A meeting of the Council of the City of Martinsville, Virginia was held on April 25, 2023 in Council Chambers, Municipal Building, at 7:00 PM with Mayor LC Jones presiding. Other Council Members present included Kathy Lawson, Aaron Rawls, Lawrence Mitchell and Tammy Pearson. Staff present included City Manager Leon Towarnicki.

Mayor Jones called the meeting to order and advised Council would go into Closed Session beginning at 6:30 PM. In accordance with the Code of Virginia, Title 2.2 Chapter 37, Freedom of Information Act and upon a motion by Council Member Lawson and seconded by Council Member Pearson with the following 5-0 recorded vote: Mayor Jones, aye; Vice Mayor Rawls, aye; Council Member Lawson, aye; Council Member Mitchell, aye; and Council Member Pearson, aye. Council convened in Closed Session to discuss the following matters: (A) Appointments to boards and commissions, as authorized by Subsection 1, (B) Discussion or consideration of the investment of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the governmental unit would be adversely affected, as authorized by Subsection 6. 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 meeting. A motion was made by Council Member Lawson and seconded by Vice Mayor Rawls with the following recorded vote: Mayor Jones, aye; Vice Mayor Rawls, aye; Council Member Lawson, aye; Council Member Mitchell, aye; and Council Member Pearson, aye

Council Member Lawson made a motion to appoint Barbara Shively to the Transportation Safety Commission for a 3-year term ending December 31, 2026. Council Member Pearson seconded the motion with all Council Members voting in favor.

Vice Mayor Rawls made a motion to appoint Michael Greene to the Architectural Review Board for 3-year unexpired term ending March 31, 2026. Council Member Lawson seconded the motion with all Council Members voting in favor.

Council Member Pearson made a motion to appoint Khalil Baker to the Citizen Advisory Board (West End) for a 2-year term ending April 30, 2025. Vice Mayor Rawls seconded the motion with all Council Members voting in favor.

City Manager Towarnicki explained that a Council Retreat will be held on May 6, 2023 with facilitators from The Berkley Group at Council's request. Towarnicki requested Council approve the work order for this service. Council Member Lawson made a motion authorizing staff to proceed with the work order. Vice Mayor Rawls seconded the motion with all Council Members voting in favor.

WORK ORDER 1: SCOPE OF SERVICES COUNCIL RETREAT
CITY OF MARTINSVILLE, VIRGINIA
April 12, 2023

The Berkley Group understands that the City of Martinsville desires our firm to facilitate a Council retreat to develop strategies, goals and objectives moving forward in the short, middle, and longer terms; to develop a workplan for implementation by the City Manager and staff; to clarify roles, responsibilities and relationships of and between the Council, City Manager, and staff; to identify common values and principles of operation consistent with the mission and vision of the organization; to discuss opportunities for process improvement; and to explore other issues identified by the Council. Mr. Kimball Payne, Executive Manager, will serve as the Berkley Group's representative leading this effort.

Scope of Work
The scope of work for this engagement are as follows:

1. Preliminary discussion regarding session planning with the Mayor and Vice Mayor.
2. The drafting of questions to engage Council members and assist in planning the meeting agenda.
3. A telephone conversation with each Council member to discuss the questions and determine the issues, goals, and priorities of each.
4. Compilation of input from the Council members and the drafting of a preliminary agenda for the meeting.
5. Sharing the preliminary agenda with Council members for feedback.
6. The completion of a final meeting agenda, with any necessary supporting documentation, for dissemination.
7. Conducting any research necessary to prepare for the retreat.
8. Facilitation of the on-site session, including prompting and moderating the discussion, capturing relevant information on flip charts, keeping the meeting on schedule, and closing the meeting with a discussion of next steps.
9. Compiling meeting notes from information captured on the flip charts and providing a draft report for feedback.
10. Finalizing the report for City records.

Schedule
It is anticipated that the Council Retreat will be a one-day event. The retreat will be held on a mutually agreeable date for the Council and Berkley Group.

Fee
The fee for this service is $6,500 and will be invoiced monthly. Mileage reimbursement at the prevailing IRS reimbursement rate and overnight accommodations will be invoiced with the monthly fee for service. In the event of cancellation, the City shall provide notice in writing to Berkley Group to suspend work.

We are in agreement with the services and basis for fee determination in this scope of work and hereby grant the contractor notice to proceed for the work herein specified.

____________________________ ________________
Authorized Representative Date

1

Mayor Jones called the meeting to order. Council Member Pearson lead the pledge to the American flag and offered invocation. Jones welcomed everyone to the meeting, stating printed agendas could be found in the back of the room and on the City website for those watching from home.

<u>Read and present a proclamation recognizing the week of May 7 through May 13, 2023 as National Correctional Officers and Employees Week in the City of Martinsville</u> – Council Member Mitchell read the proclamation which was presented to Martinsville Sheriff Steve Draper. Draper thanked Council and acknowledged the work that correctional officers do.

Martinsville
A CITY WITHOUT LIMITS

PROCLAMATION

National Correctional Officers and Employees Week

WHEREAS, in 1984, President Ronald Reagan signed Proclamation 5187, creating "National Correctional Officers' Week" and each year the first full week in May is recognized to commemorate the contributions of correctional officers and personnel who work in jails, prisons, and community corrections across the country; and

WHEREAS, one of the primary goals for the City of Martinsville is to provide its citizens with an effective judicial system that concentrates on quality for all of our citizens; and

WHEREAS, the City of Martinsville's dedicated correctional officers are essential to the success of our judicial process, and our correctional officers' work includes daily exposure to a hostile environment with many of the most dangerous individuals in our society; and

WHEREAS, correctional officers contribute daily to the protection of our citizens by housing dangerous felons in a humane environment, often at great risk to the officers' own protection; and

WHEREAS, the City of Martinsville is pleased to join with officials and distinguished correctional officers across America to recognize the achievements of these dedicated individuals. We are indebted to the International Association of Correctional Officers for continuing to emphasize the accomplishments of correctional officers worldwide;

NOW, THEREFORE, for these significant reasons, I, LC Jones, Mayor of the City of Martinsville, Virginia, do hereby proclaim May 7-13, 2023 as **NATIONAL CORRECTIONAL OFFICERS AND EMPLOYEES WEEK** in the City of Martinsville and commend this observance to all of our citizens.

____

LC Jones
Mayor

Hear a report from a consultant team from the University of Virginia Darden School of Business regarding their project to assess affordable financing options for Martinsville citizens and businesses – There were technical difficulties with the zoom video so Council was not able to communicate with representatives from UVA. City Manager Towarnicki summarized the PowerPoint report from the Darden School of Business regarding affordable financing options for Martinsville citizens and businesses.

Assessing Borrowing Costs & Financial Access in Martinsville, VA

University of Virginia | Darden School of Business

SCOPE OF THE PROJECT

- The City of Martinsville has asked our team to evaluate perceived high borrowing costs for home buyers and businesses in Martinsville.
- High borrowing costs can hinder potential economic development, increase the cost for individuals to buy homes, and prevent businesses from accessing capital needed to grow.
- Community Consultants of Darden has been engaged to help the city better understand its current borrowing environment.

3

OUR APPROACH

Quantitative research is based on the collection and analysis of data that can be measured and analyzed using statistical methods. This type of research is typically focused on testing hypotheses and making predictions based on statistical analysis.

Quantitative research often involves collecting data through experiments, surveys, or other forms of quantitative data collection.

Qualitative research, on the other hand, is focused on exploring the experiences, attitudes, and perceptions of individuals or groups.

Qualitative research is often used to gain a deeper understanding of a phenomenon or to explore the meaning and significance of an experience.

4

GATHERING INPUT

QUALITATIVE

1. **Online survey**:
   - Distributed by city staff
   - Publicized in newspaper
   - Shared on City social media

2. **March 30 Public Input Meeting**:
   - Held in City Council Chambers
   - Publicized in newspaper
   - Shared on City website

Special thanks to Hannah Powell for her assistance in this portion of our project

5

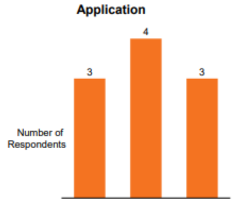
RESULTS SUMMARY

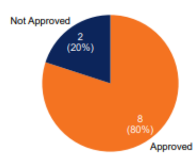
QUALITATIVE

1. **Survey Outcomes**

10 Survey Respondents

1 1-Month Survey Window





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RESULTS SUMMARY

QUALITATIVE

2. **Public Input Meeting Outcomes**

Attendees

3 Martinsville Residents

2 Members of the Press

Notable Attendee Quotes

"The institutions here (in Martinsville) are the same as everywhere else. Our banks and costs aren't different."

"Even if residents can get financing, they can't find affordable housing options."

"People from NOVA who don't live in Martinsville are buying real estate here, often sight unseen."

"The casino in Danville is going to stress everything in a 60-mile radius. People from Danville are already buying here."

Survey & Meeting Takeaways

In the minds of residents:

- Limited and shrinking affordable housing stock is a much bigger problem than borrowing costs (which are high everywhere).
- Financial literacy and education are barriers.

Key Insight
Qualitative data suggests borrowing costs are not materially worse in Martinsville.

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GATHERING INPUT

QUANTITATIVE

1. **Understand the Level of Deposits**
2. **Compare Income and Mortgage Origination Levels**
3. **Evaluate Small Business Lending Levels**

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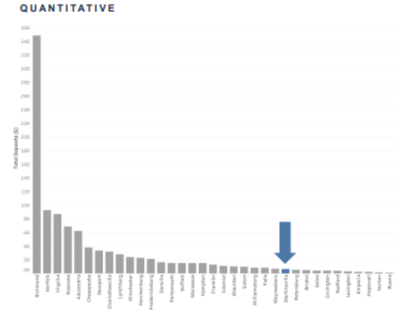
MARTINSVILLE DEPOSITS

QUANTITATIVE



*Excluding Fairfax with deposits of $94 billion

Source: FDIC Deposit Market Share Report

- Ranked 26th of 38 cities in Virginia in total deposits.
- Deposits at $645.5 million for Martinsville compared to $35 billion for Richmond, and $94 billion for Fairfax.
- Small population and lower levels of per-capita deposits have a combined effect on reducing the total deposits for Martinsville.

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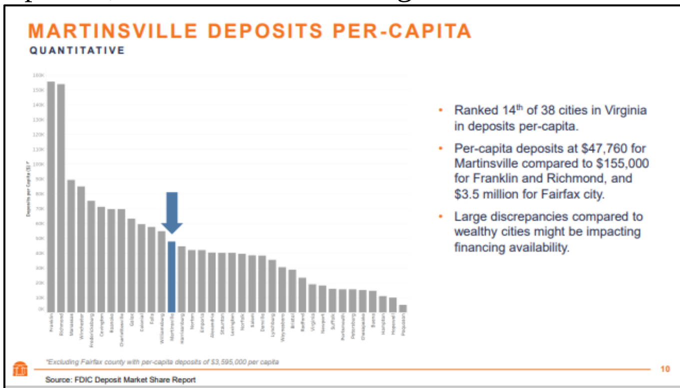
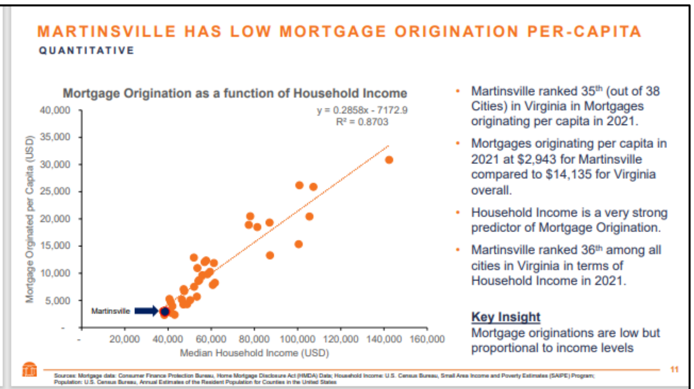
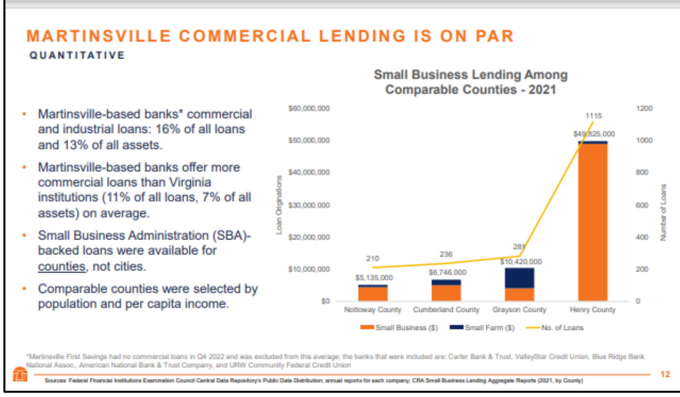
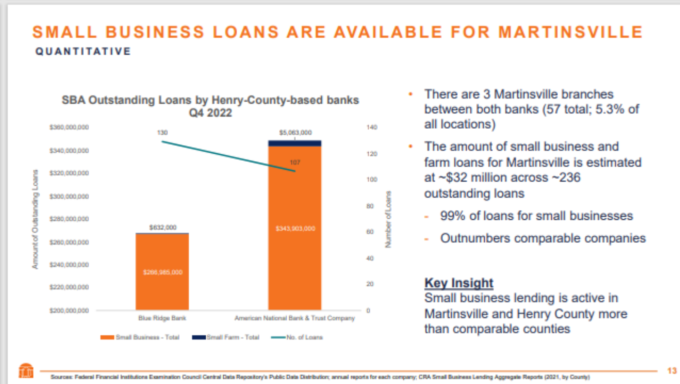
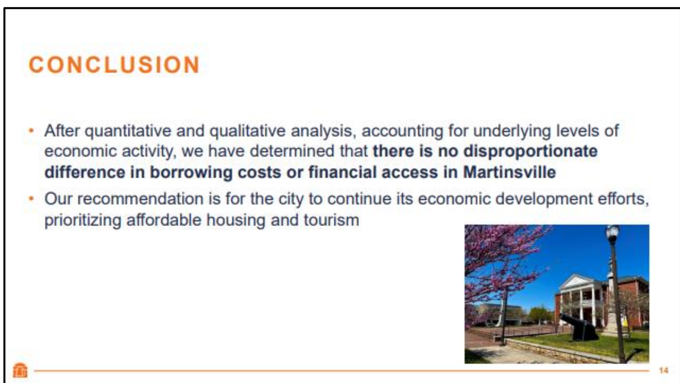
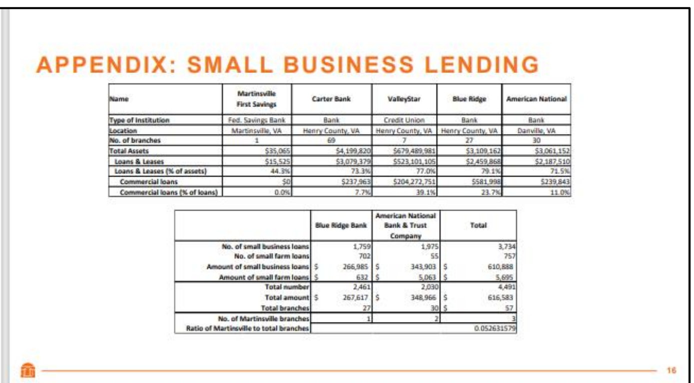






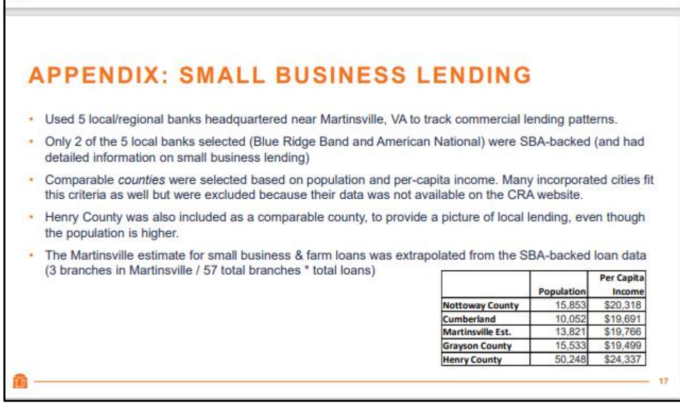






Name	Martinsville First Savings	Carter Bank	ValleyStar	Blue Ridge	American National
Type of Institution	Fed. Savings Bank	Bank	Credit Union	Bank	Bank
Location	Martinsville, VA	Henry County, VA	Henry County, VA	Henry County, VA	Danville, VA
No. of branches	1	69	7	27	30
Total Assets	$35,065	$4,199,820	$679,489,981	$3,109,162	$3,061,152
Loans & Leases	$15,525	$3,079,379	$523,101,105	$2,459,868	$2,187,510
Loans & Leases (% of assets)	44.3%	73.3%	77.0%	79.1%	71.5%
Commercial loans	$0	$237,963	$204,272,751	$581,998	$239,843
Commercial loans (% of loans)	0.0%	7.7%	39.1%	23.7%	11.0%

	Blue Ridge Bank	American National Bank & Trust Company	Total
No. of small business loans	1,759	1,975	3,734
No. of small farm loans	702	55	757
Amount of small business loans	$ 266,985	$ 343,903	$ 610,888
Amount of small farm loans	$ 632	$ 5,063	$ 5,695
Total number	2,461	2,030	4,491
Total amount	$ 267,617	$ 348,966	$ 616,583
Total branches	27	30	$ 57
No. of Martinsville branches	1	2	3
Ratio of Martinsville to total branches			0.052631579

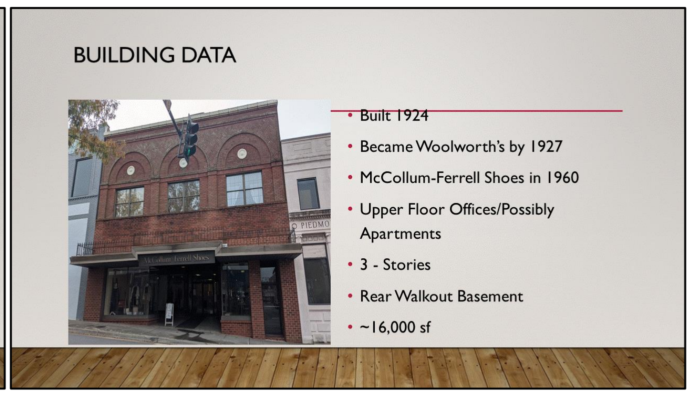


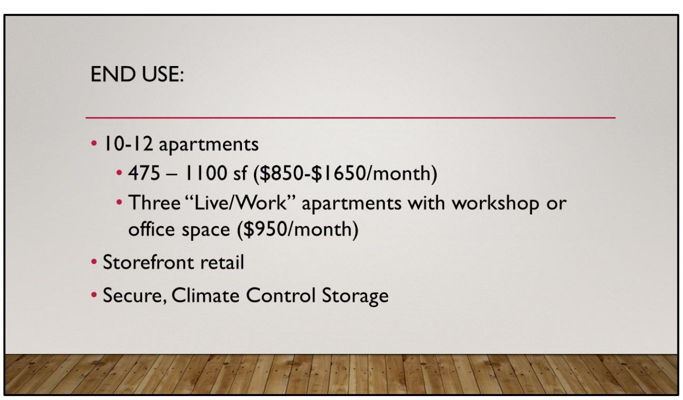
	Population	Per Capita Income
Nottoway County	15,853	$20,318
Cumberland	10,052	$19,691
Martinsville Est.	13,821	$19,766
Grayson County	15,533	$19,499
Henry County	50,248	$24,337

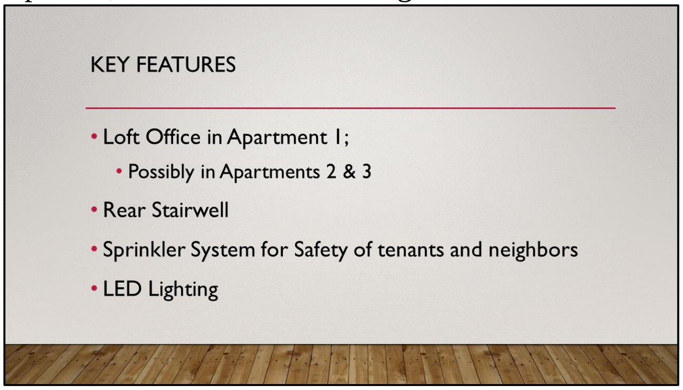
<u>Hear an update from Martinsville Henry County Coalition for Health and Wellness</u> – Sherry Vestal, previous coordinator for Henry County School nurses the past 34 years, has taken on the role of Community Outreach Nurse for the Coalition of Health & Wellness. Council Members were given literature while Vestal summarized the Coalition responsibilities, the mission and services provided.

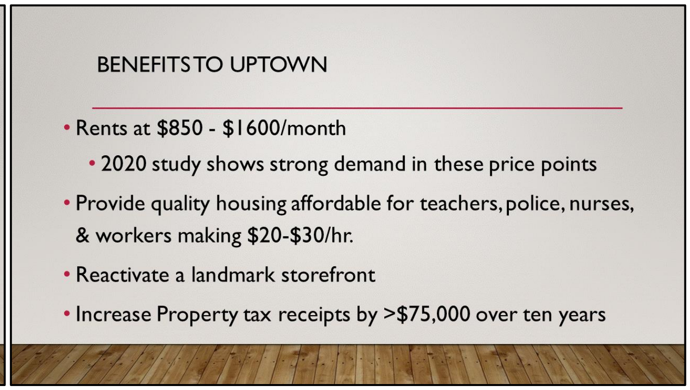
<u>Consider approval of a resolution supporting a "Mixed-Use on Main Street" (MUMS) grant application to Virginia Department of Housing and Community Development for gap financing</u>

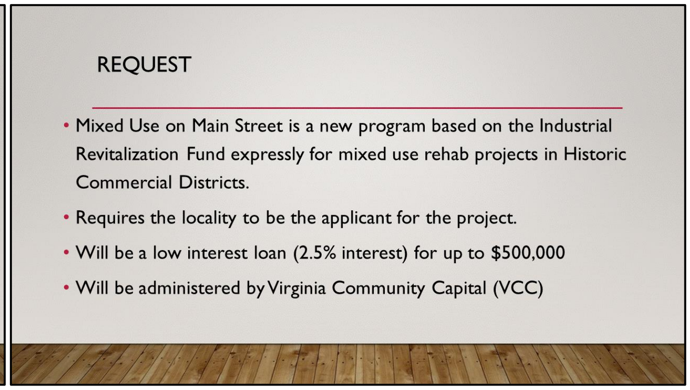
for the renovation project at 16-18 East Church Street – Jeff Sadler, Managing Partner of Burch Building, LLC summarized the proposed project and need for the resolution. Council Member Lawson confirmed that the funds would not come to the City or be disbursed by the City, the resolution is required to basically "approve" the project and grant to move forward. Because the project uses Rehab Tax Credits requiring a 5-year certificate of occupancy, and if the property is resold within 10-years Burch Building, LLC would be required to pay those funds back. Council Member Pearson questioned why Sadler previously bought the building and then tried to resell it for double the investment before he decided on the MUMS grant option. Sadler explained that this particular grant was not offered until after the purchase and attempt to sell and that he had already invested a considerable amount of personal funds to rehab the building. If the grant doesn't go through, then Sadler said that he would probably have to list the property again for resell. Vice Mayor Rawls said he was not ready to vote on the resolution until he can look into it further. City Manager Towarnicki said it was staff's recommendation to approve. Rawls requested to table the request until the next Council meeting on May 9.

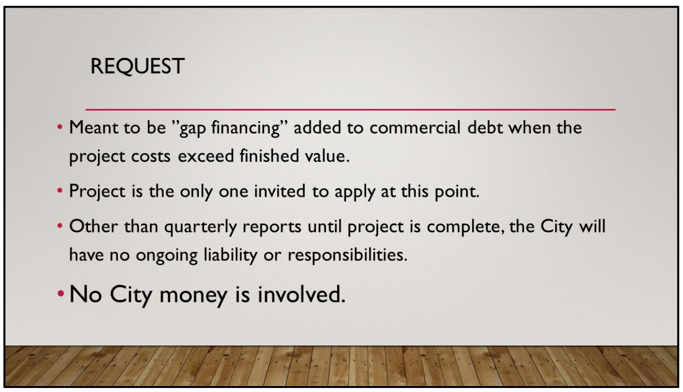












<u>Consider presentation of a proclamation recognizing Friday, April 28, 2023 as National Arbor Day</u> – Council Member Pearson read the proclamation which will be kept on file until the City reapplies for the Tree City recertification later this year.

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PROCLAMATION

WHEREAS, in 1872, J. Sterling Morton proposed to the Nebraska Board of Agriculture that a special day be set aside for the planting of trees; and

WHEREAS, this holiday, called Arbor Day, was first observed with the planting of more than a million trees in Nebraska; and

WHEREAS, Arbor Day is now observed throughout the nation and the world; and

WHEREAS, trees can reduce the erosion of our precious topsoil by wind and water, lower our heating and cooling costs, moderate the temperature, clean the air, produce oxygen and provide habitat for wildlife; and

WHEREAS, trees are a renewable resource giving us paper, wood for our homes, fuel for our fires and countless other wood products; and

WHEREAS, trees in our city increase property values, enhance the economic vitality of business areas, and beautify our community; and

WHEREAS, trees, wherever they are planted, are a source of joy and spiritual renewal;

NOW, THEREFORE, I, LC Jones, Mayor of the City of Martinsville, do hereby proclaim Friday, April 28, 2023 as

ARBOR DAY

in the City of Martinsville, and I urge all citizens to celebrate Arbor Day and to support efforts to protect our trees and woodlands, and

FURTHER, I urge all citizens to plant trees to gladden the heart and promote the well-being of this and future generations.

LC Jones
Mayor

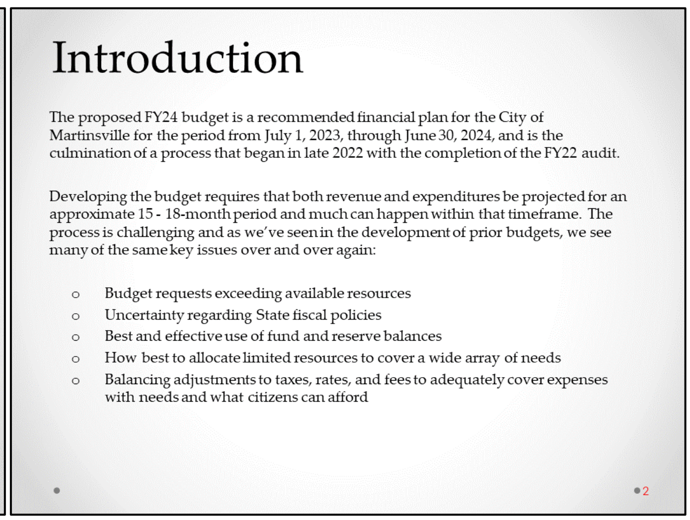
Hear an overview of the April 24, 2023 Northside neighborhood tour and meeting – City Manager Towarnicki provided an overview of the Northside tour and meeting, stating that the area looked good with few concerns.

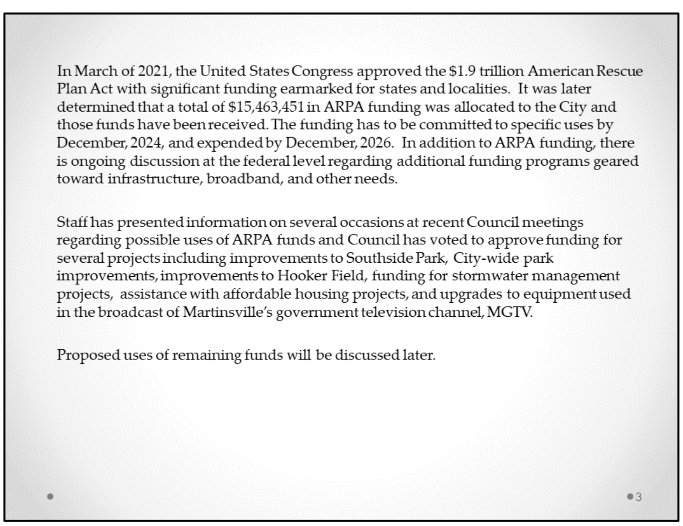
Business from the Floor – No one approached the podium. Council Member Lawson invited Kimberly Walker, 1807 East Church Street to share details about the Center for Housing Education grand opening at 51 East Church Street. Walker shared information about services that would be provided to the City residents at this new location.

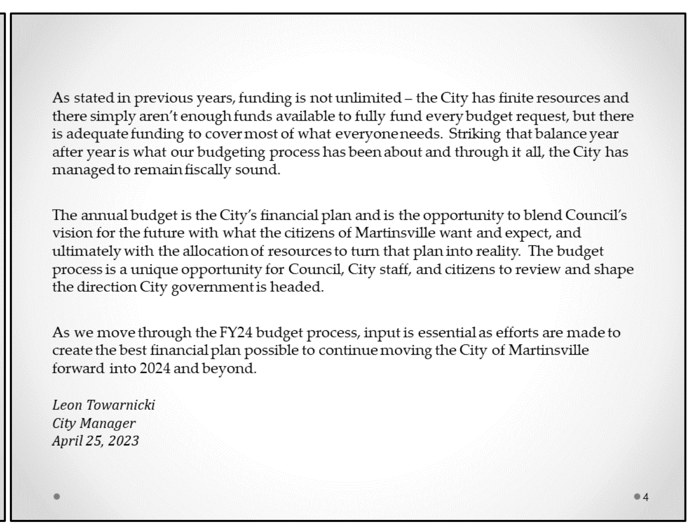
Comments by City Council – Council Member Lawson said there was a lady at the previous Southside Neighborhood Meeting who expressed concern about an inoperable fire hydrant in her neighborhood. Lawson said she's pleased to share that this hydrant and several others throughout the City had all been repaired. Mayor Jones said Council Members had been discussing a winterization program to assist citizens with utility costs. He's spoken to John Saunders, Director of Housing with the Pittsylvania Community Housing Program and they have a winterization program already in place and are willing to share details with Martinsville. Saunders has agreed to speak to Council more in depth about the program. Jones encourages residents to look at the website or to reach out to him. Jones thanked the Martinsville Health & Wellness Coalition for attending the meeting and sharing details and he encourages local churches to reach out to them.

Comments by City Manager – City Manager Towarnicki said at one of the neighborhood meetings, a concern was expressed about the paving on Smith Lake Road. Towarnicki explained that should have been fixed today. To repave the entire street would have cost the City the entire paving budget for the year so they opted for a chip seal/tar-and-gravel paving. Towarnicki said they are in the process for accepting bids for demolition of the Paradise Inn and pleased there were no environmental concerns at that location. There are a number of VML policy committees that Council can serve on; he encourages Council Members to reach out to him regarding any committees they would like to participate in. Council Member Mitchell questioned if the awning can be removed from the Paradise Inn for safety purposes and mentioned the flock of buzzards that live in the building; he asked that whoever demolishes the building to consider the vermin so they don't disburse into the neighborhood.

Hear a presentation of the proposed FY24 City budget – City Manager presented a PowerPoint detailing the FY24 City budget.







FY24 Proposed Budget

General Discussion

Revenue and Expenses

Martinsville
A CITY WITHOUT LIMITS

FY23 Highlights

As discussion begins on the FY24 budget, here's some highlights of what has occurred and continues to occur in FY23

- Through a Brownfield Assistance Fund grant, cleanup of the American site on Aaron Street has been completed and Landmark has plans to start construction on an approximate $12M senior living complex in July, 2023.
- Pine Hall Road CDBG is ongoing.
- Strong redevelopment interest in American Plant 10 in Uptown Martinsville (corner of Lester & Depot)
- City acquired former BB&T building Uptown and renovation work is underway, beginning with asbestos abatement and mechanical demolition. Anticipate conveying the property to the developers later in 2023.

FY23 Highlights

- Redevelopment of the former grocery store building at the corner of Fayette & Moss Streets is underway with completion expected later this year
- 5-Points Housing Project on West Church underway – 7 houses have been placed on the 12 lot site.
- Abundant local employment opportunities.
- Local transit system continues with strong usage; the Virginia Breeze system is operational.
- Economic Development – Press Glass & Crown Holdings are operational on revenue sharing sites; CCBC continues to attract interest
- $5.2M in EDA & DEQ grants for Jones Creek Interceptor Repairs
- $1.5M FEMA grant for flood control at Nationwide facilities

FY23 Highlights

- Martinsville Mustangs continues with the 2023 season under new management; much-needed park renovations underway.
- Continued successful partnership with YMCA for management of City parks & recreation programs. City is moving ahead with a park's study/plan update with assistance from WPPDC.
- Strong local economy, strong housing/real estate market
- Extensive use of grant funds to facilitate progress on local projects
- Telecom/MiNet expansion continues with business customers and wireless to the home requests for service.
- Armory property deeded to City; redevelopment options pursued
- Use of ARPA funds approved for much needed projects including Southside Park, Hooker Field, and neighborhood parks.

Objectives

Basic Year To Year Budget Objectives Remain Constant

- Maintain core services & ensure the City remains fiscally sound.
- Address critical capital needs; protect existing assets
- Expand tax base
- Explore opportunities to consolidate, improve efficiency, generate new revenue
- Consider Council priorities in allocating resources
- Ensure City remains competitive in regional workforce market

FY24 Budget Challenges

- Lack of significant & sustained revenue growth
- Increasing costs due to inflation, insurance, VRS, mandates, regulatory issues, costs of simply "doing business," difficulty filling vacancies.
- Capital needs continue to exceed available funding
- School & outside agency funding
- Personnel issues – significant turnover in key positions; need to remain competitive with pay, benefits in order to attract/retain employees.
- State not fully funding its commitments

FY24 Budget Challenges

- Aging infrastructure
- Adherence to policy requirement to maintain fund and asset balances to ensure the City remains fiscally sound and funds are available for emergencies
- Water/sewer debt-service requirements
- Limited ability to increase rates, fees, etc., and overall decreased ability to transfer from enterprise funds
- Reduce the dependence on unsustainable sources of revenue to balance the budget.
- With reversion no longer being pursued, City must align General Fund expenses with available revenue.

Budget Challenges - Capital

- Capital requests submitted by City departments for FY24 budget consideration totals $5,179,889 with $3,449,305 requested for utilities and $1,730,584 requested for general fund/capital reserve.

- Utilities cover capital internally however the Capital Fund (16 Fund) is consistently underfunded. Outside of other transfers, the Capital Fund's primary source of funding is available Meals Tax funds after debt service is covered.

Federal Funding

- There continues to be discussion at the federal level regarding infrastructure plans that could potentially funnel significant dollars to the state and local levels. As previously noted, the City has received $15,463,451 in American Rescue Plan Act funds. Some funds have already been committed for specific purposes. As noted later in this budget presentation, ARPA funds are being used in the FY24 budget.
- As additional information is made available regarding other potential funding, staff will continue to monitor and determine next steps.

Revenue –General Comments

What resources are available for the FY24 Budget?

- Traditional sources – taxes, fees, state funding?
- Fund balance use vs. maintaining required minimum
- Cash reserve policies & required minimums
- Utility budgets balance internally through ability to adjust rates; General Fund budget has historically relied on utility transfers or use of fund balance, to balance.
- Use of remaining ARPA funds – how much & what can it be used for?

Revenue GF Sources

General Fund Revenue

- FY24 General Fund revenue before transfers is projected to be $33,856,203 (FY 23 is $30,540,346 & FY22 is $28,975,888), from taxes, fees, recovered costs, grants, and state funding (10.9% increase)
- Increase in revenue is a result of increases in general property taxes (FY24 budget proposes no adjustment in real estate tax rate), other local taxes, recovered costs, shared expenses, and other state reimbursements.

Revenue Analysis

Unassigned Fund Balance- GF

- Audited EOY FY22 unassigned FB is $6,286,060 (Exhibit 3, pg. 39 ACFR)

- FY24 proposed GF budget is $**37,828,870**. 10% reserve policy requirement is $3,782,887.

- Available unassigned FB of $6,286,060 less FY24 reserve requirement of $3,782,887, leaves available **GF FB transfer of $2,503,173 to maintain 10% reserve.**

Revenue Analysis

Utilities – Cash Reserve Policies

	EOY20 Audited	EOY21 Audited	EOY22 Audited	Cash Reserve Policy
Electric	$2,505,507	$1,253,201	$307,121	$5,298,025
Water	$2,628,150	$3,309,153	$4,041,790	$1,954,658
Sewer	$1,740,360	$1,982,557	$1,919,986	$3,529,534
Refuse	$4,712,005	$3,004,087	$2,197,623	$664,369
Total	$11,586,022	$9,548,998	$8,466,520	$11,446,586

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Revenue Analysis

Available Transfer From Utilities to GF

- No FY24 transfer from Electric, Water, Sewer, Refuse, or Telecom is proposed.
- Electric is significantly under the recommended reserve requirement and is expected to remain so for the near future. Rate adjustments should improve that.
- Water/Sewer must continue to maintain cash reserve requirements in addition to a required revenue/expense ratio related to VRA financing of debt service.
- Refuse cash reserve (audited) includes required funding to comply with post-closure monitoring costs. Costs are expected to decline in the future.

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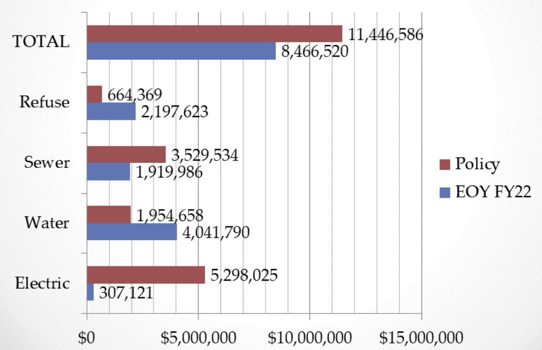
Utilities – Cash Reserves

EOY FY22 vs Current Policy Recommendation



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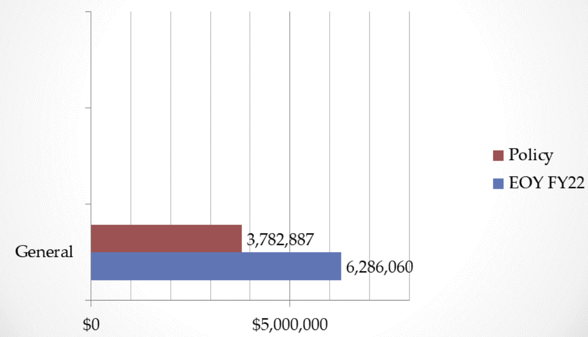
General Fund - Unassigned

EOY FY22 vs Current Policy Recommendation



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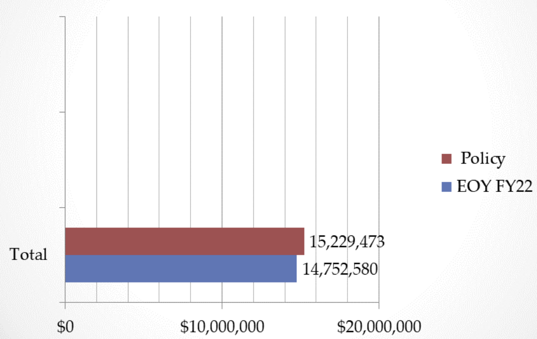
Total All Funds

EOY FY22 vs Current Policy Recommendation



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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?

- **<u>How to allocate available resources efficiently, fairly, and adequately?</u>**

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FY24 Proposed Budget

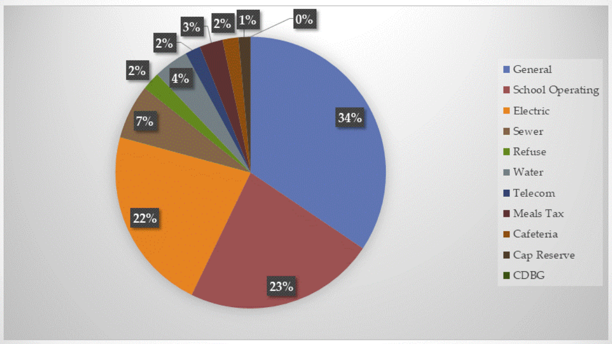
Budget Details
What's Included?
Taxes, Rates, Fees
General Fund
Enterprise Funds

Martinsville
A CITY WITHOUT LIMITS

FY24 Proposed Budget

Fund	Original FY2023	Revised FY2023	Proposed FY2024	Changes FY2023 to FY2024
General	37,062,878	38,959,472	37,828,870	765,992
Meals Tax	2,722,721	2,722,721	3,072,721	350,000
Capital Reserve	1,530,446	3,063,122	1,595,318	64,872
Refuse	2,271,965	2,313,965	2,409,704	137,739
Water	4,255,275	4,448,585	4,570,438	315,163
Sewer	6,387,282	11,774,458	7,119,720	732,438
Electric	21,356,332	22,701,984	24,189,063	2,832,731
Cafeteria	2,293,640	2,293,640	2,069,368	-224,272
School Operating	24,585,581	25,165,658	25,008,772	423,191
Telecommunications	2,195,242	2,227,424	2,023,651	-171,591
CDBG	1,183,320	1,192,741	4,700	-1,178,620
				0
Totals	105,844,682	116,863,770	109,892,325	4,047,643

FY24 Budget Allocations



FY24 Proposed Budget

- The proposed FY24 budget is $109,892,325, an increase of $4,047,643 over the approved FY23 original budget.
- 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 maintains reserves in all utilities but Electric, and 10% in GF. Expenditure additions will necessitate additional revenue, reductions in proposed budget, or additional use of FB/reserves.

FY24 Overall Budget Drivers

- Salary & Benefits
- 11.2% increase in health insurance
- Outside Agencies
- Continued inflation impact on fuel, materials, supplies and its effect on projects, schedules, & capital needs
- Need to more closely align the General Fund budget with revenue from traditional General Fund sources – reduce the dependency on transfers and unsustainable sources of revenue.
- Inability to fill certain vacant positions and the need to contract for services related to those vacancies.

FY24 Proposed Budget

General Fund

FY24 Proposed General Fund Budget is $37,828,870 compared to $37,062,878 for FY23 (2.07% increase) and $34,218,454 for FY22.

The General Fund budget balances with a projected use of fund balance of $2,503,173; and use of $1,469,494 of ARPA funds; no proposed transfer from Electric, Water, Sewer, Telecom, or Refuse. Anticipate a return to FB of approximately $1.5 M to $2M at EOY23.

FY24 Proposed Budget

Taxes, Rates, and Fees

- Recommends keeping the current real estate tax rate at the current rate ($1.03975/$100)
- Includes an 8% average electric rate increase. Most likely another rate adjustment will be necessary in January 2024.
- No other increases recommended effective July 1
- Includes utilizing the anticipated increase in real estate tax revenue resulting from higher assessments

FY24 Proposed Budget

School Funding

- Recommended funding for Schools at $**5,417,637** which is a reduction of $750,000 from the Schools requested local funding of $6,167,637, however that amount is still $339,854 more than the average audited actual contribution for the most recent 4 year period of FY19 – FY22. The actual audited School contribution in FY22 for example, was $4,940,076.

FY24 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). FY24 GF budget includes $886,783 in cost allocation revenue. This amount is included as part of utility operational costs in the respective funds.
- Budget includes a 5% budget reduction for several major departments along with reductions in smaller departments.

FY24 Proposed Budget

Outside Agencies

- Recommended level funding for most outside agencies; 911 increases 13.4% from $510,101 to $578,263; 9.1% increase in Social Services funding from $548,056 to $598,136; level funding for the Health Department at $132,907; EDC level at $100,000; and level Library funding of $308,450. Continues small business/Uptown development at $60,000.

FY24 Proposed Budget

Personnel & Services

- 7% COLA for City employees & constitutionals to match state COLA; increase in health insurance costs (11.2%), other minor plan adjustments
- Includes 1 personnel addition – law clerk position for Circuit Court; temporary hiring freeze in certain areas
- There are still a number of vacant/unfilled positions.

FY24 Proposed Budget

Ambulance Transport Services

- In July 2021, Council approved Fire/EMS to proceed with ambulance transport services of discharged hospital patients. City purchased an ambulance and brought additional staff on board. Operation currently averages 18 -19 transports per week and at anticipated billing rates, revenue (estimated at $170K) will exceed costs ($161K).
- Operation continues to be closely monitored and if transport numbers decline and/or actual billing receipts do not support program costs, City can terminate the program. There is added benefit to the City by having additional staff & equipment available for City needs. Currently being discussed is a transport contract for services that would serve to stabilize the program and improve financials.

FY24 Proposed Budget

Capital (equipment, vehicles, projects, etc.)

- Funding of Capital Reserve (16 Fund) in the amount of $**1,595,318** is proposed; of this amount, $361,380 is required for debt service and the balance of $**1,233,938** will be assigned to capital purchases on a prioritized basis by the capital review committee.
- This amount funds 71% of the capital (non-enterprise) fund requests of $1,730,584. Capital is funded through Meals Tax revenue after school and capital debt is covered.

Capital – Enterprise Funds

Capital (equipment, vehicles, projects, etc.)

- In the enterprise (utility) funds, $3,339,305 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.*

FY24 Proposed Budget

Refuse (09)

- No increase in collection fees proposed.
- Budget includes increase in disposal cost (transfer station costs) from $540K to $580K
- FY24 capital includes year 2 of 2 cost ($220K) of replacing '05 front loader truck, pickup truck replacement ($50K); and delaying to FY25 replacement of tractor ($54K) and real-loader garbage truck. ($105K)

FY24 Proposed Budget

Telecommunications (11)*

- The projected FY24 Telecom budget is $2,023,651 and includes $81,997 under a cost allocation analysis going back as revenue to the GF. $256,161 is included in capital for a continuation of system upgrades, expansion to additional customers, and wired/wireless-to-home project.
- There continues to be a backlog of businesses desiring to connect to MiNet and interest in residential service continues to be high. Staff will continue to explore grant possibilities for system expansion.

**Telecom is listed as a separate (11) fund to simplify internal accounting but is actually a component of the General Fund*

FY24 Proposed Budget

Water (12)

- Summit View water line project underway
- Water/Sewer construction crew continues to make infrastructure repairs at substantial savings over contract costs.
- Continuing to pursue grants for reservoir generator
- $623,612 in capital for various projects at water plant
- Possible requirement to determine usage of lead pipe in water system.
- Capital includes $88K shared cost with PW to replace skid-steer loader; $62,750 for mini excavator, and $69,150 for dump truck, shared cost with Sewer.

FY24 Proposed Budget

Sewer (13)

- The Sewer budget includes $95,233 to replace pumps; $250K to convert to a sodium hypochlorite tank/feed system & SCADA
- Budget includes 20% EDA & DEQ grant match for Jones Creek project.
- Includes $390K to replace jet truck, $62,750 for mini excavator, and $69,150 for dump truck, shared cost with Water.
- Annual debt service for the interceptor rehab project is included at $634,336.
- Long term project being investigated is in regard to sludge process at waste water plant and reduction of disposal costs.

Water/Sewer Projects

YEAR	STREET (s)	WATER	SEWER	STATUS
2022-2023	AUBURN PLACE	15200′		BEGIN 4/1/2023
2022-2023	VENNA/EDWARDS	900′		BEGIN 6/1/2023
2022-2023	ASKIN		2000′	BEGIN FALL 2023
2024-2025	LAKEMONT	1000′		SPRING 2024
2024-2025	LAKEVIEW	1800′		FALL 2025
2024-2025	D STREET	500′		POSSIBLY BETWEEN LAKEMONT& LAKEVIEW
2026-2027	CORN TASSEL	ENTIRE STREET		MULTI YEAR PROJECT
2025-2026	PROSPECT HILL DR	ENTIRE STREET		SPRING 2026
2022-2023	AUBURN PLACE	15200′		BEGIN 4/1/2023
2022-2023	VENNA/EDWARDS	900′		BEGIN 6/1/2023
2022-2023	ASKIN		2000′	BEGIN FALL 2023
2024-2025	LAKEMONT	1000′		SPRING 2024

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FY24 Proposed Budget

Electric (14)

- Includes a proposed 8% electric rate increase effective July 1
- Electric budget capital $912,500 replace 55 foot bucket truck, digger derrick, station transformers; pole & line replacements, increased costs for flood insurance, tree trimming, generator fuel, dam repairs
- FY24 Electric budget is $24,189,063 and the purchased power item is $17,500,000, the largest single line item expense in the City's budget, and represents 72.3% of the Electric budget.
- Solar project expected to be operational Q2 of 2024; possible long term projects - investigate an alternate electric feed to City; work at hydroplant (dredge & replace turbines)
- Anticipate the need for an additional rate increase Jan 2024

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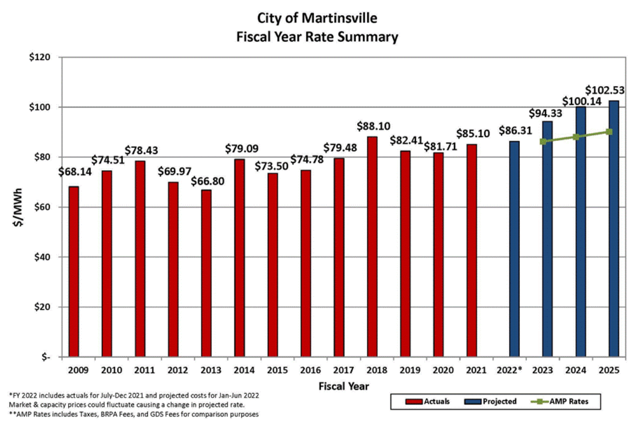

Future Considerations

- Consider changing sludge processing to create Class A sludge that can be marketed or disposed of at no cost to eliminate landfill disposal fees
- Engineering cost is budgeted under Electric to investigate dredging behind spillway and replacement of electric generation equipment
- Cost is also budgeted for preliminary engineering to investigate alternate electric supply to City
- Consider relocating City school bus garage to alternate site and using existing site for redevelopment purposes.
- Consider raising City's fund balance percentage

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Comments and Conclusion

The FY24 budget continues the practice of the enterprise operations balancing internally, and use of FB as available all while attempting to keep policy-directed minimum balances and reserves intact.

That process, however, is getting increasingly difficult while attempting to maintain reserves without increasing revenue, reducing services, or combinations. Of particular importance is the fact that the proposed FY24 General Fund budget is balanced by a projected use of $1,469,494 of ARPA funds, the equivalent of a $0.21 tax increase on real estate.

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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.

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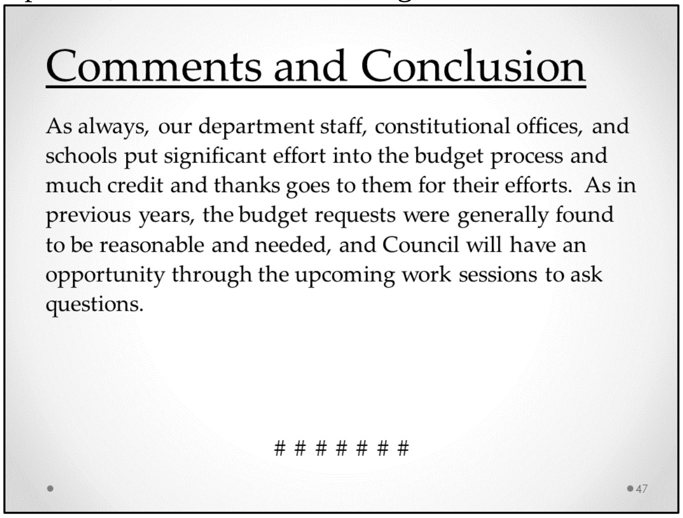

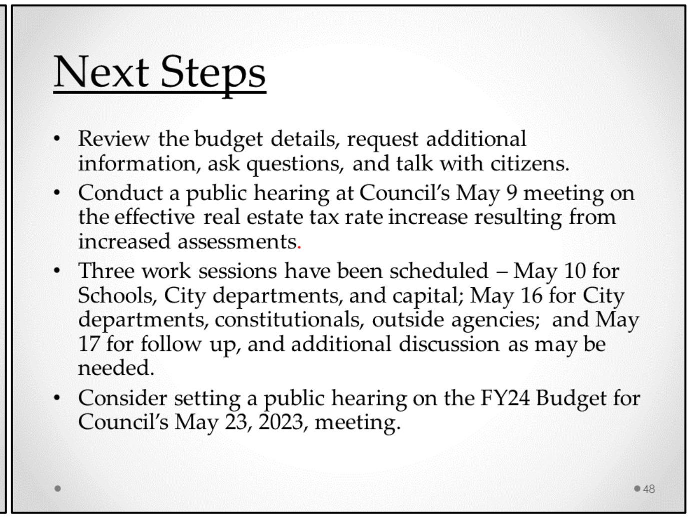

There being no further business, Council Member Lawson made a motion to adjourn. The meeting adjourned at 9:05pm.

Karen Roberts, Clerk of Council

LC Jones, Mayor