

April 8, 2014

The regular meeting of the Council of the City of Martinsville, Virginia, was held on April 8, 2014, in Council Chambers, Municipal Building, at 7:30 PM, with Mayor Kim Adkins presiding. Council Members present included: Mayor Kim Adkins, Vice Mayor Gene Teague, Sharon Brooks Hodge, Mark Stroud and Danny Turner. Staff present included: Leon Towarnicki, City Manager, Brenda Prillaman, Eric Monday, Linda Conover, Eddie Cassady, Wayne Knox, Mary Prillaman, Coretha Gravely, Marshall Thomas and Robert Fincher.

Following the invocation by Mayor Adkins and Pledge to the American Flag, the Mayor welcomed everyone to the meeting. Mayor Adkins noted an addendum will be added to the agenda regarding the Fair Housing Resolution and there will not be a report from EDC at tonight's meeting.

Minutes: On a motion by Sharon Brooks Hodge, seconded by Mark Stroud, with a 5-0 vote, Council approved the minutes of January 14, 2014 and January 29, 2014 meetings.

Police Department Citizen of the Year: Each year the Martinsville Police Department presents its "Outstanding Citizen of the year" award to a citizen for outstanding contributions to the community. Employees of the department submit nominations for the award to a Selection committee of 5 members of the department, who review the applications and then present their recommendation to the Chief of Police. Nominees for the award must be someone of good moral character with a good attitude towards law enforcement and must have shown support and/or concern for the police department in its efforts to better serve the citizens. Ralph Lawson and Kathy Lawson of 909 Barrows Mill Road were presented with the joint award this year.

Addendum-Resolution-Fair Housing: Wayne Knox reported that the month of April is designated as Fair Housing Month and as a recipient of Community Development Block Grant funds for the Uptown Commercial Improvement Project, New College Institute and administrators of the Housing Choice Voucher Program, we must perform a service of some sort. Each year as part of that service, we request City Council to pass a resolution declaring this particular month. On a motion by Gene Teague, seconded by Mark Stroud, with the following 5-0 vote, Council approved the following resolution:

**WHEREAS**, the City of Martinsville strives to promote principles of Equal Housing Opportunity by prohibiting discrimination practices in the sale, rental and financing of housing and in implementing its housing and community development programs in a manner to affirmatively further the purposes of the fair housing laws; and

**WHEREAS**, the basis for discrimination outlawed by the federal and state fair housing acts are race, color, sex, religion, national origin, handicap, age and familial status; and

**WHEREAS**, the City of Martinsville believes persons of similar income levels should have available to them a like range of housing opportunities and will work to promote equality and freedom of choice; now, therefore,

**BE IT RESOLVED** by the Martinsville City Council that, on this 8th day of April, 2014, in recognition of April as Fair Housing Month, it does hereby pledge to work with its citizens in pursuit of the shared goal and responsibility for providing equal housing opportunities for all persons.

Overview of April 7, 2014 Westside City Council Neighborhood meeting and tour: Mayor Adkins gave an overview of citizen concerns expressed at the April 7, 2014 Neighborhood meeting and tour and noted that city staff is currently addressing all issues.

Resolution urging state budget adoption: On a motion by Gene Teague, seconded by Danny Turner, with a 5-0 vote, Council approved the following resolution to be sent to state legislators:



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Business from floor: Gloria Hodge Hylton-402 Second St. commended Council on alert system, requested leaf truck more often and reported overgrown properties to be investigated; Ural Harris-217 Stuart St. electric costs questions and comments; Chad Martin-Axton thanked Council for passing resolution and made comments on the need to get the word out to citizens about the energy audits done by the city.

Council comments: Turner-pleased with race weekend turnout; Stroud-pleased with turnout at recent Neighborhood meeting and noted he will check with the Sheriff about cleaning off the playground area; Teague-reported citizen concern about stoplight needs at the intersection of Greyson and Liberty and the need for synchronizing traffic lights on Church St. at CVS and Hooker; Hodge-question concerning car wash drainage which will be followed up on by the city manager.

City Manager comments: reported citizens are again receiving notices about water line insurance and pointed out that is not sponsored by the city; reported a shredding service to be offered by the city is being investigated.

City Manager FY15 Budget Presentation: City Manager Leon Towarnicki provided the following information regarding the FY15 proposed budget for Council consideration:

<p style="text-align: center;"><b>CITY OF MARTINSVILLE</b></p> <hr/> <p style="text-align: center;">FY2015 Proposed Budget April 8, 2014</p> <p style="text-align: center;"></p>	<p style="text-align: right;">2</p> <h3>Introduction</h3> <p>Preparation of the FY2015 budget once again presented many of the same challenges seen in previous years – expenses and requests exceed revenue, no adopted State budget, use of fund balance, and how to fairly allocate limited resources to cover a wide array of needs. Despite the challenges, however, there are many positive things that have and are continuing to occur in Martinsville, as described later.</p> <p>The FY2015 proposed budget maintains the same level of services currently offered to the citizens and businesses of the City of Martinsville. No increases in tax rates, refuse collection fees, or electric rates are proposed, although it is recognized that an electric rate increase will occur in May. A modest increase in water and sewer rates is proposed, funding for high priority capital needs is proposed, and level school and most outside agency funding is also proposed. These and other budget issues will be outlined in more detail throughout this document.</p>
<p style="text-align: center;">3</p> <p>Developing the annual financial plan creates a unique opportunity for Council, City staff, and citizens to review and shape the direction City government is headed. While input is welcome at any time, citizens must realize they are the “stock holders” of this company and the upcoming budget process represents their annual “stock holder’s meeting”. Input from all is critical as we strive to make the most of the available resources that comes to this organization through the broad array of taxes, fees, licenses, and other revenue sources.</p> <p><i>Leon Towarnicki City Manager April 8, 2014</i></p>	<p style="text-align: right;">5</p> <h3>FY2014 Highlights</h3> <ul style="list-style-type: none"><li>- New College Institute – new construction</li><li>- Henry Hotel project</li><li>- High School Renovation Project</li><li>- Courthouse Project</li><li>- Fayette CDBG</li><li>- Growth/Expansion of Fiber/MiNet</li><li>- Liberty Fair Mall</li><li>- Liberty Street Widening project</li><li>- Nuisance Ordinance changes</li><li>- Continue to explore opportunities – LFG expansion, privatizing services, AMI/AMR</li></ul>
<p style="text-align: center;">6</p> <h3>FY 2014 Highlights continued</h3> <ul style="list-style-type: none"><li>- Potential transfer of Housing to Danville Redevelopment Housing Authority</li><li>- WPBDC – Mgmt. now under C-PEG</li><li>- Business Expansions – Stone Dynamics and Solid Stone Fabrics</li><li>- Economic development announcements on revenue sharing lots, new shell building</li><li>- Medical School</li><li>- Key Personnel changes (Human Resources, Public Works, Assistant City Manager, Police Chief)</li></ul>	<p style="text-align: right;">7</p> <h3>FY2015 Proposed Budget</h3> <p><b>Budget Objectives remain constant</b></p> <ul style="list-style-type: none"><li>- Maintain or improve services</li><li>- Address capital needs</li><li>- Expand tax base (commercial, residential, industrial)</li><li>- Explore opportunities to consolidate, improve efficiency, generate new revenue</li><li>- Protect existing assets</li><li>- Consider education and outside agency funding</li></ul>

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### Budget Challenges

- Relatively flat revenue.
- Increasing costs due to inflation, fuel prices, insurance, personnel, regulatory issues, costs of “doing business”.
- Lack of an adopted state budget
- Capital needs continue to exceed available funding. Some needs cannot be delayed
- School system request for additional funding

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### Budget Challenges

- Aging infrastructure
- Need to maintain adequate fund and asset balances to ensure reserve capacity to handle emergencies.
- January, 2014 electric costs – approximately \$1 million more than anticipated – reduce ability to transfer for other uses
- Recognizing that fund transfers are inevitable, ensure that adequate fund balances are preserved

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### Budget Challenges

- Total capital requests submitted by City departments for FY15 budget consideration totals \$3,526,671, with \$1,731,377 being for utilities and \$1,795,294 being general fund/capital reserve. Of this amount, cost of capital assigned as high priority is \$1,337,377 for utilities and \$767,770 for general fund/capital reserve.

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### FY2015 Proposed Budget

- The FY2015 proposed budget continues to maintain or improve the level of services as provided in FY2014.
- Staff continues to evaluate options to increase efficiency, reduce costs, combine operations where possible, and outsource/privatize where cost reductions can be achieved while maintaining or enhancing levels of service.

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### FY2015 Proposed Budget

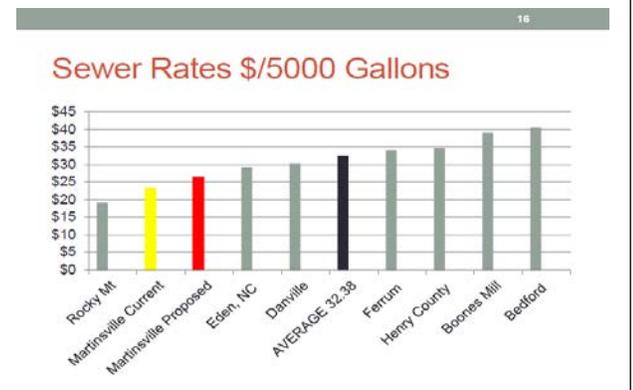
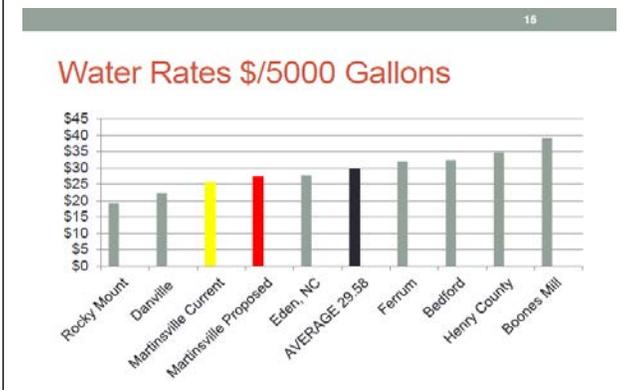
#### Fees, Rates, and Taxes

- No recommended changes in tax rates or refuse collection fees.
- The budget takes into account the electric rate increase approved by Council effective May 1.
- The budget includes a recommended increase in both water and sewer base rates

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### FY2015 Proposed Budget

- An increase in the base water rate from \$22.31 to \$24.10/month (4000 gallon minimum) is recommended.
- An increase in the base sewer rate from \$20.64 to \$23.65 (4000 gallon minimum) is recommended.
- These increases will result in a \$4.80 increase in the monthly water and sewer bill for minimum monthly usage, an 11.2% increase. Martinsville's rates will still be considerably less than the area average.



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### FY2015 Proposed Budget

- Recommended level funding for most outside agencies; minor increase for 911, Health Dept., and Extension Office, and funding for one additional outside agency – Dental Clinic, in the amount of \$4,832.
- A School appropriation of \$6,360,531 representing level funding from FY14; \$736,070 less than requested in the School's FY15 budget. Reappropriate unexpended FY14 funds up to \$160,000 for capital/school bus replacements.

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### FY2015 Proposed Budget

- An allocation of \$1,094,682 to the Capital Reserve Fund. Of this amount, \$353,987 is required for debt service and the balance of \$740,695 will be assigned to capital purchases on a prioritized basis by the capital review committee. This amount will fund 100% of the high priority needs, and 41% of total capital (non-utility) fund requests of \$1,795,294.

<p style="text-align: right;">19</p> <h3>Summary – Capital Requests</h3> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;"><u>Requested</u></th> <th style="text-align: right;"><u>High Priority</u></th> </tr> </thead> <tbody> <tr> <td>GF/Cap Reserve</td> <td style="text-align: right;">\$ 1,795,294</td> <td style="text-align: right;">\$ 767,770</td> </tr> <tr> <td>Utilities</td> <td style="text-align: right;">\$ 1,731,377</td> <td style="text-align: right;">\$1,337,377</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>\$ 3,526,671</b></td> <td style="text-align: right;"><b>\$ 2,105,147</b></td> </tr> </tbody> </table>		<u>Requested</u>	<u>High Priority</u>	GF/Cap Reserve	\$ 1,795,294	\$ 767,770	Utilities	\$ 1,731,377	\$1,337,377	<b>Total</b>	<b>\$ 3,526,671</b>	<b>\$ 2,105,147</b>	<p style="text-align: right;">20</p> <h3>Capital - Utilities</h3> <ul style="list-style-type: none"> <li>- In the utility funds, \$1,337,377 is included in the respective utility budgets to fund all high priority needs, and 77% of the \$1,731,377 in total utility requests.</li> <li>- Of the total FY15 submitted capital requests of \$3,526,671, \$2,105,147 (59.7%) is being recommended for funding</li> </ul>
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<p style="text-align: right;">21</p> <h3>FY2015 Proposed Budget</h3> <ul style="list-style-type: none"> <li>- Includes a 1% pay increase effective July 1, 2014 to cover the 3<sup>rd</sup> year of the required 5% VRS contribution.</li> <li>- Includes the full amount of the 1.9% health insurance cost increase</li> <li>- Includes the cost associated with merging the two employee health insurance contribution schedules into one schedule. (employees paying the lower tier will pay at the higher tier, but given an offsetting salary increase).</li> </ul>	<p style="text-align: right;">22</p> <h3>FY2015 Proposed Budget</h3> <ul style="list-style-type: none"> <li>- Based on a recent pay/classification plan review by Human Resources, the City's plan requires a minimum 7% shift to be reflective of market conditions. (current plan hasn't been revised since 2002). The proposed budget includes salary adjustment costs necessary to reestablish the pay for 46 employees at their respective grade minimum.</li> </ul>												
<p style="text-align: right;">23</p> <h3>FY2015 Proposed Budget</h3> <ul style="list-style-type: none"> <li>- MiNet – budget includes capital funding of \$185,000 for MiNet expansion. As infrastructure is developed, there are initial capital costs related to construction that will be recovered over multiple multi-year contracts. The customer list is currently at 65 with another 24 either waiting to be connected or evaluating the system.</li> </ul>	<p style="text-align: right;">24</p> <h3>FY2015 Proposed Budget</h3> <ul style="list-style-type: none"> <li>- Budget is once again balanced by use of fund balance and utility transfers. Use of \$750,000 in General Fund balance is included, along with \$800,000 from Electric, and \$300,000 from Water.</li> <li>- To fully fund the FY15 budget with no use of fund balance, fully funding the School's request and all capital requests, an additional <b>\$4,007,594</b> is needed.</li> </ul>												
<p style="text-align: right;">25</p> <h3>CDBG/47 Fund</h3> <ul style="list-style-type: none"> <li>- Cherry Street CDBG Project was overspent relative to available grant funding</li> <li>- Staff recommends allocating as a receivable all available CDBG program income, property sales, and other forms of CDBG revenue, and transferring a contribution from the General Fund to cover the balance since the deficit is already accounted for through the annual audits.</li> <li>- Leave fund as a separate fund to provide for transparent accountability related to future grant projects</li> </ul>	<p style="text-align: right;">26</p> <h3>Conclusion</h3> <p>The FY15 budget is balanced with a projected use of utility revenues and fund balances - \$1.85 million from General, Electric, and Water. Assuming a "normal" year, those amounts however, are within a range of what could be returned to fund balance at the end of FY15.</p> <p>It should be noted that the budget as presented is "proposed" and over the coming weeks Council will have an opportunity to shape the FY15 budget as it deems appropriate. Throughout the process, staff will provide support and additional information as needed, and ultimately will take budget that is adopted by Council and implement that plan to the best of its ability.</p>												
<p style="text-align: right;">27</p> <h3>Next Steps</h3> <ul style="list-style-type: none"> <li>- Review the document, request additional information, ask questions, and talk with citizens.</li> <li>- Three work sessions have been set – April 10<sup>th</sup> for Schools and outside agencies, April 23<sup>rd</sup> for capital and departments, and April 24 for departments and wrap-up. Additional sessions scheduled as needed.</li> <li>- Consider setting a public hearing for adoption of the budget on first reading at the May 13, 2014 Council meeting.</li> </ul>													

April 8, 2014

There being no further business, the meeting adjourned at 9:30 pm.

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Brenda Prillaman  
Clerk of Council

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Kim Adkins  
Mayor