MINUTES OF THE JANUARY 21, 2025, CITY COUNCIL SPECIAL MEETING

A SPECIAL meeting of the Hopewell City Council was held on Tuesday, January 21, 2025, at 6:00 p.m.

PRESENT:

John B. Partin Jr., Mayor
Rita Joyner, Vice Mayor
Michael B. Harris, Councilor
Ronnie Ellis, Councilor
Susan Daye, Councilor
Yolanda Stokes, Councilor
Dominic Holloway Sr., Councilor

Councilor Stokes makes a motion to allow Councilor Holloway to participate virtually. Councilor Ellis seconds the motion.

ROLL CALL

Councilor Ellis-	Yes
Councilor Daye-	Yes
Councilor Stokes-	Yes
Councilor Holloway	Abstain
Vice Mayor Joyner-	Yes
Councilor Harris-	Yes
Mayor Partin-	Yes

Motion Passes 6-0

SPECIAL MEETING

SB-1 – Finance Committee Report -CFO – Stacy Jordan, Finance Director

Stacy Jordan presented the second-quarter budget-to-actual financial reports, covering various aspects, including vacancy rates, midyear savings, overtime, collections, accounts payable, debt services, and a CFR update. For the second quarter, citywide revenues were trending $1.8 million higher compared to last year, while expenses were up by $1.2 million. However, overall, the city was $24 million under budget, with a target of $114 million by the end of the second quarter. A key due date for the City of Hopewell is February 15th for personal property bills. Notably, increased expenditures were attributed to a 2.5% salary increase given to employees last year.

In the General Fund, revenues were trending $1.2 to $2 million lower, with expenses $3.8 million higher for the second quarter. The city was expected to be around 50% of the budget, equating to about $34 million. A decrease in real estate revenues was noted due to delays in collections caused by a vendor issue. A $750,000 decrease in collections was linked to delays in sending out bills, with a further $650,000 decrease attributed to similar vendor delays. Additionally, there was a slight decrease in federal revenues related to the ARPA program.

Council members raised questions regarding the vendor delay, particularly concerning a change in vendors from BMS Direct to Divi Co. Maya, the staff member involved, confirmed that the bills, originally scheduled for mailing in mid-December, were delayed until January 3rd. Stacy confirmed that the issue had been communicated to the vendor.

Stacy provided an update on various financial reports, beginning with the Enterprise Fund, which is trending $1.5 million higher in revenues for FY25 compared to FY24, with expenses $1.99 million lower. A key reason for the lower expenses is the absence of emergency repairs at this time. She confirmed that efforts are ongoing to transition the stormwater fee from monthly billing to being included in real estate taxes, with a meeting scheduled to work through the necessary steps.

For the schools, revenues are up by $1 million, mainly due to an increase in state and federal funding, while expenses have risen by $400,000. Stacy also discussed departmental budget-to-actuals, noting that most departments are at or below the expected 50% spending threshold, with some exceeding it due to factors like consultant fees and upfront IT contract payments. Notable increases in overtime were highlighted, particularly in departments like police, fire, sewer operations, and social services, largely due to vacancies or inclement weather-related needs.

The midyear salary savings review revealed that $203,000 from the general fund and $339,000 from the enterprise fund could potentially be transferred to capital projects, with a portion earmarked for forensic audit payments. Overtime spending is generally under control, with sewer operations and stormwater experiencing some increases due to weather events. The city is processing invoices on time, with 1,854 invoices totaling $7.8 million processed in the second quarter.

Regarding debt services, the city is on track with debt payments, having paid 45% of the annual budget. Stacy also gave a CFR update, mentioning weekly meetings with external auditors and the ongoing process of finalizing fiscal year 2021 audits. Pending items were discussed, with a note that once 2021 is complete, the process for 2022-2024 will proceed more swiftly. A council member requested that any delays in obtaining information from auditors be promptly communicated to the mayor.

Stacy provided an update on the finance department's efforts to ensure compliance with the city's financial reporting requirements, particularly for fiscal year 2025. While the city may not meet the due date for submitting fiscal year 2024's audit, the finance team is focusing on preparing for 2025 by building the financial statements within the Tyler system, mapping accounts from MUNI, and planning a training session for the Tyler ASCFR Builder report on February 17th. The team has also caught up on monthly bank reconciliations.

Stacy mentioned that by the end of December, work on 2025 will be in progress, and a clean audit is not expected until December 2026. However, she hopes that with an adjusted trial balance for 2024 from David, the team can begin work on 2025 and finalize it once the 2024 audit is completed, ensuring a timely submission for the following years. When asked about the status of the adjusted trial balance for 2024, Stacy confirmed that no update had been received yet. She concluded by stating that was all the information she had for the evening.

Stacy introduced Mr. Sanderson with The Davenport Company to discuss bond rating.

Jimmie Sanderson from Davenport Company presented an overview of the City's financial situation, focusing on its tax-supported debt. He noted that the city has been managing its debt since 2015, with the last major transaction nearly a decade ago. The current outstanding tax-supported debt is just under $56 million, with $32.6 million remaining as of June 30. He highlighted the upcoming "put date" in 2028 for a $6 million loan, a scenario where the bank could demand full payment. Sanderson discussed the debt service structure, showing how the city's payments are set to decrease over the coming years, with significant drops in 2028 and 2030, eventually leveling off around $500,000 by 2036. He also pointed out that the city has been paying off debt aggressively, with an impressive 86% of debt scheduled to be paid off in the next 10 years, a result of limited borrowing since 2015. The presentation detailed how new debt could be layered into the existing structure for future capital projects without significantly impacting the budget. Additionally, Sanderson made a distinction between city general obligation debt and school-related debt, with the former accounting for $23.8 million and the latter $8.8 million. He concluded by touching on the city's credit ratings and the general obligation pledge, emphasizing the city's commitment to paying its debts even if additional revenue is needed.

Mr. Sanderson discussed the city's credit rating history, emphasizing the high level of confidence in its general obligation (GEO) bonds. He explained that the city's credit ratings were withdrawn in 2017 by all three rating agencies—Moody's, S&P, and Fitch—due to outdated audited financial statements, despite the city being rated in the double-A category by 2017. Moving forward, Sanderson distinguished between the city's two sets of enterprise fund debt: regional wastewater bonds and city sewer system debt. He detailed the regional wastewater bonds, which are shared by industrial users and the city, totaling about $5.7 million, and the city sewer system debt, which is approximately $19.8 million and primarily funded by residential and intergovernmental payments. He pointed out that the debt service for the regional debt will significantly drop after FY 2027, while the sewer system debt is structured on a level basis, making it easier to manage rate-setting. Sanderson also noted that the sewer system has a separate, solid credit rating in the A category. He shared insights into Moody's rating methodology, highlighting the city's strengths, such as its moderately sized tax base, and challenges, like a highly concentrated tax base and decreasing financial reserves. He emphasized the importance of maintaining healthy reserves and growing the tax base for a potential credit upgrade, warning that deterioration in reserves or an increase in debt could negatively impact the rating.

Mr. Sanderson explained the new rating methodology introduced by Moody's and S&P in 2022, which aims to be more transparent and quantifiable through a scorecard system. He noted that while the system is largely transparent, it still allows for subjective adjustments that can affect ratings. The scorecard evaluates four main factors: the economy, institutional framework, financial performance, and leverage (debt). He then walked through the specific categories of the scorecard, explaining how each factor is weighted and assessed. For example, the city's resident income and full value per capita were rated at the lower end of the spectrum, while other categories, such as reserves and debt-to-revenue ratios, were rated much higher. Sanderson highlighted that, based on data from the 2020 audit (and updated for 2023 where possible), the city scored a 3.31 on the scorecard, which placed it in the "AA2" rating category, an improvement from its 2017 position. This increase in rating was primarily due to stronger reserves and lower debt levels, despite some challenges like lower resident income. He emphasized that the withdrawal of the city's rating in 2017 was due to outdated financial data rather than poor financial health, and the improved score demonstrates the city's financial progress since then.

Mr. Sanderson compared Hopewell's financial performance with surrounding localities, using the same categories from the rating scorecard. He pointed out that Hopewell's resident income was at 63% of the national average, lower than some nearby areas like Chesterfield (131%) and Richmond (81%). In terms of financial performance, Hopewell had a 54% available fund balance ratio, which was higher than Colonial Heights and Petersburg, but lower than Chesterfield's 93%. For liquidity, Hopewell's ratio was higher than Colonial Heights and in line with Richmond. He highlighted that Hopewell's unadjusted score placed it at an "AA2" level, similar to other cities like Colonial Heights, but noted that Chesterfield and Richmond had been upgraded due to their metropolitan status. Petersburg, however, was downgraded from "AA2" to "A1" due to delayed financial reporting, which Mr. Sanderson emphasized could also affect Hopewell's ratings if audits were not consistently produced on time. He concluded by noting that once the city's audits were updated and consistently timely, it could approach a formal rating from the agencies, though this would take time to establish a track record of reliability.

Vice Mayor Joyner asked Mr. Sanderson about the timeline for Hopewell's ability to receive a credit rating after the city's first on-time, clean audit, which is expected in December 2026. She inquired about the timeframe for potentially issuing bonds once the city achieves three consecutive clean audits, which had been a criterion in the past. Mr. Sanderson responded by noting that while a credit rating is helpful for structuring debt, the city could still borrow through other avenues, such as banks, the Virginia Public School Authority, or the Virginia Resources Authority, even without a formal rating. He emphasized that the city's financials need to be up-to-date for banks to feel comfortable lending. He mentioned that as soon as the audits are completed and up-to-date, they can explore borrowing options with these institutions, potentially even without full audited financials, using unaudited statements to move forward. He acknowledged that while the situation is challenging, it's worth having conversations with banks and relevant authorities as the audits are rolled out.

SB-2 – **Treasurer's Report**- Mya Bolling, Treasurer Department

Mya Bolling presented the City of Hopewell's financial updates, starting with the weekly cash flow report for December 30, 2024. The city began with a cash balance of $13,000,400.00, received credits of $4,159,306.93, and had debits of $1,876,382.72, resulting in a net cash flow of $2,282,924.21, bringing the ending balance to $15,694,654.17. She highlighted discrepancies in cash flow for weeks 24 and 26, mainly due to payroll. Bolling also provided updates on tax collections, reporting good progress in areas like meals tax (94.95%) and business license collections (98.07%), with no major issues foreseen in meeting collection goals. Regarding real estate, machinery tools were almost fully collected, and personal property taxes were actively being collected, with some delays due to issues with billings sent out by a new vendor. She noted the extension for tax filings and the significant progress in collecting real estate taxes, with the first half at 98.83% and the second half at 93.82%. She also provided an update on the city's total cash and investments as of September 30, 2024, totaling $39,834,946.55.

Mayor Partin asked Mya Bolling about the possibility of splitting personal property tax payments into two installments, similar to how real estate taxes are paid. He suggested this could help with cash flow throughout the year, easing reliance on a single large payment. Bolling responded that this was the first time she had heard of such a proposal and clarified that no discussions had yet taken place regarding splitting personal property taxes. However, she confirmed that conversations had started with the Stormwater Committee to explore how best to implement stormwater-related initiatives for the city. Bolling acknowledged Mayor Partin's suggestion about splitting personal property tax payments and expressed openness to further discussions if the idea is pursued.

SB-3 – Hopewell Public Schools Discussion of Capital Budget Request for FY26-

Dr. Hackman introduced herself and the school board members, expressing excitement about working with the new city council members. She emphasized that the purpose of the meeting was not to discuss the school board's budget request but to highlight ongoing and increasing critical capital projects that the city has been unable to fund. Dr. Hackman explained that while some COVID recovery funds had been used for capital needs, many projects remain unfunded and delayed, increasing both risk and cost. She outlined a long-standing informal agreement between the school board and the city to roll over savings into a capital fund, which was eliminated years ago. Dr. Hackman emphasized the urgency of addressing these capital needs, as the longer they are postponed, the higher the costs and risks will be. She presented an updated list of unfunded capital needs, focusing on the "red" priority items, which are the most urgent and costly. These include replacing the HVAC system at Hopewell High School, estimated at $13 million, with three phases of funding required. Dr. Hackman also touched on the school bus replacement schedule, noting that buses are replaced based on various factors. However, there is no set retirement age or mileage limit prescribed by the Virginia Department of Education. She acknowledged the limited funding options and the challenges posed by the city's bond rating and borrowing capacity and expressed a commitment to exploring creative funding solutions.

Dr. Hackman continued her presentation by detailing the school system's ongoing and urgent capital needs. She explained that 11 buses will reach the 15-year mark next year, requiring replacement for safety and reliability, with a phased replacement plan extending through the 2028-2029 school year. One of the challenges is the long lead time for new buses, which is currently 1.5 to 2 years, making it difficult to align purchases with fiscal years. She also highlighted the need for an update to the HVAC control systems across schools to improve energy efficiency at an estimated cost of $2.5 million. Dr. Hackman discussed roofing issues at two schools, including a partial roof replacement at the middle school costing $1.5 million and necessary repairs at Harry James School costing $225,000. Additionally, the school board is working on making the school board office ADA-compliant, with a $400,000 project to install an elevator for wheelchair access to the third floor. She acknowledged that while this project is in the current budget, it will not be completed this fiscal year. Lastly, she mentioned the Woodlawn building project, which is significant but not yet urgent, though it could become a priority in the future. Dr. Hackman emphasized that the board is focused on addressing the most critical needs first and is open to answering specific technical questions. Vice Mayor Joyner asked for clarification on the term "RTU," which stands for "rooftop units."

Dr. Manker asked Dr. Hackman whether the school system had considered a leasing program for the buses to help address the replacement needs. Dr. Hackman responded that they have not fully explored this option yet but are actively looking into it. She acknowledged that leasing could help acquire the buses sooner and allow for payments over time, making it a viable solution to address the bus replacement challenge more quickly.

Councilor Stokes asked Dr. Hackman for clarification about the partial roof replacements, specifically if they were for Carter G. Woodson and Harry E. James schools, which are located in her and other council wards. Dr. Hackman confirmed this. Councilor Stokes then suggested considering Community Development Block Grants (CDBG) for the roof replacements, as they often fund low-to-moderate income projects, including roof repairs. Dr. Hackman responded positively, acknowledging that they had not been aware of this potential funding source but would look into it. Councilor Stokes emphasized that while the funding may not be substantial, it could help offset some costs, especially given the importance of these roof replacements.

Vice Mayor Joyner expressed concern about the HVAC issues at the high school, particularly the potential for a catastrophic failure, which could cause major disruption. A school board representative acknowledged the severity of the situation, explaining that some compressors had already failed prematurely due to water flow issues, with some lasting only two years instead of 15. They have been holding spare compressors to replace the failing ones during the hottest parts of the year, but the issues are significant, and warranties are no longer available due to the known water flow problems. A school board representative added that while temporary solutions like relocating classrooms and bringing in small cooling units have been used, they are becoming unsustainable, and there is a growing concern about running out of space for classes, which could require temporary housing. The HVAC issues are the school's top priority.

Dr. Hackman and Janet English discussed their monthly financial projections, specifically focusing on projected savings. Dr. Hackman highlighted that savings from vacancies, mainly due to the difficulty in hiring teachers, amounted to over a million dollars. These savings were used for unforeseen expenses, such as paying for teacher agencies. Dr. Hackman also mentioned the possibility of utilizing savings for capital projects, such as purchasing buses, and they explored financing options for HVAC system replacements. They noted that performance contracting could offset some costs through energy savings from new systems. Both acknowledged the urgency of addressing these issues, particularly given the projected $600,000 boost from the caboose bill. The conversation shifted toward potentially rolling over unspent funds for future capital projects, which could help with funding these larger needs without overburdening the city's budget. Janet English emphasized the importance of a clear policy framework to support such a process, and both sides expressed interest in revisiting previous practices that allowed for the re-appropriation of funds for specific school projects. The meeting concluded with optimism about finding collaborative solutions for the district's pressing needs, including urgent capital projects and infrastructure improvements.

CLOSED MEETING

Councilor Holloway moves to go into closed meeting pursuant to Va. Code Section § 2.2-3711 (A) (1) to discuss and consider personnel matters, including board and commission appointments; the assignment and performance of specific appointee and employees of City Council, and to the extent such discussion will be aided thereby. Councilor Ellis seconds the motion.

ROLL CALL

Councilor Ellis-	Yes
Councilor Daye-	Yes
Councilor Stokes-	Yes
Councilor Holloway	Yes
Vice Mayor Joyner-	Yes
Councilor Harris-	Yes
Mayor Partin-	Yes

Motion Passes 7-0

RECONVENE OPEN MEETING

Vice Mayor Joyner makes a motion to come out of closed meeting. Mayor Partin seconds the motion.

ROLL CALL

Councilor Ellis-	Absent
Councilor Daye-	Yes
Councilor Stokes-	Yes
Councilor Holloway	Absent
Vice Mayor Joyner-	Yes
Councilor Harris-	Absent
Mayor Partin-	Yes

Motion Passes 4-0

CERTIFICATION PURSUANT TO VIRGINIA CODE § 2.2 -3712 (D): Were only public business matters (l) lawfully exempted from open-meeting requirements and (2) identified in the closed-meeting motion discussed in closed meeting?

ROLL CALL		
	Councilor Ellis-	Yes
	Councilor Daye-	Yes
	Councilor Stokes-	Yes
	Councilor Holloway	Yes
	Vice Mayor Joyner-	Yes
	Councilor Harris-	Yes
	Mayor Partin-	Yes

Motion Passes 7-0

Vice Mayor Joyner makes a motion to approve the client engagement agreement with Sans Anderson for interim city attorney services. Councilor Holloway seconds the motion.

ROLL CALL		
	Councilor Ellis-	Yes
	Councilor Daye-	Yes
	Councilor Stokes-	Yes
	Councilor Holloway	Yes
	Vice Mayor Joyner-	Yes
	Councilor Harris-	Yes
	Mayor Partin-	Yes

Motion Passes 7-0

Vice Mayor Joyner makes a motion to appoint Roberts Gaines to the Board of Zoning Appeals, Brenda Pelham to the Hopewell Redevelopment Housing Authority, and Domonic Holloway to the Virginia Gateway Region Board. Councilor Stokes seconds the motion.

ROLL CALL

Councilor Ellis-	Yes
Councilor Daye-	Yes
Councilor Stokes-	Yes
Councilor Holloway	Yes
Vice Mayor Joyner-	Yes
Councilor Harris-	Yes
Mayor Partin-	Yes

Motion Passes 7-0

ADJOURNMENT:

Respectfully Submitted,

Brittani Williams

Brittani Williams, City Clerk

Johnny Partin, Mayor