

**Council Budget Work Session
May 4, 2021**

**MINUTES OF THE FY 2022 BUDGET WORK SESSION OF
HOPEWELL CITY COUNCIL HELD MAY 4, 2021**

An Electronic (Zoom) meeting of the Council of the City of Hopewell, Virginia, was held on Tuesday, May 4, 2021 at 6:30 p.m.

Mayor Patience Bennett welcomed all virtual visitors, called the meeting to order and requested a roll call.

PRESENT: Patience Bennett, Mayor, Ward 7
 John B. Partin, Vice Mayor, Ward 3
 Brenda S. Pelham, Councilor, Ward 6
 Janice B. Denton, Councilor, Ward 5
 Jasmine E. Gore, Councilor, Ward 4
 Deborah B. Randolph, Councilor, Ward 1
 Arlene Holloway, Councilor, Ward 2

John M. Altman, Jr., City Manager
Sandra R. Robinson, City Attorney
Mollie P. Bess, Acting City Clerk

Following the roll call, Mayor Bennett gave the floor to Mr. John M. Altman, City Manager.

Mr. Altman thanked Council for allowing him and staff to review options for COLA increase for employees. He presented the list of service contracts for each department having a service contract listed. These are the service contracts that had increases for the FY22 budget year.

Councilor Pelham asked to view the Finance section. Mr. Altman stated that Finance uses MUNIS software which is housed in IT; there was no increase in MUNIS service contract. She asked if it was possible to list the names of the companies with the service contracts and the increases. Mr. Altman replied that he could provide that information, but this list of service contract increases was based on the previous work session budget presentation that listed the total amount of increase for all of the departments listed in this presentation, not broken down by individual product.

Mayor Bennett asked if these service contracts are subscriptions and software services. Mr. Altman answered affirmatively; they are either going to be license agreements for software or contracts. The Mayor then asked how long does a contract last, and Mr. Altman stated that it depended on the service, i.e. having the service as long as the company's equipment is being used, and locking in with that company and its service fees as opposed to switching to another service provider and paying more.

Sandra Robinson, City Attorney, commented on the police contracts, stating that she had reported out their end dates to Council some time ago. She went through a list of police contacts that had expired, or continuing and terms for continuation. Current contracts that had two or more periods of renewal, and contracts entered for a multiple number of years that had expiration dates were reported out. She also said that if it was okay with Council and City Manager, she can match these names out that were formally reported out with the expiration dates.

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Councilor Randolph asked that this information be placed on the Council shared drive.

The Mayor thanked Ms. Robinson and Mr. Altman, and he continued with the presentation.

Looking at the options for cost of living increases, Mr. Altman referenced the Available GF Funding page, in the Item column:

Employee COLA @ 5% - \$1.1 million

Employee COLA @ 5% effective January 1 - \$550,000

Employee COLA @ 2.5% for entire year - \$550,000

Employee COLA @ 2.5% effective January 1 - \$275,000

This is followed by a listing of all the positions that were requested by City staff. The Lab Tech position at Hopewell Water Renewal is not listed here; it's an enterprise funded position.

The 2.5% COLA effective January 1 can be done with the first option:

With the \$338,000 that he already has, the first option would be to make a transfer of \$500,000 from the general fund to capital fund, and then use the American Rescue Plan Act funding to make capital fund whole again, in addition to the \$5.3 million the City will receive over two years.

The 2.5% COLA for the entire year can be done with the second option:

With the \$338,000 that he already has, the reduction in the transfer from general fund to capital fund would be \$212,000 and added to equal the \$550,000. Backfill the \$212,000 into the general fund to make this year whole again.

Option #3:

Add the positions discussed by Council (rental inspector, IT MUNIS administrator, conversion of two part-time animal shelter positions to one full time position). The \$550,000 plus the positions is the \$713,823. He already has the \$338,000, then what he would need, he has to bring back from capital the \$375,823 which will make it whole, and then backfill that with the American Rescue Plan Act money.

Mr. Altman advised Council not to exceed the \$550,000 that was transferred from the general fund. He expressed his appreciation of Council for their willingness to do a raise for City employees. At a minimum, if the second option is done, that would be fantastic. As for the class and comp study, Mr. Altman is willing to push that out a year so as not to be worried about that right now.

Having ended his quick overview, he gave the floor to Councilors Randolph and Pelham.

Councilor Randolph stated that she was in favor of giving 2.5% to everybody starting right away as opposed to waiting until the first of the year. She expressed her interest in a couple of positions, and noticed that if Mr. Altman is willing to push out the class and comp study in lieu of a raise then Council should be asking Schools to do that as well. She also discussed the 2018 annual audits in which Schools had \$1,800,000 left over, and another million on top of that coming into a new budget. She asked if Council were to take some of that back (the \$1,800,000 from the 2018 annual audit), wouldn't that money

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go back into general funds. Mr. Altman answered affirmatively; anything not spent by one of the ancillary units comes back to general funds.

After a lengthy discussion, Councilor Pelham questioned the use of the American Rescue Plan Act funds. She stated that she read somewhere that the Rescue funds could not be used for expenditures. Mr. Altman explained that unlike CARES funds, the American Rescue Plan Act recognizes lack of revenue caused by the pandemic, so the funds can be used to supplement or fill in gaps in revenue costs. There were no further questions from Councilor Pelham, so the floor was given to Vice Mayor Partin.

The Vice Mayor asked if there were ways that they not take that transfer from capital back to the general funds for operations, and if there are areas that can be found and tightened the budgets in order to help close some of these gaps. Mr. Altman stated that the American Rescue Plan Act funds are available and can be used to for all kinds of capital. When revenues return, he would look to pull that money back to the general fund for operational needs, like the list of positions and other items that may have operational needs. This seems to be the easiest way to get to that number and have the ample source to do it.

Vice Mayor Partin's reason for asking is that if the City is forecasting an additional \$1.7 million in new revenue coming in through all different streams, and understanding things like service contract increases and other issues, citizens will find it hard to swallow only \$338,000 in general fund money to hire eight more police officers, more firefighters, any of these positions doing a pay raise. He is very apprehensive about cutting funds to the capital improvement program, and that even though the City is getting the Rescue funds, the City has chronic issues with infrastructure (sinkholes, utility lines), and road deferred maintenance.

Mr. Altman stated that the reality is that only a half a million dollars or capital work would be done this year if general funds did not make a transfer. For that amount of money, six patrol officers could be hired, but there are capital commitments and that's why there is more money for VDOT projects. Although there is an increase in revenue, there is also rise in cost of everything like gas, heating, electric – figuring out much is needed to budget the police department to pay electric bills and other bills when the building was built – there may be additional revenue coming in but he is not counting that money. The American Rescue Plan Act money is going to allow more to be done that cannot be afforded right now. Vice Mayor Partin deferred his next question and gave the floor to Councilor Pelham.

Councilor Pelham said to keep in mind that monies go back to the neighborhoods so citizens can see that their tax dollars are benefitting them and encouraging them to stay in the City. She also noticed that when the streets are improved, people start improving their property. Mr. Altman agreed.

Vice Mayor Partin added the same sentiment regarding the street and major home improvements on Princess Anne Street, resulting in an increase in real estate assessments and tax dollars going back to the City.

Mr. Altman asked if Council had any thoughts on what option to explore as far as doing the raise at least; any consensus to do the 2.5% effective July 1 for the entire year, so that this can be programmed into the budget. Councilor Pelham asked if this option referred to the \$550,000; Mr. Altman answered affirmatively.

Councilor Pelham agrees with the 2.5% option.

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Vice Mayor Partin also agreed and in favor of the 2.5% option; he just doesn't want monies taken from capital, to see what options there are and where there is some cost savings within the budget.

Councilor Randolph is in also favor if the 2.5% starting in July.

Councilor Pelham asked about the projected \$1.7 million revenue; this is not reflected in the budget. Mr. Altman explained that the \$1.7 million is what was left of that base, after service contract increases and cost of any increases in the budget – after all of those things, what is left of the \$1.7 million is that \$338,000. Councilor Pelham asked if Council can see the costs from \$1.7 million to \$338,000, to see if that's something that can be adjusted. Mr. Altman stated that if Council wants to do that, it can be done. After a lengthy discussion with Councilor Pelham, Councilors Holloway and Gore expressed their favor of the 2.5% option.

Councilor Denton also spoke in favor of the \$550,000 (the 2.5%) option. She added that costs are going up and advised everyone to look at this carefully so as not to underfund any funds that are operating in the City on a day-to-day basis.

Mr. Altman pointed out that one of the departments that Councilor Denton was referring to with an increase – he reminded her of the added officers to the police department, which was an increase during the middle of the year, and how the undesignated fund balance was used to do that. This is factored into the increase. For Public Works, materials are expensive, and gas prices are going up due to shortage of drivers. He can look at revenue breakdown – go into budget materials, and provide a breakdown of general fund budget that shows FY22 proposed budgets that shows comparison to '22 and '21 from a departmental standpoint that shows dollar increase. Councilor Pelham thanked him.

Councilor Gore's question referred to the source of the funds, asking if the money was coming out of cash balances. Mr. Altman replied negatively, stating that the money did not come from cash reserves, but from the general fund to make whole the capital fund, that this was the City's operating money. There was a lengthy explanation of assigned versus unassigned fund balance, and that the City operates out of the general fund, which is the assigned funds. There was also a lengthy explanation of how transferring the funds from the general fund to the capital fund (which houses sales, meals, lodging, and I-295 revenue, and of which there is only \$50,000) does not increase it but restores the capital fund back to the original annual level of \$100,000, to support VDOT projects. Councilor Gore asked if there wasn't enough revenue coming in for two years how can it be sustained, especially now with the cost of reoccurring positions and reoccurring pay grades.

Mr. Altman explained that due to COVID-19, the I-295 funding took the biggest hit, as police officers were not out writing tickets during the pandemic. With increased activity on I-295, these dollars will recover. There was a lengthy discussion regarding what the I-295 funding covers. (These funds are the main source of the capital funds.) Now that issuing tickets have resumed, Mr. Altman stated that the capital funds will recover over the next year, with anticipation of additional expense and revenue increases on the capital side. Mr. Altman hopes that Council won't have to make as large a transfer as they are doing this year, but if no transfer is needed, that's good, but if needed, Council can use the 2nd year of the American Rescue Plan Act funds to fill a void. He also anticipates that two years from now, the City will be back to where it was before.

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Councilor Gore asked Mr. Altman about the on hand balance in the general fund for unassigned money. Mr. Altman stated that there was probably at least \$5 million in cash sitting outside of investments and other items, if he recalls correctly. Councilor Gore made a request to have someone in Finance provide an estimate to Council, and asked if Council was drawing from that number (\$5 million) again this year. Mr. Altman responded negatively; explained that the budget was based on revenue projections for real estate, machinery and tools, meals, lodging, and sales based on historic trends. This year, the City had a reassessment, and that number is for real estate. The total value times the tax rate is the amount of revenue received, barring what happens at the Board of Equalization. Every year, the City generates X number of dollars in tax revenue. For machinery and tools, the values are known, can see where they are treading. The Treasurer provides revenue through collections. The City is not dipping in anywhere. Money that is going to be generated in local tax revenue will fund the general fund. This year's expected money in the general fund is \$54,328,648. Of that, some will be coming from other sources, but we have a transfer of \$54 million, and out of that amount, \$500,000 will be transferred from the general fund over to capital fund. The unassigned fund balance was used this year for reoccurring PD positions, and had to fill that hole with reoccurring revenue. The budget that was presented does not use any unassigned fund balance and no savings account to balance the budget.

Councilor Gore gave the floor to someone else, stating that she will return to this discussion momentarily.

Mr. Altman acknowledged Councilor Pelham's raised hand.

Councilor Pelham asked for the cost of paying for medical insurance for employees, and was it more than \$338,000. Mr. Altman replied negatively; budgeted an increase of \$100,000, and ended up with a \$53,000 increase, with the City absorbing the increase in cost so as not to pass the cost to employees. Councilor Pelham thanked Mr. Altman.

Mr. Altman asked if there were any other questions or thoughts on the positions, and acknowledged Councilor Denton's raised hand. Councilor Denton's comment regarded the COLA increase options. She stated that she would like for Council to do option #3 if possible; the rental inspection program needs to be off and going in the City; the MUNIS administrator is needed; the animal shelter position is not that much in cost.

Councilor Pelham also agreed with option #3, speaking in favor of the MUNIS administrator as well as having an internal auditor. Her question regarded the importance of the rental inspection; if Code enforcement can inspect rental houses and apartments by invitation or by mandatory physical inspection. City Attorney Sandra Robinson stated that Code Enforcement cannot come inside anyone's residence.

Mr. Altman stated that although there have been instances in which Code Enforcement has been invited to inspect the inside of a property, they generally can only the outside, and inspect property maintenance issues from the outside, but unless invited, or as part of the rental inspection program, during a re-inspection, Code Enforcement cannot go inside.

Councilor Randolph spoke in favor of having a rental inspection person because Council wanted to expand that rental inspection program but delayed it waiting for a person to be hired. After a lengthy discussion regarding the prior rental inspector's issues, livability for residents, the need for more stringent rental guidelines, she concluded that housing situation must be addressed in this city for our constituents.

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After Councilor Randolph thanked Mr. Altman, Councilor Gore returned to the floor with her information, and while waiting for IT to enable her to host the meeting and share her information, Councilor Pelham asked Mr. Altman about the \$19,000 difference that was currently displayed in the FY22 budget, referring to the animal shelter position. Mr. Altman explained that the \$19,379 was the difference when the money is converted from the two part time positions into one full time position. That \$19,379 is the difference needed to make that happen. Councilor Pelham asked for the cost of a full time position without benefits, and after briefly excusing himself to retrieve information, Mr. Altman said that the full time custodial position at the animal shelter was \$29,000.

Once she was successfully able to host the meeting, she shared the Budget Resolution for FY20-21, Section 1, General Fund, describing where the operating budget was housed, and how the operating budget is considered assigned funding with other encumbrances, and how the other portion is considered the unassigned fund and divided in two categories: checking account for cash and rainy day fund. This is the resolution that was adopted by Council. After listing the appropriations, at the end of the resolution states how much that Council can spend, about \$58 or \$56 million, and what remains from that goes into unassigned funds, may go into rainy day fund, depending if the budget has increased, to make sure Council matched that 10%. She asked Mr. Altman if the revenue has reduced, then how was he extracting from anywhere else but Council's savings if the general fund is Council's budget and savings at the same time.

Mr. Altman reiterated that the unassigned money is not utilized in developing a budget, but is based on revenues that are going to be coming in; no rainy day money is used. At the end of the audit, when there is money left over, it goes into the unassigned fund balance. The City operates only on the assigned side.

Councilor Gore continued to press the issue of the assigned side being where the operating budget is located.

Mr. Altman and Councilor Gore discussed this matter at great length, and because this issue could not be resolved in the meeting, Councilor Gore requested to discuss this further offline with Mr. Altman. In the meantime, she stated her support of the rental inspection person and agreed with Councilor Pelham and Vice Mayor Partin on looking at some neighborhood improvements, and finding a way for citizens to realize what is in the Council's budget that directly impacting them in terms of what the constituents can see in their community to improve their quality of life.

Mr. Altman asked Councilor Gore if she was okay with the raise, and her answer was that in theory, but she need to have a discussion with him about the understanding she had of how the budget was broken down, and how this related to the school's money and the bus reserve, and Council's commitment to give the bus fund back to the schools until the audits were caught up, and if this is reconsideration, then this is another discussion to be had. Her concern was the addition of reoccurring costs to the budget, and the added money to be found for next time. Her final caveat regarded the use of the state and federal aid to cover these costs, but when the aid ends, the City will need to fill in those holes, and she wants a firm understanding with the \$500,000, and the money with the school and the bus fund, and how the CARES money will be used, because if revenue projection is not spot-on, the City will have to figure out how to recoup that money.

Mr. Altman acknowledged Councilor Randolph's raised hand.

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Councilor Randolph stated how last year's budget was created with emphasis on cutting costs to start fresh, without consideration of many other issues such as the infrastructure and flooding. She and Mr. Altman discussed the funding through congressional appropriations that will address flooding in 3-4 districts and the railroad crossing (four wards come together at that point in the City). Councilor Randolph thanked Mr. Altman for moving forward with that funding. She agreed that more spending means more holes to be plugged. She also mentioned that none of this information was shared with the Schools when Council met with them, and while she agrees with funding Schools, she stated that if Council keeps the \$1.8 million from the bus fund, then the full \$300,000 MUNIS conversion could be covered, considering that Schools is looking to get \$1.8 million, then an increase of \$1 million in the budget from last year, plus a \$600,000 increase in addition to everyone getting raises. She said that she would like to see Schools work a little harder with Council to try to figure out in this year's budget how they are all going to give and take, this is what Council needs to look at before this budget is finalized.

Vice Mayor Partin announced that the Mayor had to step away from the meeting and will not be returning. He also stated that he was not in favor of adding any positions at the expense of reducing the capital budget. He felt that a \$1.2 million capital budget for an entire city is very low. He stated that he would like to see some areas where there might be some cost savings that might be able to apply to the budget, maybe find a position or two or something along those lines with those cost savings. Vice Mayor Partin had a question regarding the projects that were submitted, when there was a discussion about street lighting with a cost of \$10,000. He asked if that amount was for the entire City. Mr. Altman responded negatively; to replace all the lights with LEDs would cost \$200,000. In theory, the cost savings would be in the annual bill that over a number of years would break even and save money.

After a brief moment away from the meeting, Councilor Gore returned with a question regarding the fire department. She asked for update on the position for the fire recovery program that was created 3-4 years ago. Mr. Altman replied that the recovery program is doing well; however, the individual who served in that position had left, and there were turnovers, the recovery program wasn't doing as well as last year. The position has since been filled. Councilor Gore then referenced the positions listed in the budget, and asked for an explanation of the Admins thought process for not supporting some of those positions and prioritizing those positions so that Council can take that into account.

Mr. Altman explained that the rental inspection position, aside from the MUNIS administrator, was considered the most important position moving forward, and the neighborhood planner was placed high in priority. He discussed the need to ramp up the rental inspector program since his return. While he doesn't disagree with downtown Wi-Fi, and rolling out Wi-Fi rolling out, and given a limited amount of money to work with, the IT/MUNIS Admin position directly benefits more departments. When he can see what the call volume looks like for Wi-Fi issues, then he will look toward next year's budget with Wi-Fi included. For the animal shelter position, they had a hard time keeping a person in that position, knowing that the state does audits of the shelter, the shelter was managed by other personnel, like the police or animal control officers. As for the fire department, fire fighter positions haven't been added in a number of years; it is a huge reoccurring hit to the budget. There is a safer grant program similar to the police department; apply and the federal government will provide 100% for the first year, then steps down and by year 3 of 4, the City can take over. If Council is interested, he can discuss this with them. In general, he stated that there wasn't much conversation regarding the addition of positions; for the first two years it was a definitive no, and last year, there was a discussion but because of COVID-19, outcomes were unknown. This year, with the increase in revenue, there is a limited ability to add positions, so these were the priorities placed, the need to improve the quality and standard of rental properties in the

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community, helping internally with IT/MUNIS Administrator and have a go-to person to help with MUNIS issues.

Councilor Gore made a request for the information regarding the grant for the fire department, and then she and Mr. Altman had a lengthy discussion regarding the school's \$1.8 million coming back from the 2018 audit, the 5% raise and the class and comp study. She stated that at the last work session with schools, Council listened to what Schools discussed it was an opportunity for Council to chime in with or state its position other than to ask questions, and if there is another joint work session with Schools, that would be great. She added that adopting and implementing a strategic plan would be helpful so that all are aware of what can be accomplished, what is needed to appropriate for earmarked funds, and tell the public what Council is striving to achieve. If there is a way in this budget to pull out what might be something for citizens to see what going on with their dollars in the budget.

She and Mr. Altman had a lengthy discussion regarding adopting and implementing strategic plans and how the City had changed the budget format to show and match increases or new programmatic initiatives. Discussion ended with Councilor Gore thanking the City Manager for his input.

Vice Mayor Partin asked Council if there were any more questions for Mr. Altman, and there were none. He then asked Mr. Altman if he had any more information to share. Mr. Altman said no, and continued his presentation of the list of all capital projects available for Council's review. He thanked Council on behalf of all the employees for their willingness to consider a 2.5% cost of living increase, and concluded the presentation of the COLA options of the FY2022 budget

Vice Mayor acknowledged Councilor Pelham's raised hand. Councilor Pelham asked that when Mr. Altman revisits the budget with the COLA in the positions to provide the options to Council. Mr. Altman stated that he will put the raise in the budget proposal, decide the position and then allow Council to have a discussion.

Vice Mayor Partin asked if there were any more questions or comments, and Councilor Pelham asked Mr. Altman a question regarding Healthy Families. Mr. Altman discussed the matter of the employees of Healthy Families as City employees as they have been regarded for years or become outside of that; the issue was never revisited. Mr. Altman noted that they have served more of Hopewell's youth this year more than in the past five years. Councilor Pelham stated that a decision concerning the Healthy Families staff should be considered before the budget is over and the City Manager has to bring options to Council. Mr. Altman agreed. City Attorney Sandra Robinson added that she will be available to assist him.

A motion was made by Councilor Denton and seconded by Vice Mayor Partin to adjourn the meeting.


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At the roll call, the vote resulted:

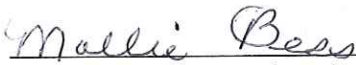
Vice Mayor Partin	-	yes
Councilor Denton	-	yes
Councilor Pelham	-	yes
Councilor Gore	-	yes
Councilor Randolph	-	yes
Councilor Holloway	-	yes
Mayor Bennett	-	absent

Motion passed 6-0

Vice Mayor Partin thanked everyone and the meeting was adjourned.



Patience Bennett, Mayor



Mollie Bess, Acting City Clerk