

December 11, 2012

The regular meeting of the Council of the City of Martinsville, Virginia, was held on December 11, 2012, in Council Chambers, Municipal Building, at 7:30 PM, with Mayor Kim Adkins presiding. Council Members present included: Mayor Kim Adkins, Vice Mayor Kimble Reynolds, Gene Teague, Mark Stroud and Danny Turner. Council Member-elect Sharon Brooks Hodge was also present. Staff present included: Leon Towarnicki, Interim City Manager, Brenda Prillaman, Eric Monday, Linda Conover, Wayne Knox and Mike Rogers.

Following the invocation by Council Member Stroud and Pledge to the American Flag, the Mayor welcomed everyone to the meeting.

Recognition of outgoing Vice Mayor Reynolds: Mayor Adkins and fellow Council members made remarks on the Vice Mayor Reynolds' City Council service and how he had made the city better due to his service. City Council made a formal presentation of the Key to the City to outgoing Vice Mayor Reynolds. A reception honoring Mr. Reynolds was held at 6:30pm prior to the meeting tonight.

Addendum: Mayor Adkins announced 2 items would be added to the agenda.

EDC update: Mark Heath updated Council on activities of the M-HC Economic Development Corporation.

West Piedmont Workforce Investment Board update: Executive Director of the West Piedmont Workforce Investment Board, Kim Adkins, gave a comprehensive quarterly update on the WPWIB activities. Ms. Adkins called on Martinsville-Henry County Chamber of Commerce President Amanda Witt who then gave a quarterly update on the WPWIB's services to employers as the WPWIB funds the Chamber to administer its services to the business community.

Update from Dr. Nina Huff regarding citizen survey: Dr. Nina Huff with the Piedmont Governor's School updated Council on the citizen survey project being conducted by her students.

Fiber Optic feasibility study: Leon Towarnicki briefed Council on the feasibility study regarding possible expansion of the City's fiber optic system to establish direction forward with the project. At the November 13, 2012 meeting, a presentation was given to Council by Mr. Doug Dawson of CCG Consulting on the feasibility study just completed by CCG regarding possible expansion of the City's fiber optic system. The system currently provides a combination of telephone and Internet services for many City facilities as well as a number of private businesses. After lengthy discussion, staff was directed to set up a Council worksession to focus on the business model only expansion.

Southside Neighborhood meeting staff update: Mr. Towarnicki provided detailed information on specific areas of concern voiced by citizens and he pointed out that each concern has been addressed.

Organizational meeting date for City Council: Council agreed by consensus to set the Organizational Meeting for Wednesday, January 2, 2013, at 9:00 am.

Fire truck financing resolution: Mr. Towarnicki reported that a Resolution is required by Carter Bank & Trust in order to secure five-year financing, not to exceed \$460,000.00, to underwrite the cost for the purchase of a Pierce Pumper and to authorize the City Manager, Director of Finance, and City Attorney to execute the required forms and assurances on behalf of the City. On a motion by Gene Teague, seconded by Kimble Reynolds, with a 5-0 vote, Council approved the following resolution:

December 11, 2012

RESOLUTION

WHEREAS, the City of Martinsville issued a RFP seeking proposals regarding the purchase of a New Pierce Pumper; and

WHEREAS, the City entered into negotiations with the lowest bidder, Carter Bank & Trust for the purchase of said Pumper for a sum not to exceed \$460,000.00; and

WHEREAS, the City has previously authorized the purchase of said Pumper as an element of the approved 2012-2013 budget; and

WHEREAS, Carter Bank & Trust has offered to finance said purchase by reimbursing the City the amount thereof and taking from the City a lease-purchase agreement in the total principal not to exceed \$460,000.00 bearing interest at the rate of 1.60% per annum, which lease-purchase agreement will obligate the City of Martinsville to repay the aforesaid indebtedness in ten consecutive semi-annual installments, the first one not to exceed \$49,274.85 and remaining installments of not more than \$48,048.19, each commencing on the fifteenth day of August, 2013, and on the fifteenth day every six months thereafter until said principal and interest are fully paid, at which time Carter Bank & Trust shall convey title to said equipment to the City; and

WHEREAS, Carter Bank & Trust has requested that this transaction be approved by a resolution of City Council, and that the execution of the lease-purchase agreement between Carter Bank & Trust and the City be specifically authorized; now, therefore

BE IT RESOLVED by the Council of the City of Martinsville, Virginia, in regular session held on December 11, 2012 that the aforesaid transaction be, and it hereby is, approved in its entirety; and

BE IT FURTHER RESOLVED that the City Manager be, and he hereby is, authorized and directed to enter into that certain equipment lease-purchase agreement dated December 15, 2012 between Carter Bank & Trust, as Lessor, and the City of Martinsville, Virginia, as Lessee, obligating the City of Martinsville, Virginia to repay the principal sum of not more than \$460,000.00, with interest thereon at the rate of 1.60% per annum, to Carter Bank & Trust in 10 consecutive semi-annual installments, the first one not to exceed \$49,274.85 and remaining installments of not more than \$48,048.19, each commencing on the fifteenth day of August, 2013 and on the fifteenth day every six months thereafter until said principal and interest are fully paid, at which time title to said equipment shall vest in the City.

Attest:

Brenda Prillaman
Clerk of Council

December 11, 2012
Date Adopted

Fund balance policy approval: Finance Director Linda Conover reviewed the proposed fund balance policy advising that City Council is dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates. This policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as required by Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Adoption of this policy enhances the usefulness of fund balance information through clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type designations. There are some differences between fund balance and liquidity (cash-on-hand) because some assets reported in the governmental funds inherently cannot be spent – the nonspendable portion of fund balance. If resources are limited in how they can be spent due to externally enforceable legal restrictions, they roll into fund balance as restricted. If the governing body limits the use of fund balance, and that limitation can only be removed by that same governing body through similar action, those fund balance resources are considered committed. If a government has intentions for certain resources, but they are not externally restricted or committed through formal governing body action, those resources are considered assigned fund balance. If the general fund has net resources in excess of the other four categories that surplus is considered unassigned. After discussion, a motion was made by Gene

December 11, 2012

Teague, seconded by Kimble Reynolds, with a 5-0 vote, to adopt the proposed fund balance policy setting the 10% fund balance goal:

**City of Martinsville, Virginia
Fund Balance Policy**

I. Purpose

The City Council of the City of Martinsville, Virginia is dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates; and, therefore, formally establishes this policy for the City's Fund Balance. This policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

II. Components of Fund Balance

Fund balance is the difference between the assets and liabilities reported in a governmental fund; it is not to be confused with cash-on-hand. The following five fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- Nonspendable Fund Balance – amounts that are not in spendable form (such as inventory, prepaids, and long-term receivables) or are required to be maintained intact (endowment type funds);
- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, creditors, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed Fund Balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned Fund Balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; residual amounts in governmental funds other than the general fund; appropriation of existing fund balance;
- Unassigned Fund Balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

III. Committed Fund Balance Policy

The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a motion approved by the City Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

IV. Assigned Fund Balance Policy

The City Council has authorized the Finance Director as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

V. Minimum Unassigned Fund Balance Policy

The City will attempt to maintain an unassigned General fund balance in the general fund equal to or greater than 10% of operating expenditures.

VI. Resource Flow Policy

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

VII. Consolidation of Component Unit Year-End Fund Balance

Based on Budget Code in the Code of Virginia under section 15.2-2506 stating, "No money shall be paid out or become available to be paid out for any contemplated expenditure unless and until there has first been made an annual, semiannual, quarterly, or monthly appropriation for such contemplated expenditure by the governing body...", all appropriations lapse as of June 30 of each fiscal year. Prior to the completion of the annual audit, unspent funds remaining in the Component Unit – School Fund shall revert back to the General Fund. As with all City Funds, these funds may be re-appropriated for the following year, as approved by City Council.

Finance report: Finance Director Linda Conover presented the final finance report for FY12.

Based on actual figures and the FY12 re-appropriations as approved, the overall Fund Balance at the end of Fiscal Year 2012 is \$13,783,755, an increase of \$1,323,637 over Fiscal Year 2011. The unassigned Fund Balance, exclusive of Utilities, is \$4,151,074, an increase of \$1,710,713 over FY11's unassigned fund balance of \$2,440,349. Actual revenues for FY12 for all funds were \$95,731,215; actual expenditures were \$80,835,553. Adjustments made for depreciation and capitalization of assets in the Utility funds were \$4,123,633. Excess of revenues over expenditures for General, Capital and Utility Funds were \$16,606,051. Of these funds, \$10,834,782 was re-appropriated for use in FY13.

December 11, 2012

The draft version of the FY12 Comprehensive Annual Financial Report supports the information and is currently being reviewed for final approval and it will be presented to Council in early 2013. On a motion by Gene Teague, seconded by Mark Stroud, with a 5-0 vote, Council approved the finance report.

Update on possible local government impacts due to federal sequestration: Mr. Towarnicki provided an update on possible impact to local government in the event federal fund sequestration automatically occurs beginning January, 2013. Potential impact could affect bonds, 599 funds, HUD, unemployment benefits, etc. At this point, there is no clear cut picture of cuts and staff provided this update to advise Council and citizens that this issue is being closely followed.

Consent agenda: On a motion by Kimble Reynolds, seconded by Mark Stroud, with a 5-0 vote, Council approved the following consent agenda:

ORG	OBJECT	BUDGET ADDITIONS FOR 12/11/12 DESCRIPTION	DEBIT	CREDIT
FY13				
General Fund:				
01100909	490104	Advance/Recovered Costs		1,500
01211070	501400	Circuit Court - Bonus donation agreement with Judge Greer	1,500	
Total General Fund:			1,500	1,500
CDBG Fund:				
47102926	436428	Neighborhood Stabilization Program		25,350
47832379	508250	NSP3 - Land Acquisition	25,000	
47832379	505005	NSP3 - Administrative Costs	350	
Total CDBG Fund:			25,350	25,350

Business from floor: Dr. Mervyn King-commented on problems with skateboarders Uptown causing damage. Council directed staff to bring back proposals on limiting skateboard activity Uptown. Ural Harris-Stuart St.-concerns with city getting into cable business and delay in activity on Henry Hotel solution. Chad Martin-thanked Vice Mayor Reynolds for his service and thanked City for allowing a drop box for canned goods to be placed at City Hall. Ralph Lawson-on behalf of his wife, Kathy Lawson, former Mayor, Mr. Lawson thanked Mr. Reynolds for his service to the city.

Council comments: Turner-extended holiday wishes to citizens; Stroud-encouraged organ and blood donors. Vice Mayor Reynolds commented that it has been an honor and a privilege to serve the city.

Interim City Manager comments: Mr. Towarnicki recognized 5 city employees who are retiring with a total of 133 years of service and expressed gratitude for their lengthy service; expressed condolences to family of public works employee, Jeff Nelson, who passed away; praised city employees for their generosity in giving to the recent employee Tots for Tots campaign and the employee United Way campaign; pointed out city will follow state employee schedule for holidays.

Closed Session: In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Kimble Reynolds, seconded by Mark Stroud, with the following 5-0 recorded vote: Adkins, aye; Teague, aye; Stroud, aye; Reynolds, aye; and Turner, aye, Council convened in Closed Session, for the purpose of discussing the following matters: (A) A personnel matter as authorized by Subsection 1. (B) Consultation with legal counsel and briefings by staff members, attorneys or consultants pertaining to actual or probable litigation, or other specific legal matters requiring the provision of legal advice by such counsel, as authorized by Subsection 7. At

December 11, 2012

the conclusion of Closed Session, each returning member of Council certified that (1) only public business matters exempt from open meeting requirements were discussed in said Closed Session; and (2) only those business matters identified in the motion convening the Closed Session were heard, discussed, or considered during Closed Session. On a motion by Kimble Reynolds, seconded by Mark Stroud, with the following recorded 5-0 vote: Adkins, aye; Reynolds, aye; Teague, aye; Stroud, aye; and Turner, aye, Council returned to Open Session.

There being no further business, the meeting adjourned at 10:31 pm.

Brenda Prillaman
Clerk of Council

Kim Adkins
Mayor