

MINUTES  
CALLED MEETING  
MAY 31, 2022

A called meeting to hold a work session of the Council for the City of Covington was held on Tuesday, May 31, 2022 at 5:30 p.m. in the Council Chambers of City Hall located at 333 W. Locust St., Covington, VA.

The meeting was called to order by Mayor Thomas Sibold, Jr. with members present as follows: Mayor Sibold, Vice Mayor David S. Crosier, Councilman S. Allan Tucker, and Councilman William E. Carson, Jr. Councilman Raymond Hunter was marked absent from the meeting at the request of Mayor Sibold.

Also present were City Manager Krystal Onaitis and Finance Director David Bryant.

Vice Mayor Crosier inquired about making the Historical Society a line item. Ms. Onaitis suggested half coming from the City Manager contingency and half coming from Council contingency. Vice Mayor Crosier agreed. She stated that the Historical Society was a new organization as far as direct money is concerned. She stated that the city has always given them in kind support, such as providing the facility or the custodial and utility expenses, so she wanted to address the Historical Society with Council.

Mr. Bryant agreed that for first time funding, \$2,500 would come from City Manager contingency and \$2,500 would come from Council contingency.

Mayor Sibold advised that he will obtain input from Dr. Linkenhoker for more clarification regarding the Historical Society's use of the funds.

Mayor Sibold discussed a significant loss of revenue regarding the Public Service Corporation/real estate tax for the Westrock biomass boiler at an amount of \$291,000, from 90 percent to 76 percent. He stated Council was advised there would be a gradual decrease in revenue over twenty years, down to twenty five percent.

Mayor Sibold inquired about the biomass boiler at Westrock (formerly Meade Westvaco). He stated that the Economic Development Corporation would have originally given tax incentives. He questioned why we didn't tax the electricity and that the value of the boiler should have been taxed. Mr. Bryant advised that the biomass boiler was taxed as real estate, not machinery and tools.

Mr. Bryant advised that depreciation caused values to drop, which is controlled by the State Corporation Commission. The minimum will stop at twenty five percent of the assessed value and could drop as low as three percent.

Mayor Sibold stated there was a fourteen percent drop this year. Mr. Bryant advised that the percentage also involves other taxation and that the drop also involved depreciation of property. He advised that depreciation has nothing to do with taxes, just the value of the property. He advised that taxes are generated in the Commissioner of Revenue's office. Mr. Bryant stated that depreciation is the taxable value; the percentage that property is taxed is seventy six percent in this scenario.

Mayor Sibold inquired about the value for the biomass boiler increasing a few years ago. Mr. Bryant advised that the year the value increased for the biomass boiler, there were a few state presentations at The Farmer's Market, where the value was increased. He was unsure of the amount of increase.

Mr. Bryant stated we need to ensure that the biomass boiler will continue to grow, and that the boiler will not operate in 25 years without upgrades. Vice Mayor Crosier added that equipment needed to be upgraded to neutralize depreciation.

Ms. Onaitis added that Westrock had agreed to significant upgrades to existing equipment. She commented that large scale work for the past two years was not at its normal level but attributed it to the Covid pandemic.

Councilman Tucker stated that Council originally thought they would receive machinery and tools tax from Westrock, but they are receiving real estate tax instead.

Mr. Bryant advised that the biomass boiler was taxed as real estate instead of machinery and tools, which is why the City of Covington could not provide tax incentives. He advised the 76-90 percent all work together, and the 14 percent impact was due to calculations, not depreciation.

Mayor Sibold addressed the significant personal property tax increase for the city. He stated that the Commissioner of Revenue (Cathy Kimberlin) had given them an original increase of \$494,934. Council was given options to offset significant increase regarding personal property taxation based on this amount instead of the proposed budget of \$310,000. The proposal given would not have worked out like Ms. Kimberlin advised if Council was notified of the \$310,000 budget. Council opted to leave the taxes as they were.

Mayor Sibold advised that the General Assembly had passed a bill giving the city the opportunity to give rebates on personal property taxes. He stated that past budgets showed increases of \$60,000-\$100,000 every year in personal property taxes.

Mr. Bryant advised there was a \$41,000 personal property increase in 2018/19 and a \$48,000 increase in 2020. He stated there was also a significant increase in delinquent collections. He was not sure when the rate was last changed, but said research is needed. When rates change, Council has the option of increasing real estate on regular properties (generate \$27,000-\$28,000 per penny); roughly the same on Public Service Corporation real estate. Mr. Bryant advised for a penny of real estate, Council would need to use 4-5 cents of personal property. He also stated that the values for real estate and personal property have gone up.

Mayor Sibold stated he still did not understand how they went from \$494,934 to \$310,000 and still had the same increase.

Ms. Onaitis advised the Commissioner of Revenue has to sign off and certify their projections and the Commissioner may have been conservative due to Council building the city's budget off of her projections. She stated that we may still see an increase the Commissioner proposed at the beginning of the year, depending on the rate of payments. She said that real estate projections are not based off of 100 percent of citizens making payments, thus the Commissioner being conservative.

Ms. Onaitis stated that the financial advisor provided guidance to leave taxes as is due to the City of Covington collecting taxes twice a year. If the taxes were changed prior to the June billing, it could cause a shortfall of funds needed to get through the year. The revenue that comes in at the beginning of June posts before July 1, and could have an impact on the revenue projections for the current year.

Vice Mayor Crosier expressed concern that their current system will not keep up with rising inflation regarding vehicles, gas, real estate, etc. stating the numbers will spiral down and the system will fail.

Ms. Onaitis reiterated the reason for being conservative using a "tight, shoestring" budget. She recommended having the finance committee to meet with Council periodically to discuss revenue and adjustments that may be needed on the city's operational side.

Ms. Onaitis also recommended finding a financial institution that may help the city accrue interest.

Vice Mayor Crosier questioned who was on the finance committee. He was advised that Mayor Sibold, Councilman Carson, Finance Director David Bryant, City Attorney Mark Popovich, and others were on the committee.

Mr. Bryant advised that sales tax revenues increased by \$178,000 due to the shopping habits of our citizens. If the numbers can sustain, it will help keep sales tax revenue steady.

Ms. Onaitis stated that as we go into December, they will assess whether numbers decrease for personal property and may need to discuss rebates or a percentage piece. She is unsure of where Munis (Covington's finance software) will be evolving at the time of their initial discussion.

Mr. Bryant advised that reassessments are carried out every 4 years, costing \$125,000 each time.

Mayor Sibold scheduled a public hearing for Tuesday, June 7, 2022, for Covington City Council to meet to discuss the budget and a meeting to vote on the proposed budget Thursday, June 14, 2022, at the Council Chambers on 333 West Locust Street, Covington, VA.

Ms. Onaitis stated that in the near future, Council needs to focus on renewal and replacement of water and sewer lines. She stated that the city has \$500,000 for projects and that the sewer lines needed replaced before paving.

Mayor Sibold advised the called meeting for June, 2, 2022 would be cancelled due to no further discussion needed for this particular agenda.

After no further discussion to come before Council, the meeting was adjourned.

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THOMAS H. SIBOLD, JR., MAYOR

ATTEST:

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KYLA D. CROSIER, CITY CLERK