A budget work session of the Council of the City of Martinsville, Virginia, was held on May 18, 2022, in Council Chambers, Municipal Building, at 6:00PM to conduct a budget work session with Mayor Kathy Lawson presiding. Other Council Members present included Vice Mayor Jennifer Bowles, Council Member Chad Martin, Council Member Tammy Pearson and Council Member Danny Turner. Staff present included City Manager Leon Towarnicki, City Attorney Eric Monday, Finance Director Mandy McGhee, and Crystal Ferguson of the Finance Department. School Superintendent Zeb Talley, Travis Clemons, Executive Director of Administrative Services, and Angilee Downing, Assistant Superintendent of Instruction were also present.

Mayor Lawson opened the meeting. At the last meeting, Council voted to award the Library an additional $6,571 for staff pay raises with a contingency if Henry County and Patrick County voted for it then Martinsville would give the Library the full amount they requested. There is no July 4 celebration which frees up $3500. There was a motion and a second on personal property taxes as well as the increase requested by the Public Defender's office, both of which will be discussed after the schools.

Mayor Lawson questioned Dr. Talley if capital requests could be purchased using ESSER funds. Clemmons explained that those funds could only be used on capital projects directly related to COVID such as the HVAC system. With ESSER, many things have changed from previous ESSER stipulations. Lawson asked for confirmation that the school cannot supplement an educator who falls under SOQ or Title funding with ESSER but there appears to be a loophole that could supplement the principals. Clemmons said it can be difficult to use those funds because of the fund requirements. $8million in ESSER funds must be used within 2 years, most has not been spent but some of those funds have been allotted. There is only $700,000 remaining from the $4million ESSER2 funds. Clemmons shared details of why the ESSER funds may or may not be used towards various projects. Lawson asked Dr. Talley how they determined student "learning loss" and how the funding towards the loss of learning is determined. Angilee Downing explained that they are comparing 3 years of data but that the study is not complete. Vice Mayor Bowles questioned substitute teachers and sick leave and how ESSER funds could be applied to those. Clemmons explained federal funding the schools receive as the poverty rates grow along with free meals and Community Eligibility Program. Lawson asked, hypothetically if the City needed $350,000, would the schools anticipate that there are some areas in the approved reasoning from ESSER funds that would supplant City funds. Clemmons said he would be willing to work with the state to see what options they have. If those funds fall through then the school can come back to Council and request those funds at a later date as they have done in the past. Dr. Talley asked for confirmation that Council is planning to cut the school budget by $350,000. Mayor Lawson said it was not a "cut" and if those expenses are not covered by ESSER funds then the school can come back and request those funds from Council when needed.

Mayor Lawson requested a 5-minute recess.

Council returned to the work session. Mayor Lawson explained that there was a motion by Council Member Martin and a second by Vice Mayor Bowles to provide half the funds requested the Public Defender's office. Martin asked for a "place holder" until the next Council meeting. Lawson says it sets a horrible precedent. The Public Defender's office does fabulous work and they are not appreciated for what they do but they are a state agency, if Council starts providing supplement income for one agency this year then others will request it next year and years to come. Lawson questions why the state is not stepping up. Martin asked about adding to the legislative agenda for an attorney to work with the Public Defender's office for loan forgiveness. Monday said he was unsure if that option was available to the Public Defender's office. Pearson agrees with Lawson, while she respects the work the Public Defender's office does, the funding should come from the state. With no further discussion, the question called with Turner, Lawson and Martin in favor. Mayor Lawson asked for Council's vote to provide the funds to the Public Defender's office, motion dies with a 3-2 vote: Bowles and Martin voted in favor while Pearson, Lawson and Turner were opposed.

Next for discussion is the personal property tax. Pearson asked to get more information from Commissioner of Revenue Ruth Easley prior to making a decision. Lawson invited Easley to explain the $200,000 that she says is not included in the budget numbers. Easley explained that by looking at the proposed budget, it appears that she is unable to get any confirmation as to how that number was arrived but it appears it was based merely on the conversation with the Finance Department regarding the vehicles that are increasing from last year that were priced with a pricing guide and does not include older vehicles, boats, RVs, trailers, ambulances, buses, or other multiple items listed in that personal property list. By backing into the revenue that was actually budgeted, it appears they are using a value of $47,826,087 as the assessment value in the budget. Easley anticipates for personal property taxes, she will be assessing $90,552,144. Easley explained that the revenue is there, it just hasn't been property allocated because there are no appropriate discussions between departments. City Manager Towarnicki explained that work on the budget began in January and was presented a month ago with some information being put together late March and early April. Obviously the deeper you go into the fiscal year, the easier it becomes to put numbers together because you are dealing with actuals instead of projections. In regards to the numbers they have in the budget versus what Easley is talking about, he certainly understands how a difference like that can occur. When they do the budget on revenue, they look at what's actually collected. They understand assessments and they know generally what the trends are but they look at what actually hits the books and what is actually collected.

When doing the budget and looking at personal property revenue, the 2022 actual was $1,054,850 and they were projecting $1,100,000 which is pretty close. The information they were getting was that there would be approximately $200,000-$250,000 more in assessments the next year so that number was bumped up to $1,300,000. Easley explained when the budget is approved, she will still be 5 months away from doing the assessments which is why it is important to have conversations between departments. Lawson explained that based on the information provided by Easley in her initial PowerPoint, if council chose to tax on 80% of personal property values then that would be $342,658. She is concerned for the citizen on a fixed income who may receive a tax bill 30% higher than last year who will have to decide how to pay the City and still provide for their family. Easley believes that those individuals are not necessarily going to receive a 30% average increase, some bills will actually decrease. Easley explained that if Council goes up to 20% that it will not cause a hole in the budget. Per Lawson, by assessing 80% of personal property values, that will allow a $342,658.55 reduction in the personal property tax. Easley explained that Council would be required to adopt a resolution approving that reduction. Council Member Turner made the original motion of 5% which was seconded by Council Member Martin. Turner made a motion to amend that total to 20% which was seconded by Council Member Pearson. Martin did not accept the amendment. Martin voted in favor of 5% with all other Council Members opposed; the motion of 5% of dies. Turner made a motion for a 20% reduction, motion was seconded by Pearson with the following vote: Vice Mayor Bowles expressed her concern again that this change is a temporary placeholder and as Easley stated, some citizens may not see a change this year. She feels that they should keep this money for next year. She feels they are being short sighted in how this will affect future budgets. Lawson wants to make the residents as comfortable as possible with what they owe this year versus last year. Vice Mayor Bowles called the question with all Council Members voting in favor. Council voted in favor of the 20% with a 4-1 vote: Pearson, Bowles, Lawson and Turner, aye and Martin, nay. Martin said he voted against the 20% because as Council Members, they can't live day-to-day and they need to consider where the City will be going with reversion, he is not opposed to helping the citizens but felt that 20% was too high.

City Manager Towarnicki explained that the $3,500 in the budget for the July 4th event will remain in the budget because it will need to be paid in April for next year's event.

City Manager Towarnicki discussed ARPA funding and infrastructure needs, municipal building repairs, street work, and several utility projects.

Pearson asked if it had been decided how much of the ARPA funds would be set aside, Lawson confirmed that it was discussed but a decision is not required at this time. Pearson asked when the City would start seeing revenue from Commonwealth Crossing, Towarnicki said it's a revenue sharing project so once the development costs the county puts in are covered, then the City and County will share revenue on a 1/3 and 2/3 basis. Pearson requests a total for reversion attorneys be plugged into the budget so it can be monitored. City Attorney Monday said given the way the reversion process has turned out and with Henry County delaying the process in every way, he believes putting a “place holder” in the budget that Council may or may not abide by is simply giving another tactical advantage to Henry County so they can claim that Martinsville is spending far more then they budgeted. Monday advises Council to continue with the same payment and budgeting method that they have used before. Pearson asked about paving and VDOT reimbursement and Uptown maintenance. Pearson asked about the budget related to fuel costs, Towarnicki explained that while they try to be conservative on the budget, they do allow some cushion but if prices continue to rise then there is a good possibility that the City will go over that budget.

There being no further questions or discussion, Vice Mayor Bowles made the motion to adjourn at 8:00pm.

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Karen Roberts, Clerk of Council Kathy Lawson, Mayor