

May 22, 2023 Budget Work Session

A budget work session of the Council of the City of Martinsville, Virginia, was held on May 22, 2023, in Council Chambers, Municipal Building, at 6:00PM with Mayor LC Jones presiding. Other Council Members present included Vice Mayor Rawls, Council Member Lawson, Council Member Pearson and Council Member Mitchell. Staff present included City Manager Leon Towarnicki, Finance Director Mandy McGhee, and Assistant Finance Director Crystal Ferguson.

Mayor Jones opened the meeting.

City Manager Towarnicki detailed Council’s requested changes to the budget from the previous work session, totaling a reduction of \$1,544,494 along with staff recommendations to the proposed budget.

Budget Work Session Revisions From 5/17 Work Session

MONDAY, MAY 22, 2023 6 PM

From 5/17/23 Work Session

- Eliminate Use of ARPA Funds \$1,194,494
- Reduce real estate tax by \$0.05/\$100 from current \$1.04/\$100 to \$0.99/\$100, for a net effect of reducing real estate tax revenue by approximately \$350,000.
- Total reduction of \$1,544,494

Staff Recommendations

Meals Tax Transfer	\$300,000	\$300,000
Refuse Fund Transfer	\$300,000	\$600,000
Water Fund Transfer	\$250,000	\$850,000
Increase Bus License Revenue	\$200,000	\$1,050,000
Increase HB599	\$ 43,216	\$1,093,216
Increase Transport Revenue	\$ 87,400	\$1,180,616
Court Reporter Revenue	\$ 10,000	\$1,190,616
Jail/Jail Annex Food Red	\$ 40,000	\$1,230,616

Staff Recommendations

Minet Capital Reduction	\$100,000	\$1,330,616
Lodging Tax Increase	\$20,000	\$1,350,616
Delay Asst. CM Pos 6 months	\$68,213	\$1,418,829
E-time software 1 st year MA	\$35,000	\$1,453,829
Delay CD Director Pos 6 mos	\$65,928	\$1,519,757
Increase use of GF UFB	\$24,737	\$1,544,494

Towarnicki explained that one advantage of doing the budget later in the year, is there is more of the fiscal year behind them so the more accurate the data is. Rawls stated that however Towarnicki wanted to word it, MiNET needs to make more money. Rawls asked for confirmation that the meals tax policy would need a Council vote to amend the tax percentage. Council Member Lawson suggested to have the City Attorney approve the meals tax documents prior to Council’s approval for an increase. Lawson stated that any salary changes should be made across the board with both staff and constitutionals to prevent additional disparity with employees. Lawson questioned if the City Engineer could be a contract position like the City Attorney. Towarnicki explained that contracting with an engineering firm could run into excessive costs in the long run and not be a cost savings; there is considerable work for the City Engineer to justify hiring a full-time position. Council Member Mitchell questioned the cost to reopen the Annex. Towarnicki confirmed that the Annex was built in the early

May 22, 2023 Budget Work Session

1930s but it's in excellent condition and meets state standards. Mayor Jones questioned the cost of a single officer or firefighter and if it would affect employee moral to offer the 5% raise with additional staff versus a 7% raise with no additional staff. Lawson explained that someone is needed to lead the City when the City Manager retires, especially with no Assistant City Manager and no Community Development Director. Jones said he feels they need to recruit a City Manager first then look for an Assistant City Manager later. Rawls said the new City Manager may prefer to build their team after they are hired. Rawls said that Council had received information on an interested interim City Manager and that he forwarded that to other Council Members. Council Member Lawson stated that she had not received that information and was unaware there was a consideration for an interim at this time. Council Member Pearson requested clarification on Martinsville Uptown Association, the Incubator, etc. Towarnicki asked Piedmont Community Services about the opportunity to use opioid funds but he has not received an answer yet; Lawson says she does not want them to be penalized if the City is unable to fund them. Towarnicki explained that Judge Greer is on vacation so he has not received answers related to the Law Clerk position yet. Lawson explained that if an item is approved one time on a consent agenda, does not mean it was approved as a fulltime position. Towarnicki explained that he feels confident that the Law Clerk position is a temporary position and not fulltime but he is waiting on confirmation. Rawls stated that for Piedmont Community Services to own almost 20 properties tax-free in the City, seems a little excessive. Mitchell said when an organization is doing its job, they are basically putting themselves out of work; he questions why PCS is expanding.

Towarnicki explained if Council is ok with the presented budget with changes, the next step will be to host the public hearing on Tuesday May 23 and approve the budget on first reading. Mayor Jones asked Council's opinion on doing the 5% pay raise instead of the 7%, hiring two officers then giving any remaining money to the schools. Vice Mayor Rawls says constitutionals are not the same as city employees and in some cases, are not paid as much. In the future, he feels that it's an arbitrary rule that if you give one group a raise, then all should receive the raise. Rawls questioned if the City has the money, is it time for a raise, does it make sense or is there a huge disparity in the pay gap requiring the City to pitch in? Rawls said there are considerations that should determine which departments or employees get a raise and that it should not be across the board. Rawls says he's happy with reducing the property tax rate with Martinsville still being one of the lower in Virginia, not using ARPA money which means we are on track for sustainability, and not all of Council's suggestions were incorporated in staff's proposal which means Council still has a few tricks to offer. Rawls said that he would lean toward keeping the 7% since employees almost expect that by now. Lawson stated that the police and fire departments can choose to make those cuts in other areas and still be able to hire the extra personnel from the savings; she is in favor of keeping

May 22, 2023 Budget Work Session

the 7% also. The schools will not be without and the City Manager gave the schools notice in December that it would be a tight budget this year. Council Member Mitchell agrees with the Mayor about the 5% raise and hiring staff. Lawson interjected, pointing out that Martinsville City School's administrative costs are around 7%. Patrick County has more schools and the highest ratings in the region and their administrative costs are only 4%. She looks at it like Patrick County Schools do more, with less. This is a tight budget and all departments have been asked to sacrifice; Martinsville City schools can also make cuts in their budget in non-instruction ways. Mayor Jones argued the point that in the grand scheme that the City could add an additional two officers and two teachers, with the extra staff it could make a difference when a resident contacts 911 whether it takes 2-3 minutes versus 10-15 minutes. As an officer, he would rather have an extra officer to back him up over a 2% pay raise. When the schools use a substitute teacher all year, the student scores suffer which can not be reflected in dollars. Mitchell said in a school system, you can't estimate everything that will happen so when Council has the opportunity to provide that additional funding then he feels they should. Lawson pointed out that in the past when the school had a shortfall financially, then they came to Council for assistance and the aid was considered at that time. Pearson again expressed concern for funding of outside agencies over funding a pay raise or additional staff; she doesn't feel like she can decide at this time. Lawson says the schools still have a large pot of ESSR funds, there are a lot of moving parts in the school. Jones says the schools have been cut astronomically more with this budget than in years past.

Towarnicki referenced what the schools were budgeted versus what they actually spent in past years, stating that technically the schools were overfunded. Even with money that is being cut this year, the total is actually \$340,000 more than the average of what the schools spent over the past 4 years. With City departments, if they budget \$250,000 but regularly only spend \$200,000 of that budget then they will not continue to approve the higher budget; it will be adjusted to match what is actually used. Lawson said the schools have positions they can hire for and charge back to ESSR funds, but Council has never not awarded the schools what they need.

Council Member Mitchell had questions about the City dam and replacement of the generators. Towarnicki stated as part of the engineering study, they would need to take samples before it can be relocated on land; there is 100 years of silt behind the dam.

Rawls said the cigarette stamps have not been changed in some time and Martinsville-Henry County scored very poorly on the health matrix. Towarnicki said he's discussed the stamps with the Commissioner of Revenue with thoughts that if the rate is increased excessively then people will shop outside of the City. Lawson requested a report of cigarette sales and the tax received from that.

May 22, 2023 Budget Work Session

There being no further questions or discussion, Council Member Lawson made the motion to adjourn the meeting at 6:50pm.

Karen Roberts, Clerk of Council

LC Jones, Mayor