April 28, 2026
Martinsville City Council
Meeting Minutes

Call Open Session to Order - 5:30pm, Council Chambers; Municipal Building; 55 W Church St, Martinsville VA

Mayor Jones was restored to office due to a Court Order issued on April 23, 2026. All Councilmembers were present.

a. Discuss and Consider Motion to go into Closed Session. Motion made by Vice Mayor Lawson and Second by Councilman Mei. Council convened in Closed Session with the Following 4-1 vote.

- Councilman Mei; aye
- Councilman Rawls; no
- Councilman Gravely; aye
- Vice Mayor Lawson; aye
- Mayor Jones; aye

Closed Session 5:30pm, Rm 32; Municipal Building

City Council met in closed session beginning at 5:30pm to discuss the following:

a. 2.2-3711 (A7) Consultation with legal counsel and briefings by staff members or consultants pertaining to actual or probable litigation, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the public body. With regard to Opioid Litigation. With regard to Show-Cause Order. With regard to Employment Law Investigation.

b. b. 2.2-3711 (A8) Consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel. With regard to Opioid Litigation, with regard to Show-Cause Order, with regard to investigative reports and attorney- client privilege concerns.

All City Council Members were in attendance: Kathy Lawson, Rayshaun Gravely, Julian Mei, Aaron Rawls, and Mayor Jones. Staff in attendance were City Manager, Robert Fincher and City Attorney Representative, Stephen Durbin of Sands Anderson.

Mayor Jones left Closed Session for the discussion of investigative reports and Employment Law Investigation.

<u>Return to Open Session and Certification of Closed Session - 7:10pm, Council Chambers; Municipal Building</u>

A. Upon a motion by Vice Mayor Lawson, and second by Councilman Gravely, City Council certifies that to the best of each member's knowledge:

   (i) only public business matters lawfully exempted from open meeting requirements under Section 2.2-3711; and

   (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the meeting by Council.

B. Approved with the following 5-0 vote.
   - Councilman Mei; aye
   - Councilman Rawls; aye
   - Councilman Gravely; aye
   - Vice Mayor Lawson; aye
   - Mayor Jones; aye

<u>Regular Session - 7:10pm, Council Chambers</u>
Attendance: All City Council Members present.

- Call to Order
  - Mayor Jones called the meeting to order beginning at 7pm.

- Pledge of Allegiance

- Invocation
  - Led by Pastor Tim Hunt, Rich Acres Christian Church

- Take Any Action Necessary as A Result of the Executive Session
  - Motion by Councilman Rawls and Second by Vice Mayor Lawson to direct Sands Anderson to Provide Clarification to be made to the Workplace Investigation as Discussed by Members of Council in Closed Session Before Release to the Public, to be Prepared before July 14, 2026.
    - Approved with the following 4-0-1 vote.
      - Councilman Mei; aye
      - Councilman Rawls; aye
      - Councilman Gravely; aye
      - Vice Mayor Lawson; aye
      - Mayor Jones; abstain

- Presentations and Proclamations
  - Recognition of Service Awards Recipients
    - Sheila Clark, Treasurer, 30 Years of Service
    - Rodney Howell, Fire Chief, 30 Years of Service
    - Michael Martin, City Hall Maintenance, 25 Years of Service
    - Christopher Bell, Police Department, 15 Years of Service
    - Justin Mills, Sheriff's Office, 5 Years of Service
    - Jesse Shelton, Wastewater Plant, 5 Years of Service
    - Jared Young, Wastewater Plant, 5 Years of Service
    - John Kazcor – Retiring with 28 Years of Service
    - Richard Barrow – Retiring with 27 Years of Service
    - Charles Anderson – Retiring with 30 Years of Service

  - Proclamation Honoring Boy Scouts of America Troop 326 and Scoutmaster Nelson "Burr" Fox, III for the Troop's 55th Anniversary -- Presented to Nelson "Burr" Fox, III and Troop 326

- Proclamation Honoring the Week of May 3-9, 2026 as National Corrections Officer & Employees Month -- Presented to City of Martinsville's Sheriff's Office

- Police Officers' Memorial Proclamation -- Presented to City of Martinsville's Police Department
- Presentation from Five Points Residents -- Kim Glisson, Housing Chairman of the Local NAACP
    - 5 Points Development Complaint brought to Martinsville City Council
        - Recognizes that City of Martinsville has worked tirelessly to provide Housing for the City of Martinsville
        - While VDOT regulates highway design and safety, which often mandate setbacks of 35 feet or more. Manufactured homes are recommended to have at least 75-feet from the right of way.
        - The group is asking that the City Council assists in meeting this recommendation.
        - Petition with more than 50% of residents has been formed, per VDOT process
        - Cited Pedestrian Safety Concerns, Stormwater Drainage, Lack of Foundation Support

        - Action Needed by Council:
            - Close 220 and West Church St to downhill traffic to Massey Street by supporting the petition to VDOT
            - Inspect/Repair and prevent future damage to 5-point houses as needed

- Planning Commission Update -- Joey Martin, Chairman
    - Commission held Public Hearing for Rezoning Request for Property on Bob Greggory St.
    - Held Work Session with Staff in regards to future zoning amendments and code enforcement

- Comprehensive Plan Public Input Session held on April 27, 2026

- Comprehensive Plan is still under development, more updates to come soon.

- Regular Agenda or New Business
  - Discuss and Consider Items of Consent
    - March 30, 2026 Meeting Minutes
    - April 14, 2026 Meeting Minutes

  - Motion to Approve Items of Consent made by Vice Mayor Lawson, Second by Councilman Mei Approved with the following 4-0-1 vote.
    - Councilman Mei; aye
    - Councilman Rawls; aye
    - Councilman Gravely; aye
    - Vice Mayor Lawson; aye
    - Mayor Jones; abstain

  - Discuss and Consider Setting a Public Hearing for Next Regular Council Meeting (May 12) to hear names for City School Board
    - Motion to Set a Public Hearing for the Next City Council Meeting to hear names for City School Board made by Vice Mayor Lawson and Second by Councilman Mei. Approved with the following 5-0 vote.
      - Councilman Mei; aye
      - Councilman Rawls; aye
      - Councilman Gravely; aye
      - Vice Mayor Lawson; aye
      - Mayor Jones; aye

  - Discuss and Consider Adoption of 2026 Rules of Council
    - Motion to Adopt the 2026 Rules of Council made by Vice Mayor Lawson and Second by Councilman Mei, upon the addition of Members of the Public may sign up to speak the night of the meeting by writing in their names on the podium sign-up sheet.

- Approved with the following 5-0 vote.
  - Councilman Mei; aye
  - Councilman Rawls; aye
  - Councilman Gravely; aye
  - Vice Mayor Lawson; aye
  - Mayor Jones; aye

- Discuss and Consider a Request from West Piedmont Planning District Commission for Martinsville Redevelopment and Housing Authority to Transfer Ownership of the Property Located at 201 Second Street to WPPDC for the Purpose of Developing the Property for Housing Purposes
  - Motion to recess as Council and convene as Martinsville Redevelopment and Housing Authority made by Kathy Lawson and Second by Julian Mei.
    - Approved with the following 5-0 vote:
      - Councilman Mei; aye
      - Councilman Rawls; aye
      - Councilman Gravely; aye
      - Vice Mayor Lawson; aye
      - Mayor Jones; aye

    - Motion to approve the Transfer Property made by Commissioner Lawson and Second by Commissioner Rawls. Approved with 5-0 vote.
      - Commissioner Mei; aye
      - Commissioner Rawls; aye
      - Commissioner Gravely; aye
      - Commissioner Lawson; aye
      - Chairman Jones; aye

  - Motion to recess as Martinsville Redevelopment and Housing Authority and reconvene as City Council made by Vice Mayor Lawson and Second by Julian Mei.

- Approved with the following 5-0 vote.
  - Commissioner Mei; aye
  - Commissioner Rawls; aye
  - Commissioner Gravely; aye
  - Commissioner Lawson; aye
  - Chairman Jones; aye

- Presentation of 26-27 Budget by Robert Fincher, City Manager

CITY OF MARTINSVILLE
FISCAL YEAR 2026- 2027
PROPOSED OPERATING & CAPITAL BUDGET

PRESENTED BY:
ROBERT FINCHER
CITY MANAGER

Martinsville
A CITY WITHOUT LIMITS

Introduction

- The proposed FY27 budget is a recommended financial plan for the City of Martinsville for the period from July 1, 2026, through June 30, 2027.
- This budget proposal is one of the most challenging financial plans this city has faced in recent years.
- This budget reflects not only rising costs and ongoing service demands, but also the difficult transition created by the expiration of one-time federal relief funds, commonly referred to as the ARPA cliff effect.

- Over the past several years, those funds provided meaningful support to sustain operations and services. However, as those resources have now been exhausted, we are faced with the responsibility of realigning our budget to ongoing, sustainable revenues. That adjustment is significant and, in many ways, unavoidable.
- In addition, as we have worked through this process, it has become clear that certain prior financial and administrative practices were not proper and were not structured with long-term sustainability in mind. As a result, this proposed budget also reflects a necessary course correction—one that ensures greater transparency, stronger fiscal discipline, and alignment between recurring revenues and recurring expenditures.

- This has required difficult decisions. In many cases, it means reducing or delaying initiatives, re-evaluating service levels, and making cuts and choices that are not easy but are necessary to restore a stable financial foundation.
- Our approach throughout this process has been grounded in honesty about where we are, responsibility in how we respond, and a commitment to putting the City on firmer footing moving forward. The goal of this budget is not simply to balance for one year, but to begin rebuilding a structure that is sustainable, predictable, and accountable.

Budget Objectives

1. **Establish Financial Transparency and Credibility**
   - Conduct a full reconciliation of prior-year revenues and expenditures.
   - Clearly separate one-time funds (like ARPA) from recurring revenues.
2. **Implement Conservative Revenue Forecasting**
   - Present conservative, verifiable revenue projections.
3. **Eliminate Structural Deficit**
   - Align recurring expenditures strictly with recurring revenues
   - Avoid using reserves or one-time funds for ongoing operational costs.

Objectives cont.

4. **Prioritize Core Services**
   - Focus funding on essential services: public safety, infrastructure, education, & compliance functions
   - Delay or scale back non-essential expansions until financial stability is restored
5. **Align Staffing Levels with Sustainable Funding**
   - Freeze or reclassify positions where necessary
   - Ensure all permanent positions are supported by recurring revenue

FY26 Highlights

- Commonwealth Blvd Waterline Extension
  - First new waterline in the city for the purposes of economic development in 20 years
- One Ellsworth Revitalization will be complete this summer
  - New housing and mixed-use facility in the old BB&T building
- Increased MiNet Broadband access
  - Additional coverage in Northside, Druid Hills, Commonwealth, etc.
- Upgraded water and sewer infrastructure at Uptown Farmers Market

FY26 Highlights cont.

- Armory Property transferred to EDA for a pending economic development project
- Multiple properties transferred to WPPDC for the development of housing
- Aaron Mills Apartments opens 52 apartments, which are focused on accessibility and long-term affordability for seniors.
- Repair and upgrade of Indian Trail Electrical Substation underway
- Doe Run sewer line replacement underway
- Martinsville received 11 grants for $865,263.16

Actions taken to overcome the Revenue vs Expenses deficit

- Overinflated line items, like office supplies, travel, and training, were reduced and, in some cases, to the lowest levels in over a decade.
- Software charges were centralized to reduce duplication and to obtain cheaper per-unit costs.
- After the previously mentioned cuts, we went back and required every department and office to cut an additional 4% from their operational budgets
- Reduced outside agency recommendations by eliminating some while reducing others by 4%

Budget Construction Up to This Point

- Return to Line-Item Budget
- All budgets started at zero, not from carrying over values from the previous budget
- Realistic conservative revenue projections
- Meetings with each department and constitutional office to examine each expense line for realistic core needs for operations
- Entry of data and adjustments
- Back to departments for input on additional adjustments
- Further adjustments made for balancing

Budget Challenges cont.

- Increasing costs for health insurance and regulatory issues.
- Personnel issues – reduction in the number of employees in key positions; need to remain competitive with pay and benefits, such as matching COLA wage increases with state and county employees
- Aging infrastructure causes capital needs to always exceed available funding.
- State not fully funding its commitments and increasing unfunded mandates.

FY 27 Budget Challenges

- Lack of Financial Audit (previous year numbers may be adjusted upon release)
- ARPA Cliff Effects – Prior budget used significant ARPA offsets to mask shortfalls. Those funds are no longer available.
- Prior year anticipated revenues for budgeting were overestimated by approximately $1Million. While anticipated expenses were underestimated by $4 Million.
- Revenues have never increased as fast or at the same level as the inflation costs of operational expenses. Since 2020, the average annual inflation rate has increased by 4.46%, while average annual tax increases have been only 3.7%.

Even after these cuts were made, there is still a deficit

- This leaves us with some very difficult decisions
- We do not want to make mass reductions in fund balance, as it would likely create cash flow shortages for daily operations and increase interest rates in future projects being forced on the city by events such as the courthouse lawsuit or required animal shelter. This would cost the citizens even more in the long run.
- Reduction in services to balance the budget would require the elimination of entire departments, such as Senior Services, or the privatization of refuse or MiNet.

Actions taken to overcome the Revenue vs Expenses deficit cont.

- Phase 2 of the recommended Employee Compensation Plan, which was to address longevity and career development, has been put off until the future budget year.
- The costs of the increases in health insurance rates are being partially passed on to the employees
- Nine current and all future vacant positions are frozen
  - Not freezing public safety
  - Now at one of the lowest numbers of employees in recent times. Further cuts can compromise operations
- Recommended school funding reduced to the level of the previous year

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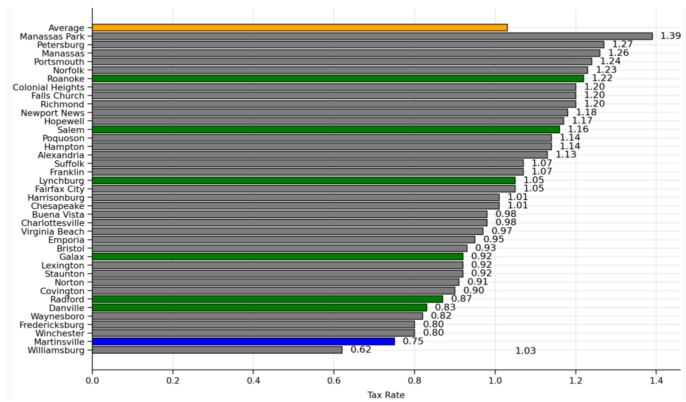
Balance the budget

- This leaves us the option that no one wants, and that is to raise real estate taxes.
- Martinsville's real estate tax rate is $0.75 per $100.00
- Among all cities in Virginia, Martinsville's rate is well below the average of $1.03. Below the average of cities in our region, $1.00.
- When looking at all of the cities in Virginia, Martinsville is off-kilter with the rest.



All Cities in Virginia

City	Tax Rate	Population
Alexandria	$1.13	156976
Bristol	$0.93	16849
Buena Vista	$0.98	6600
Charlottesville	$0.98	45437
Chesapeake	$1.01	252583
Colonial Heights	$1.20	18352
Covington	$0.90	5500
Danville	$0.83	42214
Emporia	$0.95	5300
Fairfax City	$1.05	25026
Falls Church	$1.20	14710
Franklin	$1.07	8250
Fredericksburg	$0.80	28873
Galax	$0.92	7000
Hampton	$1.14	137557
Harrisonburg	$1.01	51392
Hopewell	$1.17	22959
Lexington	$0.92	7300

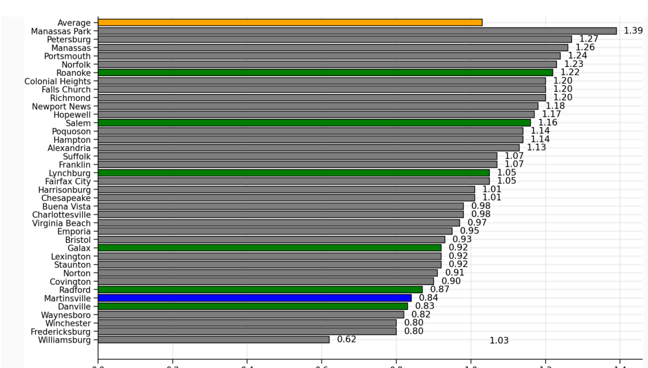
City	Tax Rate	Population
Manassas	$1.26	42976
Manassas Park	$1.39	16798
Martinsville	$0.75	13658
Newport News	$1.18	184216
Norfolk	$1.23	233596
Norton	$0.91	3500
Petersburg	$1.27	33537
Poquoson	$1.14	12639
Portsmouth	$1.24	97190
Radford	$0.87	16726
Richmond	$1.20	229359
Roanoke	$1.22	98355
Salem	$1.16	25618
Staunton	$0.92	25948
Suffolk	$1.07	98796
Virginia Beach	$0.97	453711
Waynesboro	$0.82	22841
Williamsburg	$0.62	15798
Winchester	$0.80	27913
Average	$1.03	

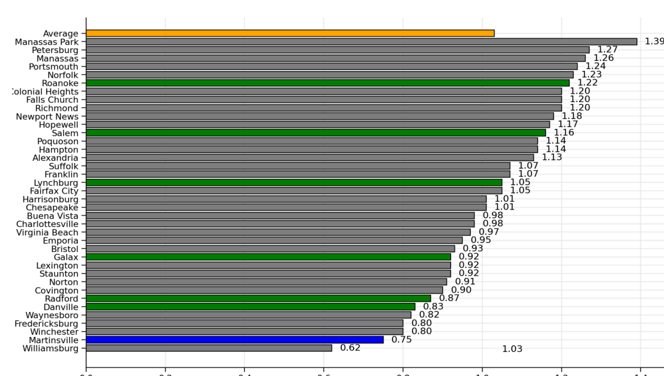
*Data according to the Weldon Cooper Center for Public Service

Proposed increase

- In order to balance the budget, we propose a $0.09 increase to $0.84 per $100.00
- Martinsville would remain one of the lowest rates in the region and the state.

Property Value	Current tax	Proposed tax	Difference
$50,000	$375	$420	$45
$100,000	$750	$840	$90
$133,032	$997.74	$1,117.46	$119.72
$150,000	$1,125	$1,260	$135
$200,000	$1,500	$1,680	$180





Fiscal Year 2026-2027 Proposed Tax Rates

	Rate	Change
Personal Property & Business Tax	$2.30 per $100	No Change
Real Estate Tax	$0.84 per $100	Increase of $0.09
Machine & Tool Tax	$1.85 per $100	No Change
Meal Tax	7%	No Change
Local Sales Tax	1% local + 4.3% state = 5.3% Combined	No Change

Total Budget

Fund	Original FY2026	Revised FY2026	Proposed FY2027	Changes FY2026 to FY2027
General	37,290,043	43,077,561	38,327,393	1,037,350
Refuse	2,092,200	2,083,620	2,283,437	191,237
Wtr/Swr	9,590,490	19,295,989	9,506,500	(83,990)
Electric	26,075,621	28,279,683	27,283,372	1,207,751
Capital	-	3,390,451	1,504,461	1,504,461
Cafeteria	2,353,337	2,353,337	2,708,542	355,205
School Operating	31,849,751	32,827,357	33,073,237	1,223,486
Telecommunications	2,369,788	2,511,848	2,192,009	(177,779)
Streets	4,442,000	8,502,361	4,900,000	458,000
Stormwater	420,620	420,620	190,000	(230,620)
Totals	116,483,850	142,742,827	121,968,951	5,485,101

FY27 Budget Allocations

- This budget prioritizes core services, particularly:
  - **Education**
  - **Public Safety** (Police, Fire, Sheriff, EMS) [majority of GF spending ≈$14.8M]
  - **City Facilities & Operations**
  - **Human Services & Mandated Programs** [mandated like 911, Social Services, CSA, Health Dept, etc., over $2.4M]

Notable Changes

- Employee Health Insurance costs increased 20%
- Risk Management Insurance increases
- City Hall Operations increased (electricity, maintenance, etc.)
- Information Services (software costs & systems support increases)
- Sharp rise in mandated services (CSA Child Services Act, Social Services, 911)

Martinsville Utilities

Utilities

- Martinsville utilities operate as an enterprise, which means the service acts as a self-supporting business.
- It is funded primarily through user fees, not tax revenue, allowing it to cover its own operating expenses, debt, and maintenance while keeping its budget separate from the city's general operations.
- Their purpose is to provide a service at near break-even costs while allowing just enough additional revenue for repairs, replacements, etc.
- Rates are mainly driven by outside sources such as the costs to buy electricity or dispose of refuse.

Water & Sewer

- They were able to cut their administrative costs 25%, their reservoir operations by 15%, and line maintenance by 6%.
- However, there are increased operational costs in both the fresh and wastewater treatment plants.
- This was equalized within their budget to near even.
- Therefore, no increases in water and sewer rates are proposed.
- An independant rate study will be conducted this year to aid in future rate calculations

Electric

- They were able to cut their administrative costs 3.6%, construction costs 3%, and their general expenses 4%.
- Unfortunately, the costs of purchasing power, transmission costs, and the general costs of electrical equipment far outpace the cuts the department is able to make.
- The current Price Cost Adjustment (PCA) is 0.02388, and the proposed is 0.3428, which is a 6% adjustment
- Therefore, the proposed rate will be $0.18678 kWh
- Average home of 1000 kWh bill would change from $176.38 to $186.78.
- An independent rate study will be performed this year to aid with future rate calculations

Refuse

- Refuse operates with the lowest amount of administrative or office related expenses, so there was really nothing to cut without interfering with the ability to function.
- Refuse is basically the costs of the equipment (trucks, fuel), the costs of the crews (wages, safety gear), and the costs of transferring the refuse (landfill, tipping fees)
- When running the numbers, it was apparent that refuse has been operating in a negative net position for many years.

Refuse cont.

- If we continued with the current rate, refuse would have a loss of over $175,000 this year. Its current unrestricted Net Position is a deficit of $882,250.
- We must make a change to restore refuse to be self-supporting.
- Otherwise, it will make further negative impacts upon the tax base of the city.
- Therefore, the rate schedule must increase by $5.00 across the board.
- Additional changes will be made for appropriate billing.

Proposed Refuse Fee Schedule

	Collection	Price per month or occurrence
Individual living unit	One pickup per week	$25.60 per month
8 Yard Dumpster	Scheduled collection	$33.62 per occurrence
8 Yard Dumpster	On-demand collection	$38.97 per occurrence
Businesses not using dumpsters	Two pickups per week	$45.40 per month
Uptown businesses using designated uptown dumpsters		$25.60 per month

Conclusions & Next Steps

Comments and Conclusions

The FY27 budget balances as required. It restores the practice of enterprise operations, while attempting to maintain policy-directed minimum balances and reserves.

Again, 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 implement the budget adopted by Council to the best of its ability.

Next steps

- Review the budget details, request additional information, ask questions, and talk with citizens.
- Four work sessions have been scheduled – April 30 for outside agencies; May 2 for City departments; May 5 for Constitutional Officers; and May 6 for schools and follow-up, as additional discussion may be needed.
- Consider setting a public hearing at the Council's May 26 meeting on the effective real estate tax rate increase.
- Consider setting a public hearing on the FY27 Budget for the Council's May 26 meeting, as well as the first official reading and vote on the budget.

Adjournment

A. Motion to adjourn made by Councilman Rawls at 9pm.

Julian Mei, Councilmember

5-12-26

Rayshaun Gravely, Councilmember

Kathy Lawson, Vice Mayor

5-12-26

LC Jones, Mayor

Attest:

Deputy Clerk of Council, City of Martinsville