

April 14, 2015

The regular meeting of the Council of the City of Martinsville, Virginia, was held on April 14, 2015, in Council Chambers, Municipal Building, at 7:30 PM, Closed Session beginning at 7:00pm, with Mayor Danny Turner presiding. Council Members present included: Mayor Danny Turner, Vice Mayor Jennifer Bowles, Gene Teague, Sharon Brooks Hodge and Mark Stroud. Staff present included: Leon Towarnicki, City Manager, Brenda Prillaman, Eric Monday, Wayne Knox, Linda Conover, Sean Dunn, Ted Anderson, and Mary Prillaman.

Mayor Turner called the meeting to order and advised Council will go into Closed Session. In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Mark Stroud, seconded by Sharon Brooks Hodge, with the following 5-0 recorded vote: Turner, aye; Bowles; Teague, aye; Hodge, aye; Stroud, aye; Council convened in Closed Session, for the purpose of discussing the following matters: (A) Discussion of the award of a public contract involving the expenditure of public funds, including interviews of bidders or offerors, and discussion of the term or scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the public body as authorized by Subsection 29. (B) Discussion or consideration of the investment of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the governmental unit would be adversely affected as authorized by Subsection 6. (C) 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 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 the Session. On a motion by Sharon Brooks Hodge, seconded by Mark Stroud, with the following recorded 5-0 vote: Turner, aye; Bowles, aye; Teague, aye; Hodge, aye; Stroud, aye; Council returned to Open Session.

Following the invocation by Council Member Stroud and Pledge to the American Flag, the Mayor announced an addendum item added to the beginning of the agenda.

Minutes: On a motion by Jennifer Bowles, seconded by Sharon Brooks Hodge, with a 5-0 vote, Council approved the minutes of the January 13, 2015 and January 27, 2015 meetings.

ADDENDUM-Proclamation for Talmadge Mitchell: Mayor Turner read the proclamation and Vice Mayor Bowles joined him in the presentation.

Recognition of MHS Bulldogs basketball team: Mayor Turner recognized the MHS Basketball Team for the 2014/15 season accomplishments and winning the VHSL State 2A championship. He reported signs are to be installed at city entrances.

Update on Uptown Grant: Susan McCulloch briefed Council on the recently completed document regarding the Uptown Revitalization grant funded project noting an intern assisted in the compiling the information on the history and before and after photos of the project.

VML 2015 Policy Committees nominations: Mr. Towarnicki briefed Council on VML Policy Committee information. City Council may nominate two individuals to a committee and at least one nominee must be a member of City Council. 2015 Committee assignments include: Community & Economic Development, Environmental Quality, Finance, General Laws, Human Development & Education and Transportation. Past members for VML 2014 Policy Committees were: Community & Economic Development-Kim Adkins, Mayor;

April 14, 2015

Environmental Quality-Eric Monday, City Attorney; Finance-Leon Towarnicki, City Manager; General Laws-Gene Teague, Vice Mayor; Human Development & Education-Mark Stroud, Council Member; Transportation-Sharon Brooks Hodge, Council Member. By consensus, Council directed staff to submit the following nominations to VML for the 2015 Policy Committees:

Community & Economic Development-Sharon Brooks Hodge

Environmental Quality-Jennifer Bowles

Finance-Leon Towarnicki

General Laws-Gene Teague

Human Development & Education-Mark Stroud

Transportation-Eric Monday

Consent Agenda: On a motion by Gene Teague, seconded by Jennifer Bowles, with a 5-0 vote, Council approved the following consent agenda:

BUDGET ADDITIONS FOR 4/14/15				
ORG	OBJECT	DESCRIPTION	DEBIT	CREDIT
<b>FY15</b>				
<b>General Fund:</b>				
01102926	436410	Categorical Federal - Bulletproof Vest Grant		2,230
01217078	506011	Sheriff - Courts - Uniforms & Apparel	2,230	
		Grant funding from Dept. of Justice		
01100909	490104	Advance/Recovered Costs		375
01321102	506130	Fire Dept. - Repair & Maint.-Burn Building	375	
		Reimbursements for training		
01100908	480406	Miscellaneous Revenues - Donations/Recreation		300
01711210	506007	Recreation - Equipment & Supplies	300	
		Team Sponsor donations		
01100909	490104	Advance/Recovered Costs		26,735
01812242	506067	Misc. Exp. - RADAR Transit Program	26,735	
		Reimbursements for fuel		
01100909	490104	Advance/Recovered Costs		1,000
01814243	501300	Planning/Zoning - Part-time & Temporary Wages	1,000	
		Reimbursement from NCI for intern		
01100908	480420	Misc Revenues - Donations/Senior Services		850
01100909	490801	Recovered Costs - Senior Services		785
01714212	506016	Senior Citizens - Program Supplies	850	
01714212	501300	Senior Citizens - Part-time Wages	488	
01714212	502100	Senior Citizens - Social Security	30	
01714212	502110	Senior Citizens - Medicare	7	
01714212	506049	Senior Citizens - Vehicle Fuels	260	
		Health Fair & Sr. Party donations; Transportation Grant Jan. & Feb.		
01100908	480410	Donations - Fire Department		242
01321102	506130	Fire Dept - Travel & Training	150	
01322105	506004	EMS - Emergency Medical Supplies	92	
<b>Total General Fund:</b>			<b>32,517</b>	<b>32,517</b>
<b>Capital Reserve Fund:</b>				
16102926	416508	Categorical Federal - VDEM Hazard Mitigation Grant		5,597
16577367	508107	Physical Plant Expansion - Safety	5,597	
		VDEM Grant for Siren Project		
<b>Total Capital Reserve Fund:</b>			<b>5,597</b>	<b>5,597</b>
<b>Telecommunications Fund:</b>				
11100909	490104	Advance/Recovered Costs		10,154
11315308	505233	Telecom-Outside Customers	10,154	
		Recovered cost of services		
<b>Total Capital Reserve Fund:</b>			<b>10,154</b>	<b>10,154</b>

Business from floor: Patrick Wright of Spruce Street made comments on the city having a subway system; Howard Huff introduced the three local pageant winners who will be representing Martinsville at the Miss Virginia pageant in June.

April 14, 2015

Council comments: Stroud-comments on flowers in front of city hall and the MHS entrance signs; Turner-commented the recent race brought in a large crowd of fans.

City Manager FY16 Proposed Budget presentation: City Manager, Leon Towarnicki, presented the FY16 proposed budget to Council along with the following summary:

 <p>DATE: April 14, 2015 TO: Honorable Mayor and Members of Council FROM: Leon Towarnicki, City Manager SUBJECT: FY16 Budget Discussion</p> <p>As has been stated previously, developing an annual budget for the City is arguably the most important task the management team performs. It requires much time and thought – looking back and reviewing the previous and current budget years to gauge how accurate projections were compared to actuals, how well projects performed, and in some cases what particular elements need to be carried forward into the new budget year. And looking forward – since the annual budget process typically begins around December and January of each year culminating with the adoption of a budget in late May or June for the 12 month period beginning in July, budget work requires looking forward some 15 to 18 months and developing the most accurate revenue and cost projections possible. Fortunately, the annual City audit shows that most of the time the numbers hit pretty close to the mark, and credit for that goes to many – City and Constitutional staff members who administer their respective components of the budget, the financial offices including Finance, Treasurer, Commissioner of the Revenue, and ultimately City Council and citizens who seek information, ask questions, and demand explanations and accountability.</p> <p><b>FY 2015 Budget – General Comments</b></p> <p>Before beginning discussions on the FY16 budget, it is important to look at some accomplishments from the past year. In spite of traditionally high unemployment levels and rankings from various news stories and publications that tend to portray Martinsville in an unfavorable light, there have been a number of encouraging</p>	<p>developments that show promise and a positive direction for the community. For some of these, Council and City staff played a key role in moving the project forward, in others, a lesser role, but regardless, the list is significant. You will recognize some of the projects from previous discussions since the timetable spans over multiple years.</p> <ul style="list-style-type: none"> <li>• <b>Completion of the New College Institute Facility on Baldwin Block</b> – The project was completed in FY15, opening in September, 2014.</li> <li>• <b>The Henry Hotel Project</b> – Renovation work is in high gear with an expected completion and opening in late Spring of 2015. The addition of over 20 market rate apartments in the heart of the uptown area, bringing back to life an iconic building has generated a lot of excitement.</li> <li>• <b>Courthouse Project and Fayette CDBG Project</b> – Work has been completed reconstructing the plaza in front of the historic Henry County Courthouse along with two mini-park projects along Fayette Street between the Courthouse and the New College Facility. Street improvements have been completed in front of New College, placing utilities underground and new curb, gutter, and sidewalk has been constructed. New decorative street lights have been placed along the street and extended along Fayette west of the Market Street intersection, along the Fayette business corridor.</li> <li>• <b>Expansion of Telecom</b> – The City's Telecom (M&amp;N) program continues to grow with the customer list expanding. The FY15 budget saw Telecom established with its own budget in the City's accounting system and the FY16 budget has Telecom now as a self-sustaining entity supported by use fees, projected to produce a positive fund balance. In a cooperative arrangement with the school system, substantial funding is being recovered through the E-Rate program resulting in new revenue for the program.</li> <li>• <b>Village of Martinsville, a.k.a. Liberty Mall</b> – Redevelopment of the Mall is nearing completion under ownership by retail property specialist Hal Storey Gibson. Several new stores have opened and appearance of the property has been upgraded with new landscaping, lighting facade work interior store renovations, and a different variety of tenants.</li> <li>• <b>Nuisance Ordinance Changes</b> – In 2014 City staff worked diligently to revise the City's nuisance ordinance to streamline the process of resolving complaints in an effort to be more responsive to citizen concerns. This</li> </ul>	<p>process was completed in FY15 and the improvements to the program have been significant in regarding complaint tracking and the amount of time required to resolve issues.</p> <ul style="list-style-type: none"> <li>• <b>Other Opportunities</b> – City staff continues to explore opportunities to save costs, generate revenue, and improve delivery of services through a variety of projects. A natural gas supplement to the landfill generator has been completed, utilizing maximum output of generation capacity; privatization of certain services continues to be explored as a means to reduce cost and improve service quality; staff is engaged in a review of a possible automated meter reading system, options regarding better and less expensive ways to handle municipal solid waste sludge are being reviewed; and a review regarding conversion of certain City vehicles and equipment from diesel fuel to compressed natural gas are some of the projects.</li> <li>• <b>Transfer of Housing Operations</b> – For many years the City has operated a housing/rental assistance program – initially from within the Municipal Building and in later years at the Housing Office located at Fourth and D Streets. The City currently operates this program for residents of both the City and County. The City has developed a partnership with Danville Redevelopment Housing Authority to transfer this operation effective July 1 in an effort to reduce City costs while continuing to maintain this important program for the community. Additionally, this frees up the Housing Office building for other potential uses.</li> <li>• <b>West Piedmont Business Development Center</b> – Beginning April 1, 2014, management of the WPBDC was transferred over to the Martinsville Henry County Chamber of Commerce's Partnership for Economic Growth through a contractual arrangement on trial basis. That arrangement has proven to be very successful for the City, CPEG, the Incubator tenants, and the business community in general. A proposed longer term contract will be presented to Council shortly, continuing that arrangement into the future.</li> <li>• <b>Economic Development Growth</b> – This past year there have been a number of economic development announcements with the creation of new jobs and capital investment in the County. The addition of good paying manufacturing jobs in the community is certainly welcome news. Additionally, after several years of negotiating, an Army Corp of Engineers permit was issued and grading began on the mega-site Commonwealth Crossing Business Center. This is a revenue sharing site that eventually</li> </ul>
<p>will result in revenue remaining to the City. Also, in September, 2014, a 95,000 sq ft shell building was completed in the Patriot Centre, also on a revenue sharing site, and is being actively marketed by the MHC EDC.</p> <ul style="list-style-type: none"> <li>• <b>CHSM/TSCM Medical School Project</b> – Efforts are continuing related to development of a medical school by Dr. Noel Boaz. In January, 2015, an \$800,000 Tobacco Region Opportunity Fund grant was awarded to the City for the project and those funds are currently being used to renovate the building at the corner of Fayette and Moss Streets. The project, once completed, has the potential to create a substantial economic impact to the community.</li> </ul> <p><b>Proposed FY2016 Budget – General Discussion</b></p> <p>Work on the FY16 budget occurred with a number of key objectives in mind – continue to maintain and if possible enhance the current level of service provided to the citizens and businesses of the City; address capital needs in a realistic manner and as much as possible, do the things necessary to preserve, protect, and maintain the City's infrastructure; look at opportunities to foster an environment where businesses will find it attractive to locate here, stay here, and grow/expand here; wherever possible investigate opportunities to consolidate services, improve efficiency, privatize if it makes sense, and enhance the City's revenue potential; and recognize the needs of the City school system as well as the importance of maintaining funding for the many outside organizations and agencies that provide services to the community.</p> <p>On the other hand, there were a number of challenges in developing the FY16 budget – some were unique and specific to this particular year and some are recurring from year to year. Of the many different revenue categories that comprise the City's budget, most of the traditional general fund categories moved slightly up or down but not enough movement to declare a trend was emerging – revenue is essentially flat. Likewise on the expense side, many of the operation and maintenance components of individual budgets are essentially flat compared to FY15, with slight adjustments related to increase in personnel costs. One major expense that will occur in FY16 is payment of the City's obligation of \$1,666,700 to Henry County for the City's share of site development costs at Commonwealth Crossing. This expense has been anticipated for a number of years and has been reflected as a financially committed obligation in the annual audit. The</p>	<p>unassigned fund balance (general fund) in the annual audit also reflects this commitment.</p> <p>As with operating most businesses, the City generally sees adjustments in costs on an annual basis that are simply factors dependent upon a regional, national, and global economy – increase in fuel costs, supplies, insurance, vehicles and equipment, and occasionally additional costs related to compliance with state or federal mandates. Fortunately, again in the FY16 budget, such increases are projected to be fairly low.</p> <p>Uncertainty regarding direction of the State's fiscal policy directly affects the City, and other localities. Early in FY15 as the State's budget projections worsened, the State implemented once again the reduction in State aid policy, sometimes referred to as "Local Aid to the Commonwealth" which called for statewide reductions in local aid totaling \$ 60 million - \$30 million each year in the State's FY15 and FY16 budget years. For FY15, the City returned \$110,184 to the State. Fortunately in late 2014 and early 2015, the State's budget projections improved to the extent the second year of the Local Aid to the Commonwealth obligation was eliminated.</p> <p>A continued emphasis was placed on funding capital needs in the FY16 budget since reduced funding from previous years continues to have a compounding effect by adding more and more capital needs to future years. Additionally, some capital items simply cannot be ignored or delayed, and must be done. And again in the FY16 budget, capital needs in the utilities or enterprise funds are included in the respective fund budgets before consideration of availability of funds for transfer occurs. The utilities have traditionally provided significant transfers to the City's general fund and it is imperative that these operations be provided with sufficient resources to operate efficiently. Also for FY16, available resources through the enterprise funds were compared against recently discussed cash reserve policies and efforts made to remain within those guidelines.</p> <p>Regarding education funding, the Martinsville City School system has requested an increase in local funding for FY16 of \$328,936, from \$6,735,531 in FY15 to \$7,064,467, plus an additional \$160,000 for capital/school bus replacements. The requested increase includes \$97,000 in E-Rate program costs to the School System, and the remaining \$231,930 (less the capital request) represents a 3.4% increase over FY15 funding. In FY15 Council approved the request to re-appropriate up to \$160,000 from unexpended FY14 funds for school bus</p>	<p><b>Proposed FY16 Budget – What's Included</b></p> <p>The proposed FY16 budget includes maintaining the same levels of service as provided in the FY15 budget and as previously noted, staff continues to explore ways to reduce costs, increase efficiency, combine/consolidate operations, and to privatize where practical.</p> <p>There are no recommended changes in tax rates, refuse collection fees, or water/sewer rates. During Council's recent strategic planning meeting in March, 2015, there was no support expressed for a possible tax increase. Refuse collection fees were increased in the FY14 budget, taking into account increasing costs related to disposal, collection costs, and costs associated with long-term maintenance of the City's closed landfill. The proposed FY16 budget does include a recommended 3% increase in electric rates.</p> <p>The proposed FY16 budget does not project transfers from either water or sewer since current asset balances are below the minimum amount recommended in the recently reviewed cash reserve policies by approximately \$1.4 million. The proposed FY16 budget returns to water/sewer net assets approximately \$900,000 which is a substantial movement toward returning to the minimum recommended cash reserve levels. Given the aging water and sewer infrastructure and the estimated \$25 to \$30 million Smith River sewer interceptor project, it is unlikely transfers from water or sewer will be available in FY17, and possibly even beyond. Although not being recommended in the FY16 budget, a sewer rate increase appears inevitable as a component of the interceptor project financing and once costs and project planning are fully developed, that information will be presented to Council at a later date.</p> <p>City water and sewer rates have traditionally been low compared to regional averages for two main reasons. Most water and sewer infrastructure was put in place and paid for years ago, consequently these two utilities carry practically no debt – water has none and sewer has very little, and ongoing costs are related mostly to operational expenses. Also, for many years the City was fortunate to have a number of "wet" industries that used such high amounts of water and sewer that rates could be kept well below market rates due to the revenue generated from such high-volume users.</p> <p>The proposed budget also includes funding for outside agencies and most are recommended for level funding. Of the 5 large outside agencies, the EDC and Health Center are being recommended for level funding, there's a slight increase</p>
<p>for both the Library and Social Services, and an increase of \$77,773 for 911 which includes operational increases and the City's share of the local match for a grant to replace call processing equipment. No new outside agencies are being recommended for funding and two agencies, The Launch Place and the Dental Clinic, are being removed from the funding list (did not submit funding requests).</p> <p>Also included in the proposed budget is funding for the Martinsville City School System of \$6,832,537, representing level funding from FY15 of \$6,735,531 plus an additional \$97,000 to cover school-related E-rate program costs. Additionally, it is recommended that unexpended FY15 funds up to \$160,000 be re-appropriated to FY16 for school bus replacements.</p> <p>Regarding capital needs, City and Constitutional offices submitted a total of \$4,874,032 in capital requests for FY16 budget consideration. Of that amount \$2,713,500 is in utilities (refuse, telecom/M&amp;N, water, sewer, electric) and \$2,433,500 of that amount has been identified as high priority. The remaining amount of \$2,160,532 is general fund capital, and of that amount \$1,961,997 has been identified as high priority. The proposed FY16 budget includes funding for high priority capital totaling \$3,608,179, or 74% of the total FY16 capital requests.</p> <p>Funded capital includes:</p> <ul style="list-style-type: none"> <li>• Police – in car cameras and mobile data terminal equipment, replace 3 cars, radio system upgrades (5 yr program)</li> <li>• Fire – rescue equipment, self-contained breathing apparatus equipment, replace ambulance (majority of cost to be grant-covered)</li> <li>• Sheriff – replacement of walk-in cooler, one vehicle, planning study for jail needs</li> <li>• Public Works – salt spreaders, mowing equipment, dump truck, pickup</li> <li>• Parks &amp; Rec – pave basketball courts at Wilson Park &amp; Southside</li> <li>• Engineering – update aerial mapping</li> <li>• Commissioner of the Revenue – 2nd half costs of assessment program</li> <li>• Information Services – Annual computer replacements</li> <li>• City Municipal Bldg. – replace roof, seal parking lots</li> <li>• Warehouse – upgrade electric service, security system</li> <li>• Refuse – replace pickup, first half of rear loader, required installation of groundwater monitoring wells at landfill</li> <li>• Telecom – replacement of switches, wiring, server, related equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Water – distribution system review, tank painting, replace flocculato dismantle Bethel Lane tank, rebuild Leatherwood Pump Station (some cost covered by insurance), replace water line Indian Trail, first half of filter rebuilds, replace service truck, meter replacement project</li> <li>• Sewer – replace primary pump, paint line silo, aerator floats, paint clarifier pontoon barge for lagoon, first half of chlorine contact renovation, sewer inspection camera, sewer jet truck/trailer, contract sewer repairs/replacement, rehab lines on Spencer, Dunlap, High Streets</li> <li>• Electric – trash rate at hydro, granite repair of hydro dam (2 yr project), in annual substitution maintenance, replace substitution regulators, replace pickup, replace station transformers and new line projects</li> </ul> <p>The proposed budget includes a 2% cost of living pay adjustment for employee effective July 1, matching the salary adjustment provided for state employees, an also includes the remaining 2% of the 5% Virginia Retirement System obligation. Additionally, the 12.4% health insurance premium increase for the City's health insurance plan is being covered.</p> <p><b>FY16 Proposed Budget – Balancing</b></p> <p>As in previous years, the proposed FY16 Budget is balanced by a significant use of transfers from the utilities as well as use of general fund balance. As noted previously, due to asset balances of the water and sewer funds being below the recommended cash reserve policy minimums, no transfers from these two fund were utilized.</p> <p>As staff reviewed budget requests, made initial changes (reductions or rescheduling projects/expenses to later years), and allocated available transfer from electric, refuse, telecom, and the general fund, a significant shortfall of over \$750,000 still existed and ultimately that gap was closed through further reductions to the general fund budget, reductions in capital reserve funding, an lastly a reduction in requested school funding back to the FY15 level plus a slight increase to cover E-Rate expenses.</p> <p>Typically the enterprise operations (electric, water, sewer, refuse, and most recently telecom) operate in such a manner as to generate a "profit," or revenue in excess of expenditures. That revenue is used to fund capital needs within that particular fund and to generate a fund or net asset balance to cover future needs</p>	<p>For many years the asset balances (fund balances) of the enterprise funds have served as source of transfers to the City's general fund, since typically all of the revenue sources attributed solely to the general fund are insufficient to fully cover costs associated with the variety of operations funded through the general fund. Unfortunately over time with general fund revenue remaining relatively flat while general fund expenditures have increased, the funding shortfall gap has widened placing increasing pressure on the enterprise funds, and unfortunately that trend continues into FY16.</p> <p>The proposed FY16 general fund budget balances by a projected use of general fund balance of \$3,166,700, \$1,666,700 of which has been earmarked or committed in the City's annual audit specifically for that purpose. Additionally, transfers of \$1,943,315 from refuse, \$2,309,804 from electric, and \$97,000 from telecom are proposed. The capital budget is covered by the meals fund (\$492,664), the capital reserve fund (\$250,000), and electric (\$788,351).</p> <p>In the FY16 general fund budget, the difference between proposed expenditures and normal sources of general fund revenue exceeds \$7.5 million. Backing out the City's \$1.7 million commitment for CDBG already allocated leaves a gap of approximately \$5.8 million that is covered by transfers from electric, refuse, telecom, and fund balance. That level of transfer reduces estimated asset and fund balances in electric, refuse, and the general fund to near minimum levels, and is unsustainable into the future. Looking ahead to FY17, the transfer pool available will be largely predicated on how FY15 concludes, and typically through a conservative budgeting approach, there is substantial savings, or return to fund/asset balances at year's end. That information will be more accurately determined as the FY15 audit is prepared later this year. Given past history, it is a reasonably safe assumption, however, that \$3.8 million will not be returned nor available for transfer in FY17, and beyond. Consequently, it is anticipated that FY17 will see the need for significant budget reductions, increases in revenue, or combinations of both.</p>

April 14, 2015

On a motion by Jennifer Bowles, seconded by Mark Stroud, with a 5-0 vote, Council agreed to set the public hearing on the FY16 Budget for April 28, 2015 and for consideration of approval of FY16 Budget Ordinance on first reading at the same meeting. Mayor Turner asked the City Manager to check on possibility of the City getting out of the contract to pay the amount owed for Commonwealth Crossing. Council Member Hodge asked that the proposed rate increase be given in a dollar amount so citizens would better understand the impact on their monthly bill.

There being no further business, the meeting adjourned at 9:05 pm.

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Brenda Prillaman  
Clerk of Council

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Danny Turner  
Mayor