

January 27, 2015

The regular meeting of the Council of the City of Martinsville, Virginia, was held on January 27, 2015, in Council Chambers, Municipal Building, at 7:30 PM, with Mayor Turner presiding. Council Members present included: Mayor Turner, Vice Mayor Jennifer Bowles, Gene Teague, and Sharon Brooks Hodge. Mark Stroud was absent and City Attorney Eric Monday was absent. Staff present included: Leon Towarnicki, City Manager, Brenda Prillaman, Wayne Knox, Linda Conover, Dennis Bowles, Greg Reeves, Andy Lash, Durwin Joyce, and Sean Dunn.

Mayor Turner called the meeting to order. Following the invocation by Council Member Teague and Pledge to the American Flag, the Mayor announced two addendums have been added to the agenda.

Addendum-Proclamation-Heart Disease Awareness Month- Mayor Turner turned the meeting over to Vice Mayor Bowles to present proclamation recognizing Heart Disease Awareness Month.

Addendum-CEDS list addition: Wayne Knox briefed Council. The report on the engineering study of the 6.2 mile section of sanitary sewer interceptor line that extends generally along the Smith River to the City's Wastewater Treatment Plant has made it necessary to add this item to the annual CEDS listing. The addition of this project will make it eligible for possible funding should the opportunity present itself. This new additional item will then be submitted to the West Piedmont Planning District Commission for inclusion in their overall plan. On a motion by Gene Teague, seconded by Jennifer Bowles, with a 4-0 vote, Council approved the amended CEDS list with the requested addition.

Minutes: On a motion by Sharon Brooks Hodge, seconded by Gene Teague, with a 4-0 vote, Council approved the minutes of the November 11, 2014 and November 20, 2014 meetings.

Fluoridation update: Dr. Mark Crabtree reported information from the American Dental Association which recommends that public water supplies be fluoridated and he presented a fact sheet which showed that fluoride is safe and helps prevent tooth decay and dental diseases. He stated that for more than 65 years, the best available scientific evidence consistently indicates that fluoride in water is safe, even though some researchers have presented findings to the contrary. Dr. Crabtree reported that fluoridated drinking water is the single most effective public health measure in preventing tooth decay and 75 percent of the nation's public water supplies are fluoridated. During Council member discussion about the cost for the city to fluoridate the water, Council Member Hodge noted that the city is spending \$15,000, which is about five times as much on fluoridating water as the MHC Economic Development Corporation spends to promote small business. She questioned whether this is the right message to communicate as far as expenditures matching city priorities and clarified she is not questioning the benefits of fluoridating water.

1st reading preliminary ordinance for sewer intercept funding: Finance Director Linda Conover briefed Council. The City is considering financing the acquisition, construction and equipping of sewer system repairs, replacements and capital improvements for municipal purposes, referred to as the Smith River Sewer Intercept Project, through the issuance of sewer bonds in the outstanding principal amount not to exceed \$3,800,000. This ordinance also establishes the maximum length of time that the bonds would be outstanding. Approval of this ordinance is required for the City to begin the borrowing process and allows for maximum flexibility as the City is looking at a number of potential long-range financing and payment options, including VRA, USDA/Rural Development, and other possible grants. As the process progresses, a more specific schedule of events, including sending an RFP to banks, notice of hearing, and the holding of hearing, will be determined. On a motion by Gene Teague, seconded by Sharon Brooks Hodge, with the following 4-0 recorded vote: Turner, aye; Teague, aye; Hodge, aye; and Bowles, aye; (Stroud-absent), Council approved the

January 27, 2015

preliminary ordinance on first reading the reciting the expedience of the issuance of up to \$3,800,000 principal amount of general obligation bonds.

Resolution related to potential issuance of sewer bonds: Finance Director Linda Conover briefed Council. The City is considering financing the acquisition, construction and equipping of sewer system repairs, replacements and capital improvements for municipal purposes, referred to as the Smith River Sewer Intercept Project, through the issuance of sewer bonds in the outstanding principal amount not to exceed \$3,800,000. Approval of this resolution is necessary for the City to move ahead with the project, and to recover costs associated with engineering, design and planning. This allows for maximum flexibility as the City is looking at a number of potential long-range financing and payment options, including VRA, USDA/Rural Development, and other possible grants. On a motion by Jennifer Bowles, seconded by Sharon Brooks Hodge, with a 4-0 vote, Council approved the following resolution:

RESOLUTION REGARDING REIMBURSEMENT FROM FINANCING PROCEEDS, AUTHORIZING PUBLIC HEARING AND APPROVING RELATED ACTIONS RELATED TO POTENTIAL ISSUANCE OF SEWER BONDS

WHEREAS, the City Council (the "City Council" of the City of Martinsville, Virginia (the "City") is considering financing the acquisition, construction and equipping of sewer system repairs, replacements and capital improvements for municipal purposes (the "Sewer Project") through the issuance of one of sewer bonds in the outstanding principal amount not to exceed \$3,800,000 (the "Bonds").

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF MARTINSVILLE, VIRGINIA:

1. The City Manager, Finance Director, City Attorney, bond counsel to the City, the City's financial advisor and all other officers, employees and agents of the City are hereby authorized and directed to take such further action deemed necessary or desirable to facilitate consideration of the issuance of the proposed Bonds, including but not limited to the publication and broadcasting of notice of a public hearing to be held prior to final authorization by the City Council of the issuance of the Bonds. All actions of the City Manager, Finance Director, City Attorney, bond counsel and all other officers, employees and agents of the City in furtherance of the issuance of the Bonds are hereby approved and ratified.
2. The same officers, employees, agents and representatives of the City are authorized to issue a request for proposals to financial institutions for purchase of the Bonds by such financial institutions.
3. The City Council hereby declares, in accordance with U.S. Treasury Regulation Section 1.150-2, the City's intent to reimburse the City from the proceeds of the Bonds for expenditures with respect to the Sewer Project. The City reasonably expects that it will reimburse the expenditures with the proceeds of the Bonds. The maximum principal amount of obligations outstanding expected to be issued for the Sewer Project is \$3,800,000.
4. All actions of the City Manager, Finance Director, City Attorney, bond counsel and all other officers, employees and agents of the City in furtherance of the issuance of the Bonds are hereby approved and ratified.
5. This Resolution shall take effect immediately.

Utilities update: the information was provided by Dennis Bowles and Andy Lash for the Utilities FY15 second quarter report for Water/Wastewater and Electric:

<p>City of Martinsville Utilities FY '15 2nd Quarter Report</p>	<p>Water/Wastewater Summary</p> <ul style="list-style-type: none"> • Production: <ul style="list-style-type: none"> • Average flow at the Sewage Treatment Plant was 3.994 MGD for the first half of FY'15 • Water production was 1,740 MGD for the same period • Both plants operated within compliance with no foreseeable issues. 	<p>Revenue/Expenditures</p> <p>Total Water Revenue = \$1,704,108 Total Water Expense = \$1,433,674 Net Revenue = \$270,434</p> <p>Total WW Revenue = \$2,072,018 Total WW Expense = \$1,706,326 Net Revenue = \$365,692</p>
<ul style="list-style-type: none"> • Asset Management - Continued work on asset management project; finished Water Plant and larger facilities. • Smith River Intercept has taken many hours • Met with Johnson Controls, and visited all the large water meter locations and toured Sewer Plant. • Tested Schwing Bioset Screw Press - evaluated performance - enhanced cake solids. 	<p>Electric Summary Mid term FY '15</p> <ul style="list-style-type: none"> • Purchased power = 86,177 MWh • Hydroelectric Plant = 722 MWh • Landfill Gas Generator = 2466 MWh • Total mid-term power needs = 89,365 MWh • Projected mid-term needs = 89,207 MWh • Difference between projected and actual = 158 MWh • Average cost of purchased power = \$78.63 	<p>Financial Benefits of Hydroelectric Generation</p> <ul style="list-style-type: none"> • Hydro Plant Generation = 722 MWh • Average cost of purchased power = \$78.63 • Total Avoided Cost = \$56,770.86 • Operating Cost = \$25,981.19 <p>Net Avoided Energy Cost = \$30,789.67</p>

Financial Benefits of LFG	Revenue/Expenditures	Projects
<ul style="list-style-type: none"> • Landfill Gas Generation = 2466 MWh • Average Cost of Purchased Power = \$78.63 • Total Avoided Cost = \$193,901.58 • Less O&M expense = \$120,109 • Less Debt Service = \$49,987 • Net Avoided Energy Cost = \$23,805.58 	<p>Total Revenue = \$8,777,327</p> <p>Total Expense = \$9,017,697*</p> <p>Net Revenue = (-\$240,370)</p> <p>*Includes transfer to General Fund of \$709,292 and transfer to Capital of \$40,422.</p>	<ul style="list-style-type: none"> • Hydro Automation (cont.) • Liberty Fair Mall (cont.) • Siren installations for FD • Line upgrades in Forest Park and Northside (cont.) • CBD lighting upgrade and pole relocation on Fayette St. • CBD lighting upgrade on Main St. • AMI/AMR project w/ESCO

After Council discussion, Council thanked Mr. Bowles and Mr. Lash for the information.

Finance Report: Finance Director, Linda Conover, presented the following information: Exclusive of School and Special Revenue funds, actual revenues were \$63,313,877, which is \$1,993,067 greater than the year-end projection of \$61,989,980 as presented during the FY15 budget process. Local Sales/Use Taxes collected through June 30 were \$2,017,806. Utility revenues overall were less than projected by \$846,259, an average 97.4% of projections. Actual expenditures at year end were \$65,282,269, which was also less than the projected amount by \$955,827. Utility fund expenditures were \$1,709,357 less than projected due to the calculation of depreciation and capitalization of assets, which cannot be fully determined until all expenditures and capital purchases are processed, and is not complete until late September or early October. As of June 30th, the total combined Fund Balance and Net Position was \$19,631,227, a decrease from FY13 year-end of \$1,495,050. The unassigned fund balance for non-utility funds is \$4,544,853, an increase of \$605,551 from prior year, and represents 14.38% of total General Fund budgeted expenditures of \$31,603,923. Per our Fund Balance Policy, the City’s goal is to maintain a minimum of 10% of total General Fund budgeted expenditures for the fiscal year. For FY14, the unassigned net position for utility funds was \$9,385,093, a decrease of \$1,081,937 from June 30, 2013. Available cash-on-hand June 30 for City Funds was \$16,338,270.75, representing an increase of \$348,926.49 from year-end FY13.

Consent Agenda: On a motion by Gene Teague, seconded by Jennifer Bowles, with a 4-0 vote, Council approved the following consent agenda:

BUDGET ADDITIONS FOR 1/27/15				
ORG	OBJECT	DESCRIPTION	DEBIT	CREDIT
FY15				
General Fund:				
01100909	490104	Advance/Recovered Costs		1,741
01331108	501300	Sheriff/Corrections - Part-time & Temporary Wages	1,270	
01331108	502100	Sheriff/Corrections - Social Security	79	
01331108	502110	Sheriff/Corrections - Medicare	18	
01331108	506008	Sheriff/Corrections - Vehicle Equipment & Maint.	254	
01331110	506200	Sheriff/Annex - Prisoner Allowance	120	
		Reimbursement from Henry County for litter pickup for December		
01100909	490801	Recovered Costs - Senior Services		3,169
01714212	501300	Senior Citizens - Part-time Wages	2,062	
01714212	502100	Senior Citizens - Social Security	128	
01714212	502110	Senior Citizens - Medicare	30	
01714212	506049	Senior Citizens - Vehicle Fuels	949	
		Transportation grant - Oct., Nov., Dec		
01100909	490104	Advance/Recovered Costs		219,088
01720420	508240	Hooker Field - Renovations - Turf Project	219,088	
		Infield renovations at Hooker Field		
Total General Fund:			223,998	223,998

City Attorney report regarding landlord/tenant issues: This report will be delayed to another meeting.

Business from floor: Ural Harris-217 Stuart St.-comments on city residence requirement of city department heads and outside employment of department heads; Wayne Knox-reported information on

January 27, 2015

information meetings to be held regarding change in Housing services operations and numerous ways it is to be advertised.

Council comments: Turner-announced tree dedication for Vern Berry; congratulations to Wendell Scott and MHS Bulldogs; thanked police for speeding enforcement.

City Manager comments: Mr. Towarnicki briefly reviewed upcoming strategic planning session and advised Council members will be contacted by David Dickerson for input on developing the agenda and determining dates.

There being no further business, the meeting adjourned at 9:10 pm.

Brenda Prillaman
Clerk of Council

Danny Turner
Mayor