

MINUTES OF THE SPECIAL MEETING OF CITY COUNCIL HELD MAY 12, 2022

A Special Meeting of the City Council of the City of Hopewell, Virginia, was held Thursday, May 12, 2022 at 6:30 p.m.

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

ABSENT Patience A. Bennet, Mayor, Ward 4

John March Altman, Jr., City Manager
Cynthia Hudson, Acting City Attorney
Mollie Bess, City Clerk

Vice Mayor Partin called the meeting to order.

ROLL CALL: Mayor Bennett - Absent
Vice Mayor Partin - Present
Councilor Randolph - Present
Councilor Holloway - Present
Councilor Gore - Present
Councilor Denton - Present
Councilor Pelham - Present

Motion was made by Councilor Randolph and seconded by Councilor Gore to allow Councilor Holloway to join the meeting remotely. Ms. Holloway stated that her reason for remote was medical and that she was joining from her home.

ROLL CALL: Councilor Gore - Yes
Councilor Denton - Yes
Councilor Pelham - Stepped Away
Councilor Randolph - Yes
Vice Mayor Partin - Yes

Meeting was called to order by Vice Mayor Partin and then turned over to Council Gore, who called the meeting, for opening remarks. Councilor Gores stated that she called this meeting to answer questions about where we are financially with the budget and some other questions.

Since the Treasurer and Commissioner of Revenue need to leave early, Councilor Gore asked for Deborah Reason, Commissioner of Revenue to approach and speak first.

Ms. Reason stated that she is here to answer any questions that City Council may have. The Personal Property bills for personal property, it does not have to on tonight. The M&T tax rate does have to be decided tonight. This is wher3e we stand since the billing is gone, not collections, just billing. Councilor Gore stated that the ask was to talk about the personal property tax relief discussion that was being held earlier, give info on that please. Ms. Reason stated that the NADA values have been raised, not by us, but by the national book. Different localities have been trying to find a way to lower the tax rate or to

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compensate the citizens for that raise. There are different scenarios, she does not recommend messing with the PPTRA in the scenario. The reason for this is, that does not cover any vehicles over \$20,000, does not cover trucks and it does not cover any business vehicles. There will not be parity across the board for your tax constituents. Other localities have already done their billing and taxpayers are having issues with the PPTRA being adjusted because it does not affect everyone, there are different categories. In the personal property tax relief guidelines, you cannot give it to a business vehicle, or large trucks or any vehicle valued over \$20,000. Councilor Gore asked Ms. Reason for her recommendations. Ms. Reason said her recommendation would be to change the tax rate. If the tax rate cannot be changed, then the only alternative is to have the Treasurer do it after we find out if we will have a surplus and if Council deems that they want to do that. Those are the two big choices. Councilor Randolph – if we set the tax rate exactly what it is today and there are no changes, up or down, and vote on it to be the same, we can always look over it later in the year, is that correct? Ms. Reason stated she did not believe so, she said if the tax rate is not set now, it can be set later in the year. Ms. Reason stated that she had written for an extension to the State Tax Department and am waiting on a response to that email. Our bill are not due until February of next year so we have the luxury of trying to get better totals. Councilor Gore ask for clarity for all of Council, when you say getting the totals or numbers accurate in the book, what is the issue you are trying to address? Someone noted that there is something that has not been done in a number of years or there is something we are trying to correct, can you bring us all up to speed on that? Ms. Reason stated that the Treasurer may need to be addressed with that. Ms. Reason has had her staff work on some totals and they came up with some totals for the PPTRA and she has given that to the Treasurer, Ms. Foskey and she is looking to see if she ties back into what Ms. Reason has given. Ms. Foskey and Ms. Reason are working together with this. It looks like we are in an \$18,000 surplus, we are not in a deficit. Councilor Gore asked that we scheduled a Work Session to go over all of the information being ask of the Treasurer and the Commissioner of Revenue.

Councilor Gore then invited the Treasurer, Ms. Shannon Foskey to the podium to speak and bring Council up to speed on anything going on in the Treasurer's office. Any concerns or needs in regard to reconciliation, posting, staffing, to talk about the budget process and find a resolution to get current. Ms. Foskey proceeded to share that FY15 is as far back as she has looked, since then she has been told that they are lacking internal controls and training for staff. She has hired staff for the Treasurer's office and is aware of budget concerns, but needs more money to hire a qualified accountant as a Chief Deputy. The salary of \$70,000 is the low end for a CPA salary. She would also like to create a new position to focus on reconciliation, this has to be a focus, not just catching up but correctly performing in FY22 and FY23. Going forward she is pushing for reconciliations to be done through Munis, but to do this, staff will need additional training in Munis, it is not currently being used to its full potential. The internal control issue has to be addressed. Councilor Randolph asked for her to elaborate on the corrections that need to be made. Ms. Foskey stated that right now they are working on July FY18 and yes, corrections need to be made. There are large corrections that need to be processed and put in revered and placed into the correct option. We know everything has been closed at this time and we cannot fix anything reflecting FY19. Council Randolph asked about CASH, are we any closer to understanding the Cash and where it all is and is that another area that will take a while to get up to date due to corrections? Ms. Foskey responded – Yes. Councilor Denton stated to Ms. Foskey that in her budget there was an increase of \$139,710, will that take care of the additional people and is that in this figure that Council has for the budget? Ms. Foskey stated that she was not aware of that amount, but, she believes we should be able to get a CPA and a Chief Deputy for that amount. Councilor Denton asked if that amount was sufficient for her needs and Ms. Foskey stated that she would like to meet with Mr. Terry, Financial Director to see if maybe additional money may be needed. Councilor Gore asked what number are you looking at for the CPA positon to be competitive, would use this position as the Chief Deputy versus a CPA, as a CPA would be too expensive. So she would stay at the \$75,000 range. In terms of journal entries, there is a request in

the budget to have someone to help with reconciliation, however, I agree with you Ms. Foskey that we need to have someone doing real time reconciliations and someone else doing past reconciliations. Councilor Gore asked if Ms. Foskey needed two position because it appears she only asked for one in her budget, she didn't request two, but she needs both. What did you mean by some things can't be fixed because Munis closed one book out, it appears things are known that are errors, some small, some large, don't know what they are, but that they exist. If the book is closed how are they getting fixed? Ms. Foskey responded that we have a separate FY13 that we are putting the funds in to make sure they are accounted for. Gore – So errors are being worked on but have to wait to fix them and then transfer them over to put into FY19. Gore requested memo to Council from Ms. Foskey on her take on what internal controls she is referring to that need to be considered and what internal controls need to be changed for Council to consider supporting. Councilor Pelham stated that her recommendation would be to cut every department by 10%. Councilor Gore asked again for a breakdown of internal controls and for Ms. Foskey to work with the Mr. Altman, City Manager and Mr. Terry, Finance Director to go over the budget request as it was given to Council to make sure we are on the same page and if you need to put in the ask for the second position. Councilor Gore would like to know for 2019, not every error, but the major errors that you are uncovering. Furthermore, you mentioned that reconciliation is being done on paper, which is alarming because we have a whole module for it in Munis, why is it not being done in Munis? Ms. Foskey – It is being manually put into the system because right now we do not have the opportunity to dump it into the system and let it merge over. Mr. Terry responded that Munis has the capacity to do automated reconciliation, the process that the prior Treasurer and prior administration started working with the finance department to get that going, most of that has done. Munis was involved in that as well as the IT Director coordinating that. That had been recognized maybe over a year ago, the progress had moved to a point where at least in the finance department, they were hoping that they would be in a mode before the previous administration turned over to the current treasurer. They were hoping that there was at least one month of testing implementation, but that did not happen. That is the deal on Munis, going backwards from that, the reconciliations had primarily been done manually on worksheets. So when we come to you and say we have to close the books and rebuild, we have to wait on certain things, and that is the case. Councilor Gore asked where are we at now, since the new Treasurer has been in office for five months and if you thought we were ready to go right before she was going to come in, so where are we at with launching the reconciliations with Munis? Mr. Terry stated there is certain information that is needed from the bank, it is a requirement of having the bank involved, Munis involved and the Treasurer's operation and Finance operations, they have been working as a team. Ms. Foskey indicated that Depo which is Mr. Terry's financial assistant indicated that he wanted Ms. Foskey to go through and do from January 2020 every year until now so that we will be able to move forward with the automatic reconciliation. Councilor Gore asked what the next part is. Mr. Terry stated that they are now in implementation phase, implementing the automated recon and this is only the city side, schools are not on that. Need to go through a month of reconciliation and does not know the timing now, will have to get current to see exactly where we are.

Vice Mayor Partin stated we are now moving on to item number 3, Revenue Actuals – FY19, 20, 21 & 22, Fire, Medicaid Reimbursement Recover Projections FY23. Councilor Gore stated that with this item she wanted to capture the actual revenue items collected for all revenue funds; Real Estate, Personal Property, Meals, Lodging, Business Personal Property, and Fire Medicaid. In regard to Business License, Councilor Gore indicated that something had been brought to her attention in reference to SCC and business license and she would like an update from Ms. Reason on what that was about and if anything could be done for it. Ms. Reason indicated that apparently upon something being posted from another office, what happened is it posted every one of the Commissioner of Revenue's business licenses for this year before they were even done, collected, put in the system, anything. Every single license in the City's there, with no bill out there, no collections, no nothing. Mr. Altman noted that there was an issue

between Development and the office of the Commissioner of Revenue Office, where Development sent out letters with regard to 501C3's. Development sent out letters to people because they did not, (the Commissioner decides whether or not they need a business license or not), need a business license, but what they needed was a zoning approval, most were home occupations listed that way. When the letter was sent out by Development it indicated they had to get a business license, but that was not correct. Councilor Gore stated that with the SCC as having businesses in Hopewell, but not having business licenses here. Mr. Altman stated that the letter that went out should have stated that they needed a zoning permit not a business license because the Commissioner determines whether or not they need a business license. The letter has since been changed

Item No. 3 – Outstanding Tax Amount. Mr. Terry indicated that the latest collection projection rate that we received that this FY23 budget is based on is from the Treasurer as of 12/17/21 and the real estate percentage collectability was set at 95% and personal property was set at 92%. The actual collection analysis for real estate and personal property is for 2019, 2020 and 2021, note that the June real estate deadline was extended last year, so that number is going to be a little weak. Which means in our current fiscal year that amount will be collected. We have real estate at 92.6% for 2019, for 2019 the amount that was budgeted was \$5.5 million and collected was 6.1, so there was a 110.9% collection on that. Going to 2020 for real estate, we had \$15.2 million and we have collected \$14.1 of that, which means that real estate for 2020 was 93.2% collected, we are looking at about \$1 million that is still out there to be collected. Moving to personal property for FY2020 we were at \$5.7 million being the budgeted amount and we collected \$6 million, so we are at 105.4% of collections for the personal property. Looking at 2021 real estate, the budgeted amount for that year is \$15.4 million and we have collected roughly \$10 million and outstanding is \$4.8 million. This is a low number of 68.8%. There is a footnote that was put in stating that the real estate deadline was extended, which means that in the FY where we are now, collections are coming in, an accounting is going to have to be done and a analysis to know how much of what we are collecting now is really going back to that year to post it. Good news is when you extend, it works, it's helpful, but what you collect in the new FY is going to have to be matched up to the year where the receivable was related to. Personal property for 2021, budgeted was \$6 million and we were at actual at \$5.5 so we are at 92%. Business Property – in Munis that is not itemized out, it is all included in personal property. For Meals and Lodging – the Capital Project Fund, in FY2019, during those years the City was recording rooming and food in this particular account. When we rolled forward in FY20, we established what is called a debt service fund, so now there is a separate fund. Update sent by ERP administrator project manager to Mr. Terry's finance deputy stated "we have been able to update the meals and lodging, the Treasurer's office has been trained on this process which appears not to have been taken place since mid-2019". Which means the Munis system that we have in place now is working the way it is supposed to be, we are now able to have someone work on the current front end and there were some deficiencies, since 2019 the actual posting had not been working. The current fiscal year is working and that has been recorded. In 2022 there are actuals of \$218 million, in room tax we have right now approximately \$810,000 in 2022. The batches that were not processed prior to May 2021 are not available in our system for posting, these batches may have been lost when Munis was upgraded. Since no one was informed of this Tyler (Munis) is looking into these batches and if they cannot be located finance will have to get with the Commissioner of Revenue to find a method to correct the GL meaning go through a manual process to actually book them. At the end of the day it does not affect our projections, we know it is there, it has to be put in the right bucket. Mr. Terry indicated that his staff has been asking for items from 2018, 2019, 2020 and 2021 to be posted and closed. Things were not posted well in 2016, 2017 and 2018 so this is not just now. Councilor Gore asked if we could lose some of this collection because of what happened. Mr. Terry is reluctant to say it is lost, it will be in the hands of the new Treasurer as it is a process to it. Councilor Gore asked why these issues had not been brought to the attention of Council, since they had been going on for quite some time. Ms. Reason indicated that her

office had just found all of this out recently. It came to light when all of the issues with the business licenses happened recently. This is all happened because of posting that were not done in the previous years. Councilor Gore asked if the issue of posting ties in with the collection of the money. Mr. Terry responded that one of the things that has to be done to answer that question is to look at the older receivables, look at what was collected and what was not. He has not gotten to a point where they can answer the question yet as to saying that money was lost, but once it is looked at and discuss the receivable that are still outstanding, they can go back to the current Treasurer that is in place and her do a review to see what is going. He is reluctant to say it is lost, it is a process you have to go through when you are doing past due receivables. Councilor Randolph asked Mr. Terry what has been put in place for going forward with any Munis upgrades to ensure that the departments are doing their runs for previous versus after and if they are checking them. Is there something that can put in financially system wide to ensure that everyone is done before the upgrade is done and we could run the testing afterwards that we can actually check off to make sure it is done. Mr. Terry responded that it is a good idea to have the ERP person sit down with the departments and let them know that this is the protocol, you have to send your people to go through the test, the training. They have been doing that anyway, but it is best to have an individual actually get in there and be a mentor or a guide.

The next item on the agenda is Mid-Year Salaries. Council Gore stated that this is a repeat from the Tax Proposal Meeting, everyone was inquiring as to how we arrived at the \$1.8 million for salaries and at that time Council was informed that benefits and VRS were not originally calculated and what Council passed. So the question was asked what was the difference and how did we get to the \$1.8 million and how is it being paid for now. Mr. Terry stated that the FY22 adopted budget that was of July 1, 2021 plus the mid-year raises and that include the Munis, salaries, vacancies and related costs to salaries which was FICA, Medicare, VRS, VRS life, Disability, Workman's comp and then there was a category that was approved called prior service. That is what the FY23 budget is based on and not the step increase. Next was discussed the Sherriff's raises, followed by Police, Fire and Public Works were each discussed individually. If you take the original plus the budget resolution for salaries, you come up with what is now called the revised FY22 Budget. Finance then took how many payrolls they were between now and June 30 and there were estimating there were 5 payrolls. Of those 5 payrolls by the categories that we have now in terms of budget available by those departments, we determined an estimated need of budget to cover, the difference between that and your available budget is what is remaining and that will cover all of the costs.

The next item is Current Salary, Vacancies & Interim Positions – Mr. Terry indicated that salary savings in the current year has no effect on the proposed FY23 Budget. The Munis system pulls vacancies as of an effective date, if we could get a cumulative report we would start at June 30, 2021 or July 1, 2021. The request is understood, but system limitations prevent us from providing the requested information.

Moving on to Industry Rebate/Tax Incentive – Mr. Altman stated that the industrial rebate that the plant managers spoke to is, each year when you close out they get a rebate based on their bills when it is paid in and what is settled out. What the Commission agreed to years ago was that those rebates would be settled out with the completion of the audit for that particular year. What industry is asking is that they get them all now outside of the audit. Councilor Gore stated that she was looking for the outstanding amount. Mr. Altman explained that because we are doing the work, we are doing in conjunction with the audit, he does not have that number. We are waiting for the audit to be done to go back and do that work. We are current as of 2017 and 2018 is being completed.

Next on the agenda is Citizen Comments – Ms. Bess, City Clerk read aloud the Citizen Comments from 3 citizens in reference to the M&T Tax Rate increase. All were in favor of increasing the M&T Tax Rate from \$3.05 to \$3.10.

Motion made by Councilor Randolph and seconded by Vice Mayor Partin that we increase the Machinery & Tools Tax Rate for calendar year 2022 to \$3.10 per \$100 of assessment.


ROLL CALL:	Councilor Gore	-	yes
	Councilor Denton	-	no
	Councilor Pelham	-	yes
	Councilor Randolph	-	yes
	Councilor Holloway	-	yes
	Vice Mayor Partin	-	yes

Motion Passes: 5/1

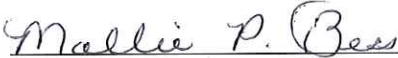
Motion made by Councilor Gore and seconded by Councilor Randolph to adjourn

Motion passes unanimously to adjourn.

Meeting adjourned



Patience Bennett, Mayor



Mollie P. Bess, City Clerk