or other specific legal matters requiring the provision of legal advice by such counsel, as authorized by Subsection 7. At the conclusion of Closed Session, each returning member of Council certified that (1) only public business matters exempt from open meeting requirements were discussed in said Closed Session; and (2) only those business matters identified in the motion convening the Closed Session were heard, discussed, or considered during the A motion was made by Council Member Bowles; seconded by Vice Mayor Martin, with the following 5-0 recorded vote in favor to return to Open Session: Mayor Lawson, aye; Vice Mayor Martin, aye; Council Member Bowles, aye; Council Member Turner, aye; and Council Member Woods.

Mayor Lawson called the meeting to order.

Out of Closed Session, Vice Mayor Martin made a motion to reappoint John Luther to the Dan River Alcohol Safety Action Program Policy Board for a 3-year term ending April 13, 2023. Council Member Turner seconded the motion with all Council voting in favor.

Council Member Woods made a motion to appoint Robert Vogler to the Patrick Henry Community College Board for a 4-year term ending June 30, 2024. Vice Mayor Martin seconded the motion with all Council voting in favor. There was no additional action taken in Closed Session.

Following the Pledge to the American Flag and invocation by Council Member Woods, Lawson welcomed everyone to the meeting. Mayor Lawson explained that the meeting would

May 26, 2020 Council Meeting

follow COVID guidelines, allowing Council Members plus ten others in attendance and recognizing social distancing recommendations.

Consider approval of the minutes for May 12, 2020 Council Meeting – Council Member Turner made a motion to approve the minutes as presented. Council Member Woods seconded the motion with all council voting in favor.

Present awards to Martinsville Middle School students who recently participated in Virginia Municipal League’s “If I Were Mayor” Contest – City Manager Towarnicki summarized the contest that local student participate in each year. There were fifty-two essays submitted this year. Ava Grant of Martinsville Middle School won an award at the state level. Council read the essays and narrowed it down to the top 16 essays. Mayor Lawson thanked the residents of Mulberry Creek Nursing and Rehab who made the final judging for the top three winners. Lawson also thanked Uptown Pinball for donating gift certificates for prizes. Mayor Lawson read the list of winners along with top thirteen honorable mentions.

IF I WERE MAYOR

May 26, 2020

Judged by Mulberry Creek Nursing & Rehab
Gift Certificates donated by Uptown Pinball/Mike Haley &
City Council Members

1st Place - \$50 Gift Certificate
Jose Antonio Lara-Alvarado

2nd Place - \$30 Gift Certificate
Erza Shahini

3rd Place - \$20 Gift Certificate
Karlee Shively

Additional Top Mentions - \$10 Gift Certificate

James Robert Connelly	Montel Bradner
Elvin Amaya Turcios	Alivia Kirk
Kari Richardson	Jayden Tyrion Williams
A’Nyshia Matthews	Natalie Rodriguez
Jacey Pamintuan	Brooke Turner
Ashley Lintag	Cayden Walker
Cameron Giles	

Recognize City Employees who are eligible for Service Awards for the period April 1 – June 30, 2020 – City Manager Towarnicki thanked City employees for their continued service and read the list of service award recipients.

**SERVICE AWARD RECIPIENTS
FOURTH QUARTER - FISCAL YEAR 19-20
FOR THE PERIOD OF APRIL 1 – JUNE 30, 2020**

Name	Department	Years of Service
RANDY BELCHER	Refuse	5
JONATHAN ELDRIDGE	Sewer Maintenance	5
DARLA CRIGGER	Sheriff's Dept.	15
CHAD RHOADS	Police Dept.	20
TROY REEVES	Fire Dept.	25
CLYDE JONES	Park Maintenance	35
RODNEY LEFTWICH	Water Impounding & Filtration	40

Conduct a public hearing on a request from The Lester Group, Inc. for a Special Use Permit to allow for multi-family swellings on property along Fairy Street, northeast of the intersection of Fairy and Watt Streets – Mark McCaskill provided a brief framework of the project. Council Member Turner voiced concerns about the COVID restrictions affecting the public’s ability to voice their opinions during the public hearing. Barry Fulcher, Vice President of Lester Forestlands at The Lester Group, Inc. shared specifics on the townhome project and answered Council questions. Mayor Lawson opened the floor to a public hearing. Lawson read a comment received from Mrs. Zanatos regarding a dangerous intersection and the increase in traffic related to the townhouses. No one else approached the podium and Mayor Lawson closed the public hearing. Council Member Turner made a motion to approve the special use permit. Council Member Woods seconded the motion with all Council voting in favor. Turner and Police Chief Eddie Cassady expressed concern about the intersection as well and Chief Cassady indicated he would pass this along to the Transportation Safety Commission for review.

Martinsville Planning Commission
March 19, 2020 at 2:00PM, Council Chambers
Staff Report

Subject: Conduct a Public Hearing for a Special Use Permit Application for Multifamily Dwelling the C-N Zoning District

Applicant: The Lester Group, Inc.

Location: Lots 1-9 on Fairy Street from the Bridge adjoining East Watt Street

Addresses: 703 Watt Street, 202 Fairy Street, 204 Fairy Street, 206 Fairy Street, 208 Lot Fairy Street, 210 Lot Fairy Street, 212 Fairy Street, 214 Fairy Street, 216 Lot Fairy Street.

Tax Parcel Number: 35 (01)03 /01,02,03,04,05,06,07,08,09

Existing Zoning: C-N (Neighborhood Commercial District)

Adjacent Property Zoning(s): C-N (Across Watt and Fairy Street)
ED-I (Behind Lots to the East and North)

Requested Action: To obtain a special use permit for *Multifamily Dwelling* in the C-N (Commercial Neighborhood) Zoning District, for the location of Lots 1-9 Fairy Street adjoining East Watt Street, owned by Lester Lumber Company. This is permitted by special use only in the C-N (Neighborhood Commercial District), per Section XIII, Letter D in the City's Zoning Ordinance.

Circumstances: The Lester Group, Inc. (Lester Lumber Co), currently owns lots 1-9 on Fairy Street which adjoin East Watt Street. According to our records there are 3 dwelling units currently on lots 1, 2, and 4. The remainder of the lots are currently vacant at this time. Before construction of the proposed development, the current buildings will have to be demolished, building permits and E&S permits will need to be issued.

Also, a survey map will need to be completed by a surveyor to ensure the new buildings will not cross over property lines. This area of Fairy Street is currently being utilized for residential purposes. The Town Home Development is proposed to be completed in three phases according to a Concept Plan that was submitted with the application. The Lester Group wishes to obtain a Special Use Permit for the entirety of the project (Lots 1-9), but only work on one phase at a time.

Future Land Use Map designates this location as Professional. This was last updated in 2008. The City's Planning Office/Planning Commission is currently working on updating the Future Land Use Map. Even so, in the 2008 Future Land Use Map – to the west (across Fairy Street) of the proposed project site, lots are designated as "Residential." Staff believes this project will fit the proposed changes to the City's Comprehensive Plan and Future Land Use map.

Staff Recommendation: Therefore, Staff recommends approval of the Special Use Permit for the Townhome (Multifamily dwelling) project proposed by The Lester Group, Inc.

Attachments: Application, Property Card Information Lots 1-9, Concept Plan(s), Map with Zoning.

Consider setting a public hearing as required under the exemption ordinance enacted in January 2007 for consideration of an organization's local tax exemption request – Commissioner of Revenue Ruth Easley explained that this is a formality regarding an organization requesting the exemption and the need for the public hearing. Council has already granted Theater Works exemption for the personal property and the business license. Council Member Bowles made a motion to set the public hearing for June 9, 2020. Council Member Turner seconded the motion with all Council members voting in favor.

Consider setting a public hearing for Council's June 9, 2020 meeting for the purpose of receiving names of citizens interested in appointments for two 3-year terms ending June 30, 2023 on the Martinsville City School Board – City Manager Towarnicki explained the need for the public hearing, stating that interested parties must attend the public hearing to express their interest in being considered or they must have their name mentioned at the meeting. Council Member Bowles made a motion to set a public hearing for receiving names on June 9, 2020. Vice Mayor Martin seconded the motion with all Council voting in favor.

Name & Address	Initial Appointment	Term Expires	Full Term
Emily Parker, 1225 Mulberry Road	07/09/19	06/30/22	
Donna Dillard, 912 Forest Lake Dr. (reappt 6/27/17)	8/24/16	6/30/20	0
Tonya Jones, 752 Stultz Road	6/27/17	6/30/20	0
Dominique Hylton, 627 Mulberry Rd	9/10/19	6/30/21	
Yvonne Givens, 714 Indian Trail	07/09/19	06/30/21	

Consider approval on second reading of an ordinance reciting the expediency of the issuance of up to \$2,500,000 principal amount of bonds of the City of Martinsville, Virginia, involving a pledge of water and sewer system revenues, or a general obligation of the City, or both, and setting forth the purpose in general terms for which the bonds are to be issued, the maximum amount of bonds to be issued, and the maximum length of time such bonds will be outstanding – City Manager Towarnicki explained the need for the ordinance related to the reservoir project and bond financing. Council Member Bowles made a motion to approve the ordinance on second reading. Vice Mayor Martin seconded the motion with the following roll call vote: Mayor Lawson, aye; Vice Mayor Martin, aye; Council Member Bowles, aye; Council Member Turner, aye; and Council Member Woods, aye.

<p style="text-align: center;">CITY OF MARTINSVILLE, VIRGINIA</p> <p>AN ORDINANCE RECITING THE EXPEDIENCY OF THE ISSUANCE OF UP TO \$2,500,000 PRINCIPAL AMOUNT OF BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA, INVOLVING A PLEDGE OF WATER AND SEWER SYSTEM REVENUES, OR A GENERAL OBLIGATION OF THE CITY, OR BOTH, AND SETTING FORTH THE PURPOSE, IN GENERAL TERMS, FOR WHICH THE BONDS ARE TO BE ISSUED, THE MAXIMUM AMOUNT OF THE BONDS TO BE ISSUED AND THE MAXIMUM LENGTH OF TIME SUCH BONDS WILL BE OUTSTANDING</p> <p style="text-align: right; margin-top: 20px;">May 26, 2020 (second reading)</p>	<p>Be it Ordained by the Council of the City of Martinsville, Virginia:</p> <p>Section 1 - Findings and Determinations</p> <p>The City Council ("City Council") of the City of Martinsville, Virginia (the "City") proposes to issue bonds for the purpose of assisting in the acquisition, construction, renovation and equipping of repairs, replacements, and capital improvements at the City's Beaver Creek Reservoir Dam, including repairs and renovations to the Dam's spillway, all for municipal purposes (together, the "Project") and hereby finds and determines that: (i) the City is in need of funds to be used by the City for the Project including paying for costs of issuance of the Bonds (defined below); (ii) the obtaining of such funds will be for municipal purposes of the City, for the welfare of citizens of the City for purposes which will serve the City and its citizens pursuant to the authority of the City to provide funds for the City's facilities for municipal purposes; (iii) the most effective, efficient and expedient manner in which to provide such funds to the City is through the issuance of bonds supported by a pledge of water and sewer system revenues, or a general obligation of the City, or both, in an original principal amount not to exceed \$2,500,000 to be issued by the City as further described herein (the "Bonds") to be used for the acquisition, construction, renovation and equipping of the Project and for certain costs of issuance of the Bonds; (iv) the issuance of the Bonds is within the power of the City to contract debts, borrow money and make and issue evidence of indebtedness; and, (v) the issuance of the Bonds is in the best interests of the City and its citizens.</p> <p>Section 2 - Description of the Bonds</p> <p>The City Council finds that it is expedient for the City to borrow money and issue the Bonds for the Project in a maximum amount not to exceed TWO MILLION FIVE HUNDRED THOUSAND DOLLARS (\$2,500,000). The maximum length of time that the Bonds will be outstanding is thirty years. The form and details of the Bonds which are proposed to be issued will be more specifically set forth in a City Ordinance to be entitled "AN ORDINANCE AUTHORIZING THE ISSUANCE OF UP TO \$2,500,000 PRINCIPAL AMOUNT OF BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF," or to have a similar title, which will be introduced before the Council and considered for final passage following a public hearing on the issuance of the Bonds, as required by law.</p> <p>Section 3 - Further Actions Authorized</p> <p>The City Manager, Clerk of the Council, City Finance Director, City Treasurer, City Attorney, Sands Anderson PC as bond counsel, Davenport & Company LLC as the City's financial advisor and all other officers, employees and agents of the City are hereby authorized and directed to take any and all such further action as shall be deemed necessary or desirable to</p>
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<p>facilitate consideration of the issuance of the Bonds, involving a pledge of water and sewer revenues, or a general obligation of the City, or of both, as may be required, including but not limited to the publication and broadcasting of notice of a public hearing as required by law. All actions of the City Manager, Clerk of the Council, City Finance Director, City Attorney, the City's bond counsel and financial advisor and all other officers, employees and agents of the City in furtherance of the issuance of the Bonds and the financing of the Project are hereby approved and ratified.</p> <p>Section 4 - Invalidity of Sections</p> <p>If any section, paragraph, clause or provision of this Ordinance shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining portions of this Ordinance.</p> <p>Section 5 - Headings of Sections</p> <p>The headings of the sections of this Ordinance shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of such sections of this Ordinance.</p> <p>Section 6 - Effective Date and Filing of Ordinance</p> <p>Council hereby declares in the public interest that this Ordinance shall become effective immediately upon its passage. A copy of this Ordinance, certified by the Clerk of the Council, shall be filed with the Clerk of the Circuit Court of the City of Martinsville, Virginia.</p> <p style="text-align: center;">2</p>	<p>The Members of the Council voted as follows on the foregoing Ordinance:</p> <table style="width: 100%;"> <tr> <td style="text-align: center;">Ayes</td> <td style="text-align: center;">Nays</td> </tr> <tr> <td style="text-align: center;">Absent</td> <td style="text-align: center;">Abstentions</td> </tr> </table> <p>Adopted this ___ day of ____, 2020.</p> <p style="text-align: center;">_____</p> <p>The undersigned Clerk of the City Council of the City of Martinsville, Virginia hereby certifies that the foregoing constitutes a true and correct extract from the minutes of a meeting of the City Council held on _____, 2020, and of the whole thereof so far as applicable to the matters referred to in such extract. I hereby further certify that such meeting was a regularly called meeting and that, during the consideration of the foregoing Ordinance, a quorum was present.</p> <p style="text-align: center;">Dated this ___ day _____, 2020.</p> <p style="text-align: center;">_____ Clerk, City Council of City of Martinsville, Virginia</p> <p style="text-align: center;">3</p>	Ayes	Nays	Absent	Abstentions
Ayes	Nays				
Absent	Abstentions				

Hear a presentation of the proposed FY21 City budget – City Manager Towarnicki presented a PowerPoint presentation on the FY21 City budget and answered Council questions.

City of Martinsville

FY21 Proposed Budget
May 26, 2020

FY21 Proposed Budget

General Discussion
Revenue and Expenses

Introduction

The proposed FY21 budget is a recommended financial plan for the City of Martinsville for the period from July 1, 2020 through June 30, 2021, and is the culmination of a process that began in late 2019.

Developing the budget requires that both revenue and expenditures are projected for an approximate 18 month period and much can happen within that timeframe. The process is challenging and as we've seen in the development of prior budgets, we see many of the same key issues over and over again:

- o Budget requests exceeding revenue
- o Uncertainty regarding State fiscal policies
- o Effective use of fund and reserve balances
- o How best to allocate limited resources to cover a wide array of needs
- o Balancing adjustments to taxes, rates, and fees to adequately cover expenses with needs and what citizens can afford
- o And new for this year - COVID-19

FY20 Highlights

As discussion begins on the FY21 budget, here's some highlights of what has occurred and continues to occur in FY20

- Telecom/MiNet growth continues, expansion of residential service moves forward.
- WPBDC - Incubator management continues successfully under C-PEG; incubator remains at or close to capacity
- The City received a Brownfield Assistance Fund grant for cleanup of the American site on Aaron Street expected in 2020, partnered with Landmark for an approximate \$8 to \$9M senior living complex at that site. Burn site across street cleaned.
- Pine Hall Road CDBG application has been submitted.
- Contract signed with Waukeshaw Development for the Chief Tassel Building in Uptown Martinsville.

This budget was originally scheduled for presentation at Council's March 24th meeting, some two months ago, and at the last minute we concluded it simply wasn't practical to consider a budget at that time due to rapidly changing conditions related to the COVID-19 pandemic.

Since that time, much has happened - some businesses were required to temporarily shut down to reduce chances of spreading the virus, some closed and may never reopen, schools closed for the year, projects that were moving along hit the pause button, the stock market tanked, sporting events were cancelled, plexiglass panels and wearing masks became the norm, Zoom meetings are now daily occurrences, drive-in church services happened, work from home became commonplace, shaking hands is no longer considered the polite thing to do, and who would have imagined a shortage, of all things, of hand sanitizer and toilet paper.

The March version of this budget reflected increases in several revenue sources - meals and sales tax revenue was on track to exceed budgeted amounts, projected state funding increases in a number of areas allowed budget adjustments to occur, and cost of living raises were projected for City employees. All of that has now been stripped from the budget and the FY21 spending plan looks almost identical to the FY20 plan. There is still much uncertainty regarding the COVID-19 impact and as more details emerge over the coming weeks and months, we fully expect to be bringing budget adjustments back to Council, either during this budget process, or well into the next fiscal year.

FY20 Highlights

- Redevelopment of BB & T building under consideration
- Community policing remains strong and crime rate remains low
- Land Bank facilitates redevelopment of properties
- Continued low unemployment
- Local transit system continues with high usage; progress continues on the Virginia Breeze system
- PCS reuse of former Housing Office building continues
- Commonwealth Crossing - PressGlass construction almost complete; CCAT opened, up & running
- Successful partnership with YMCA for management of City parks & recreation programs continues
- Increasing interest in reuse of buildings/properties

FY20 Highlights

- Formation of Uptown Partnership
- Community childcare needs assessment is underway
- Martinsville Mustangs under new management

Objectives

Basic Year To Year Budget Objectives Remain Constant

- Maintain core services
- Address critical capital needs
- Expand tax base (commercial, residential, industrial)
- Explore opportunities to consolidate, improve efficiency, generate new revenue
- Protect existing assets
- Consider Council priorities in allocating resources

Budget Challenges

- Lack of significant revenue growth
- Increasing costs due to inflation, insurance, need to remain competitive with salary & benefits in order to retain/attract employees, mandates, regulatory issues, costs of simply "doing business"
- Capital needs continue to exceed available funding
- School funding
- Increased costs for jail operations
- COVID-19

Budget Challenges

- Aging infrastructure
- Adherence to policy requirement to maintain fund and asset balances to ensure reserve capacity to handle emergencies - recognizing that fund transfers are inevitable, ensure that reserve balances are preserved.
- Adoption of utility cash reserve and fund balance policies establishes guidelines on ability to transfer funds to ensure the City remains fiscally sound. Overlaying policy now in place due to sewer debt service requirements that limits ability to transfer from water/sewer.
- Limited ability to increase rates, fees, etc.

Budget Challenges - Capital

- Capital requests submitted by City departments for FY21 budget consideration totals \$4,099,921 with \$2,447,777 requested for utilities and \$1,652,144 requested for general fund/capital reserve.
- Utilities cover capital internally however the Capital Fund (16 Fund) is consistently underfunded due to primary reliance on available excess Meals Tax funds, after school debt is covered.

COVID-19 Budget Impact

- There is still much we don't know in regard to revenue impact and financial assistance.
- Fully anticipate that budget adjustments will have to be made into FY21, possibly after Q1.
- Anticipating a significant impact, the City is currently: limiting expenditures to essentials, areas where employee & public health & safety are affected, and contractual obligations; delaying remaining capital purchases; and implementing a hiring freeze through the end of June, 2020. Some of these measures will extend into FY21 Q1, particularly capital.

COVID-19 Budget Impact

- FY20 and FY21 meals tax revenue will be impacted. Full effect may not be known for several months.
- Local sales tax will be impacted but again, there will be a delay in determining effect.
- Other local taxes may be impacted.
- State revenue for local operations such as Street Maintenance and Police (HB599 Funding) may be impacted if state does not meet revenue projections.
- **None of these impacts are currently known with certainty.** Earlier budget draft projected increases, but now projecting level-funding.

Revenue –General Comments

What resources are available for the FY21 Budget?

- Traditional sources – taxes, fees, state funding?
- Fund Balance use – required minimum?
- Cash reserve policies – required minimum?
- Utility budgets balance internally through ability to adjust rates; General Fund budget has historically relied on utility transfers to balance.
- COVID-19 Relief Funding?

Revenue GF Sources

General Fund Revenue

FY21 General Fund revenue before transfers is projected to be **\$28,840,888** (FY20 is \$29,225,291), from taxes, fees, recovered costs, and state funding. Projecting a \$380,000 reduction in meals & sales taxes. Little deviation anticipated in aggregate of other local taxes, permits, fees from FY20 to FY21.

Revenue Analysis

Unassigned Fund Balance- GF

- Audited EOY FY19 unassigned FB is \$4,331,449
- FY21 proposed GF budget is **\$32,658,074**. 10% reserve policy requirement is \$3,265,807.
- Available unassigned FB of \$4,331,449 less FY21 reserve requirement of \$3,265,807, leaves available **GF FB transfer of \$1,065,642 to maintain 10% reserve.**

Revenue Analysis

Utilities – Cash Reserve Policies

	EOY18 Audited	EOY19 Audited	Cash Reserve Policy
Electric	\$290,557	\$1,238,533	\$4,205,440
Water	\$2,899,231	\$2,699,239	\$1,894,837
Sewer	\$1,907,096	\$1,911,806	\$1,952,495
Refuse	\$5,521,246	\$5,035,497	\$639,341
Total		\$10,855,075	\$8,692,113

Revenue Analysis

Available Transfer From Utilities to GF

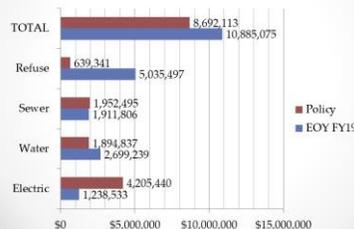
- No FY21 transfer from Electric, Water, or Sewer is proposed.
- Electric is significantly under the recommended reserve requirement and is expected to remain so for the near future.
- Water/Sewer must continue to maintain cash reserve requirements in addition to a required revenue/expense ratio related to VRA financing on the sewer interceptor project. Also anticipated in early FY22 is debt service related to the Beaver Creek Reservoir spillway project.
- Transfer of \$2 million from Refuse to GF is proposed.

GF Budget Balances W/Transfers

- Total available General Fund revenue estimated at \$28,840,888 (taxes, fees, state/federal, etc.)
- Proposed budget balances with Telecom transfer of \$210,931 (\$99,624 included in School transfer to offset e-rate costs) + \$2M (transfer from Refuse) + \$1,606,255 from fund balance for total of \$32,658,074.
- Proposed FY21 General Fund Budget is \$32,658,074.

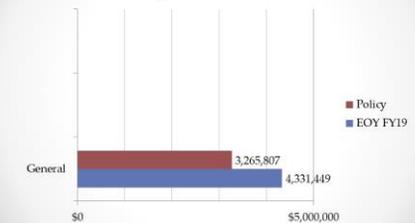
Utilities – Cash Reserves

EOY FY19 vs Policy Recommendation



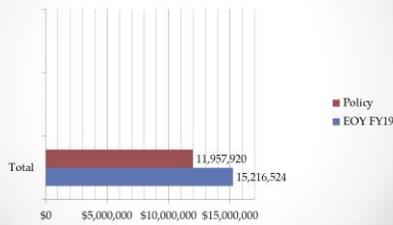
General Fund - Unassigned

EOY FY19 vs Policy Recommendation



Total All Funds

EOY FY19 vs Policy Recommendation



Expense Analysis

- What are the City's priorities?
- How should funds be allocated for education, public safety, economic/business development, capital, etc.?
 - Any changes in services or personnel?
 - Major projects?
 - Financing obligations and debt service?
 - Mandates?
- **How to allocate available resources efficiently, fairly, and adequately?**

FY21 Proposed Budget

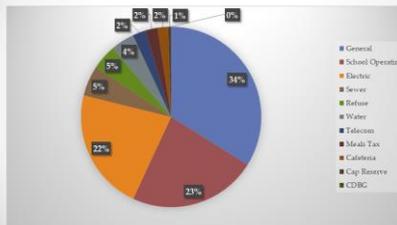
- Budget Details**
- What's Included**
- Taxes, Rates, Fees**
- General Fund**
- Enterprise Funds**



FY21 Proposed Budget

Fund	Original FY2020	Revised FY2020	Proposed FY2021	Changes FY2020%o FY2021
General	32,379,019	33,726,385	32,658,074	279,055
Meals Tax	2,250,744	2,250,744	2,081,980	(168,814)
Capital Reserve	2,308,420	2,925,575	501,095	(1,807,325)
Refuse	2,853,758	2,893,837	4,328,401	1,474,643
Water	4,180,751	4,229,515	4,091,165	(89,586)
Sewer	4,860,300	5,182,398	5,241,248	380,855
Electric	21,518,640	22,192,740	21,150,059	(368,581)
Cafeteria	1,715,706	1,715,706	1,815,660	99,954
School Operating	22,021,820	22,655,081	22,156,475	(134,655)
Telecommunications	2,113,176	2,115,909	2,295,365	182,189
CDRC	28,048	47,797	22,666	(5,382)
Totals	96,230,475	99,935,887	96,342,138	111,663

FY21 Budget Allocations



FY21 Proposed Budget

- The proposed FY21 budget is \$96,342,138, an increase of \$111,663 over the approved FY20 original budget.
- To fully fund all General Fund requests including schools and capital, **an additional \$2.3 M is needed.**
- Debt is well-managed. Existing debt service costs are covered either through project savings (AMI/Lighting and Building Energy Projects) or through fees and rates.
- Budget balances and maintains reserves in all utilities but Electric. Expenditure additions will necessitate additional revenue, reductions in proposed budget, or additional use of FB/reserves.

FY21 Overall Budget Drivers

- Electric Costs
- Reservoir Repairs
- VRS, State Life, Health Insurance
- Cost to house inmates
- Outside Agencies
- Children's Services Act Funding

FY21 Proposed Budget

General Fund
 FY21 Proposed General Fund Budget is \$32,658,074 compared to the FY20 General Fund budget of \$32,379,019, and the FY20 revised budget of \$33,726,385.

The General Fund budget balances with a projected use of Refuse transfer of \$2,000,000; GF fund balance of \$1,606,255; and \$210,931 from Telecom. No proposed transfer from Electric, Water, or Sewer. Available GF fund balance to maintain 10% reserve is \$1,065,642; an additional \$540,613 is necessary. Anticipate a return to FB of approximately \$1 to \$1.5 M at EOY20.

FY21 Proposed Budget

Taxes, Rates, and Fees

- No recommended tax rate increases.
- Proposed budget includes a 2.5% increase to the Electric PCA
- Includes a water rate increase of \$1.50/month to offset anticipated debt service in late FY21/early FY22 related to the Beaver Creek Reservoir spillway project.
- No other increases recommended.

FY21 Proposed Budget

School Funding, TROF Grant Repayment

- Recommended funding for Schools at **\$6,045,015** which includes an FY21 Telecom e-rate contribution/adjustment of \$99,624.
- Includes year 3 (of 5) repayment of TROF grant in amount of **\$156,000**.

FY21 Proposed Budget

- Continues the use of cost allocation analysis to recover expenses incurred by General Fund operations in support of the operation of City utilities (Electric, Water, Sewer, Refuse, Telecom). FY21 GF budget includes **\$696,376** in cost allocation revenue. This amount is included as part of utility operational costs in the respective funds.

FY21 Proposed Budget

Outside Agencies

- Recommended level funding for most outside agencies; 911 increases 9.7% from \$436,798 to \$479,053; 18.4% increase in Social Services funding from \$400,303 to \$473,917; level funding for the Health Department at \$198,401, EDC level at \$100,000, and 2.2% increase in Library funding \$295,308 to \$301,719. Continues small business/Uptown development at \$60,000 and \$35,000 for Mustangs management contract for 2021.
- Includes one new request – Southern Virginia Recreation Facilities Authority - \$8,000 to match Henry County's \$16,000 to help close a \$40,000 reduction in grant funding in calendar 2021.

FY21 Proposed Budget

Personnel & Services

- One new personnel position is included in the proposed FY21 budget in Street Maintenance for landscape maintenance due to Gateway ceasing to operate after June 30. Anticipate receiving approximately \$80,000 EOY FY20 as Gateway assets are distributed between the City and County.

FY21 Proposed Budget

Capital (equipment, vehicles, projects, etc.)

- Funding of Capital Reserve (16 Fund) in the amount of **\$501,095** is proposed; of this amount, \$361,393 is required for debt service and the balance of **\$139,702** will be assigned to capital purchases on a prioritized basis by the capital review committee. **This amount funds only 7% of the capital (non-enterprise) fund requests of \$1,986,599.** Capital is funded through Meals Tax and if collections rebound (or federal/state funding for COVID-19 relief is allowed to replace lost revenue), it is possible capital may be expanded. Will review at the end of FY21 Q1.

Capital – Enterprise Funds

Capital (equipment, vehicles, projects, etc.)

- In the enterprise (utility) funds, \$2,241,360 is included in the respective fund budgets to address capital and equipment needs. Included in the enterprise funds are Refuse (09), Telecom* (11), Water (12), Sewer (13), and Electric (14).

* Through the City's annual audit process, Telecom is not identified as a separate enterprise fund although for internal City budgeting and tracking purposes it is considered and programmed as such. Telecom is a component of the General Fund.

FY21 Proposed Budget

Refuse (09)

Remediation work related to the landfill solvent pits was completed during the summer of 2019 and later testing results exceeded project expectations. Monthly collection fees continue to remain sufficient to continue recovering costs for collection, disposal, capital, routine landfill maintenance, and overhead. FY21 includes ½ funding (\$167.5K) to replace a rear loader collection vehicle and the vehicle used to serve roll-off containers. The landfill generator continues operating, burning a combination of landfill and natural gas. The Refuse budget is \$4,328,401 and includes a \$2M transfer to the General Fund.

FY21 Proposed Budget

Sewer (13)

- The Sewer budget includes capital funding (\$105,700) to replace a vehicle and purchase mini-excavator. Several capital requests delayed until FY22
- Annual debt service for the interceptor rehab project is included at \$652,578.

FY21 Proposed Budget

Telecommunications (11)

The projected FY21 Telecom budget is \$2,295,565 and includes transfer to General Fund of \$210,931 (includes \$99,624 for School e-rate costs), and \$45,250 under a cost allocation analysis. \$388,160 is included in capital for a continuation of system upgrades, expansion to additional customers, and wireless-to-home project.

Water/Sewer Projects

Year	Street(s)	Water	Sewer	Status
2021	Corn Tassel Trail	3600 ft - 4 inch		
2021	D to Second St	400 ft - 2 inch		
2022	Lakeview Trail	1000 ft - 6 inch		
2022	Dan Lee Terrace	400 ft - 4 inch		
2022	Cherokee Ct	500 ft - 4 inch		
2020	Cherokee	3000 ft - 6 inch		Have materials, begin summer 2020
2022	Highland St	1000 ft - 8 inch		
2021	Forest St Part 1		1750 ft - 6 inch	
2021	Forest St Part 2		1750 ft - 6 inch	
2021	Barton		1000 ft - 6 inch	
2021	Amy		680 ft - 6 inch	

FY21 Proposed Budget

Water (12)

- Proposed rate increase of \$1.50 July 1 to cover anticipated debt service for reservoir spillway project.
- Water/Sewer construction crew continues to make infrastructure repairs at substantial savings over contract costs.
- Water capital (\$580K) includes replacing valves at the plant, sludge collectors, turbidity meters and ½ cost of an emergency generator.

FY21 Proposed Budget

Electric (14)

- Proposed 2.5% PCA rate increase.
- Electric budget capital (\$650K) year 2 of 2 funding a 55 foot bucket truck; station transformers; year 1 of 2 to replace digger derrick; and \$350K for solar transmission line.
- FY20 Electric budget is \$21,150,059, and the purchased power line is \$15,850,000, the largest single line item expense in the City's budget, and represents 74.9% of the Electric budget.

Comments and Conclusion

The FY21 budget continues the practice of utilities balancing internally, utility transfers when available to balance in the GF, and use of FB as available, all while attempting to keep policy-directed minimum balances and reserves intact.

That process, as demonstrated by the FY21 budget, is getting increasingly difficult while attempting to maintain reserves, without increasing revenue, reducing services, or combinations. As noted previously, to fully fund all FY21 GF budget requests, an additional \$2.3M is needed.

Comments and Conclusions

The budget as presented is proposed, and over the coming weeks Council will have an opportunity to make changes as it deems appropriate. Throughout the process, staff will provide support and additional information as needed, and ultimately will take the budget adopted by Council and implement that plan to the best of its ability.

It is important to note that the proposed FY21 budget does not include potential costs related to reversion litigation, and it is expected that budget amendments will be necessary, possibly around the end of FY21 Q1, as COVID-19 impacts are known.



Comments and Conclusion

As always, our department staff, constitutional offices, and schools put significant effort into the budget process and much credit and thanks goes to them for their efforts. FY21 budget requests were found to be reasonable and needed, and Council will have an opportunity through the upcoming work sessions to ask questions.

As always a special thanks goes to Linda Conover and Mandy McGhee of the Finance Department for their input throughout this process.

Next Steps

- Review the budget details, request additional information, ask questions, and talk with citizens.
- Three work sessions have been scheduled – May 27 for Schools and outside agencies; June 2 for City departments, constitutions, & capital; and June 4 for follow up, and additional discussion as may be needed.
- Consider setting a public hearing on the FY21 Budget for Council's June 9, 2020 meeting.

Following the budget presentation, a motion was made by Council Member Turner, seconded by Council Member Bowles, to set the budget public hearing for June 9, 2020. All Council Members voted in favor.

Consider approval of consent agenda – Council Member Woods made a motion to approve the consent agenda as presented. Vice Mayor Martin seconded the motion with all Council Members voting in favor.

May 26, 2020 Council Meeting

BUDGET ADDITIONS FOR 5/26/20				
ORG	OBJECT	DESCRIPTION	DEBIT	CREDIT
BUDGET ADDITIONS				
FY2020				
General Fund:				
01100909	490104	Advanced/Recovered Cost		750
01321102	506130	Fire Dept. - Rep/Maint - Burn Building	750	
		Reimbursement from local fire department		
01100909	490104	Advanced/Recovered Cost		2,083
01321102	501200	Fire Dept. - Overtime	1,524	
01321102	501300	Fire Dept. - Part-time	412	
01321102	502100	Fire Dept. - Social Security	119	
01321102	502110	Fire Dept. - Medicare	28	
		MHC Coalition reimbursement		
01102926	405556	Categorical Fed - Appalachian Reg Comm Grant		45,000
01814248	503140	Healthy Hub - Prof.Serv.-Consultant	45,000	
		Grant funding for Healthy Hub		
01100909	490104	Advanced/Recovered Costs		11,449
01812242	506067	Misc. Expense - RADAR Transit Program	11,449	
		Reimbursement for fuels		
1100909	490104	Advanced/Recovered Costs		3,013
1812242	506089	Misc Expense - County Ambulance Fuels	3,013	
		Reimbursement for fuel		
01102926	405555	Brownfields Grant - EPA		13,680
01812247	503136	Brownfields - Hazardous - Consultant	12,130	
01812249	503136	Brownfields - Petroleum - Consultant	1,550	
		Requisition #4		
Total General Fund:			75,975	75,975

Business from the Floor – Council Member Turner read an email from Alexis Lee who encourages the new owners of the Chief Tassel building to donate a wall hanging to a local historical museum. The wall hanging is a print of a letter from Chief Tassel that was hanging on the first floor.

Comments by City Council – Council Member Woods saw Jim Beard who asked him to share with Council how pleased he is with the Martinsville School system and Dr. Talley, Superintendent. Woods recognized Mayor Lawson, Ralph Lawson and other members of the Exchange Club for showing their love of country by displaying flags uptown. Woods thanked Mayor Lawson and Council Member Turner for their participation in the Memorial Day service at Roselawn. Woods recognized the members of Council and others in Martinsville who are running for Council seats this year and the difficulties to approach residents to get signatures because of their fears of the COVID pandemic. Council Member Bowles thanked the Public Works and Electric department for their quick response during the recent storm. Bowles congratulated the Big M recipients. Vice Mayor Martin stressed the importance of residents completing the Census 2020. City Attorney Monday explained why the deadline date for Council candidate petitions could not be extended. Turner thanked Mayor Lawson and Council Member Wood for presenting a local resident who has been making masks for residents. Mayor Lawson thanked Council Member Woods for recognizing her and other members of the Exchange Club. Lawson thanked Council Member Turner for helping organizing the Memorial Day program. Lawson explained there will be no cut-off through

May 26, 2020 Council Meeting

June 14 and they have waived late fees for utilities. She has received numerous calls, emails and text messages praising the Electric Department for restoring service in Sunday's bad weather. Lawson shared that RADAR was still doing free bus rides. City Attorney Monday explained that new COVID restrictions would be added to the City website to update the public. Lawson has received emails from residents who are concerned about COVID concerns. She recommends that concerns residents contact the Henry County Public Safety officials. Council discussed COVID testing options in Martinsville.

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 9:15pm.

Karen Roberts
Clerk of Council

Kathy Lawson
Mayor