

May 20, 2008

A special called meeting of the Council of the City of Martinsville, Virginia, was held on May 20, 2008, in Council Chambers, Municipal Building, at 5:30 PM, with Mayor Kimble Reynolds, Jr. presiding. Council Members present included: Kimble Reynolds, Jr., James W. Clark, J. Ronald Ferrill, Gene Teague, and Kathy C. Lawson. Staff present included: Clarence Monday, Brenda Prillaman, Eric Monday, Leon Towarnicki, Dennis Bowles, Tony Rinaldi, John Dyches, Robert Ramsey, and Steve Draper. Mayor Reynolds opened the meeting and Vice Mayor Clark led the invocation and Pledge to the flag.

Mayor Reynolds explained that at Council's retreat of 2006, they set a goal to set up business plans for the City's Electric, Refuse Collection, Water & Sewer, and Leisure Services. Council engaged the services of Southside Business Technology Center to produce the plans. Eva Doss of the Southside Business Technology Center made a presentation which she explained is a shortened version of the business plan, but does highlight the major findings of the report. She also introduced her associates, Varun Sadana and Chris Cousins. Highlights of Ms. Doss' presentation included:

Factors effecting demand for each department's services

- 1) Population of the city
  - Population declined from 15,416 in 2000 to 14,945 in 2006
  - Projected population to decline further by 0.3% in 2010 (VEC)
- 2) Number of housing units Declined from 7,276 in 2001 to 7,245 in 2006
- 3) Other economic factors
  - Per Capita personal income: below Virginia's average
  - Unemployment rate in March 2008: Martinsville 11.7% - VA 3.9%
  - Business establishments: Declined from 761 in 1999 to 729 in 2005

ELECTRIC DEPARTMENT:

Average customer size served by the 15 electricity departments was 10,324.07 in 2006.

Martinsville had 7,602 customers in 2006. Revenues per capita served averaged \$1,707.39 and expenses per capita served averaged \$1,548.75 for the locales whose financial information was available. Martinsville has \$1,107.34 in revenues per capita served and \$936.79 in expenses per capita served. Martinsville has higher average retail prices for electricity than 11 other locales providing municipally owned electricity in VA.

Electricity Departmental expenses per capita for Martinsville are lower than six cities analyzed and more than Culpeper. Of the 10 cities whose employee information was available, there is only one city that is efficiently serving more citizens per employee than Martinsville's electricity department.

The services offered by the city can be more diversified and match the standards of other cities, to include: an interactive website, online bill payment options, online complaint system, and educational materials for the citizens.

May 20, 2008

Other potential services offered may include high speed internet service through fiber optics, similar to services offered by the cities of Bristol and Manassas. Implementing a balance scorecard management tool that aims to align organizational objectives with the operation of the department can be considered.

With limitations on potential target market expansions, the scenarios are based on four year historical data of revenues for 10 types of customers and KW (kilowatt) and KVAR (Kilo volt-ampere reactive power) metering revenues. The 10 types of customers include: residential, large general services, medium general services, small general services, sanctuary worships, public authority schools, public authority other, large general services over 1,000 volts, the Commonwealth of Virginia, and Medium General Service over 1,000 volts.

REFUSE COLLECTION:

U.S Refuse Collection Industry: Municipal Solid Waste (MSW) increased from 231.2 million tons in 2001 to 251.3 million tons in 2006. Per Capita Generation has increased from 2.68 pound/person/day in 1960 to 4.60 pound/person/day in 2006. Industry revenues increased from \$32.27 billion in 2002 to \$37.40 billion in 2006. Virginia Refuse Collection Industry: Total solid waste generated in Virginia has increased from 21,796,507 tons in 2001 to 25,141,369 tons in 2006.

Based on feedback from city staff, the potential to increase customer base is limited due to high infrastructure costs, but expansion is possible. Additional cost-benefit analysis is advisable to evaluate potential infrastructure development. Competition with private competitors in the county can be problematic. Sharing resources with private competitors; expansion could possibly hurt relationships.

8 surrounding locales with similar sizes in Virginia were analyzed. Averaged \$484,497.17 in revenues and \$827,555.75 in expenses for FY 2007. Martinsville recorded \$1,563,014.72 in revenues and \$1,289,533.34 in expenses. Disparity in revenues due to "no fee" charged by few locales. 8 locales averaged 9.88 employees compared to 8.5 full-time employees in Martinsville. Average population of the 8 locales served by the refuse collection departments is 13,857.63. Martinsville has a population of 14,945. An average of 1,814.35 citizens per employee ratio for the locales analyzed. Martinsville has 1,758 citizens per employee ratio. An average of 1.29 collections/per week for 8 locales. Martinsville has a weekly collection service Martinsville collects more in revenue than 8 of the other locales analyzed. Two of the cities do not charge for their services rendered and two charge a minimum fee. Yearly expenses for Martinsville are lower than only one of the eight cities. Expenses per capita for Martinsville are lower than only one city. Martinsville incurs a large amount in yearly expenses; hence, the services offered by the city at the current rates can be more diversified. Potential additional Refuse Collection services: *A Recycling Program:* recycling is considered a standard industry practice not an extra service. 5 out of 8 locales analyzed offer weekly recycling services.

*Special Events:* Most of the cities organize annual events focused on waste collection or cleaning up the city to serve and educate their citizens better (Earth Day, Recycling Extravaganza, etc.)

*Website and Brochures:* Maintaining an interactive website and publishing brochures is important in educating the citizens about waste reduction and increasing recycling.

*Management Initiatives* - aim at improving the overall operational efficiencies and the credibility of the organization: SWANA certification and training programs, ISO 14001: Environmental Systems, Strategic Business Plan. Balanced Scorecard, Pay-As-You-Throw Program, Use of Geographic Information System (GIS), Partnership with EPA and industry associations. One of the alternative options to consider is to outsource the operations related to collection to an outside vendor for cost benefit reasons.

According to the National Solid Waste Management Association, there are five main reasons why local governments consider outsourcing: 1. Lower Cost 2. Quality of Services 3. Management Efficiency

May 20, 2008

4. Technology Adaptation 5. Risk Sharing.

WATER AND SEWER DEPARTMENT

U.S Water and Sewer Industry: 56.6% of industry revenues accounted for by Residential customers. 27% of industry revenues accounted for by Industrial and Commercial customers. Industry revenue increased from \$74.854 billion in 2002 to \$82.184 billion in 2006.

Virginia Water and Sewer Industry: Monthly water rate increased, based on a statewide average, by \$0.42 per 5,000 gallons in 2006.

Primary Target Market: All new residents or businesses operating within the city limits. The primary target market serves a total estimated population of 230 people with 51 service connections. This small number of potential customers is the result of the city of Martinsville already serving nearly all of the population within its city limits.

Secondary Target Market: All citizens within close proximity of Martinsville's city limits not currently served by the Henry County PSA. 13 clusters were identified representing 233 service connections which serve an estimated population size of 993 people. Overall the primary and secondary target markets represent 284 service connections serving an estimated population of 1,193 people.

Agreements with Henry County greatly limit the options for expanding the water and sewer customer base. Servicing those not currently being served by the Henry County PSA must receive its approval.

City staff believes infrastructure costs and location of Henry County infrastructure greatly inhibits target market expansion. Additional cost-benefit analysis is advisable to evaluate potential infrastructure development. Revenues per capita served averaged \$289 for the locales analyzed and expenses per capita served averaged \$274. Martinsville is significantly better at \$395 in revenues per capita served (37% higher than average) and \$291 in expenses per capita served (only 6.2% higher than average)

The City is currently serving parts of Henry County, but estimates for the additional population served were unavailable. Locales utilize successful partnerships with a surrounding county resulting in cost savings through increased capacity utilization and increased operational efficiencies.

A key customer service aspect offered is online bill paying. A population of similar size to Martinsville appears to fully support the investment of online bill paying capabilities. Website improvements to include: online complaint submittal, department contact information on website, free water leak tests, and free water audits to check for ways customers can decrease water consumption. A relatively new practice is creating a blog and a listserv to keep customers informed of key departmental operations. Management efficiency improvements similar to the Refuse Collection department are suggested (Balance Scorecard, ISO).

LEISURE SERVICES DEPARTMENT

U.S Leisure Services Market:

25.4% of Americans did not participate in leisure time activities in 2005 (up from 24% in 2004).

14.2% of Americans were classified as inactive in physical activity in 2005.

Industry revenue increased from \$7.882 billion in 2002 to \$8.280 billion in 2006 with an average annual growth rate of 0.1%.

Virginia Leisure Services Market:

21.4% of Virginians did not participate in leisure time activities in 2005 (down from 22.1% in 2004).

10% of Virginians were classified as inactive in physical activity in 2005.

Primary Target Market:

All residents or businesses operating within the city limits of Martinsville.

May 20, 2008

Secondary Target Market:

Residents in Henry County whose needs are not currently being met by the Henry County Parks and Recreation department, the YMCA, or the Boys and Girls Club.

Expansion of services offered: Adding aerobics, canoeing, and golf outings as a means of servicing the 40 to 59 target market segment which is currently under served. Designed pricing structure and capacity/frequency of new services so that revenues from new services exceed costs of providing them.

Best Practices Analysis: 10 locales in Virginia with similar populations to Martinsville analyzed. Locales averaged \$379,191 in revenues and \$1,866,684 in expenses for FY 2007. Martinsville had \$115,322.87 in revenues (30.4% of the average) and \$783,016.42 in expenses (41.9% of the average). The locales averaged 18.4 employees compared to Martinsville's 10.5. Average population of the locales analyzed is 14,457 compared to Martinsville's population of 14,945 (based on July 1, 2006 Census). The citizens per employee ratio for the locales averaged 884.53 compared to Martinsville's 1,423.33.

Comments during and after the presentation included: there is no written agreement for Refuse Collection to not serve Henry County, but it would put us in direct competition with private enterprise; would need to do a cost benefit analysis on possibility of offering bulk trash pickup in the county; website is extremely important; \$10,000 each for departments analyzed would provide educational materials; industry standard is online payments; need overall program providing energy saving information; ISO certification is expensive and water and sewer department would probably be the best department suited for this process as they are already required to have a lot of documentation; Ms. Doss thinks the process would have huge benefits for all departments; recreation departments are not generally a profit making department; Teague pointed out he would like staff to study the information and come up with the next steps; Teague is interested in pursuing opportunities in expanding internet as well as expanding bulk trash pickup service; Mayor Reynolds suggested that Council explore this further at their retreat and get input from the department heads before the retreat; Ms. Doss pointed out SBTC will assist with implementation to make sure it is successful; Ferrill pointed out we would look beyond the agreements or perceived agreements in place for expansion opportunities; Clark pointed out efforts should be made to work cooperatively with Henry County and let them cooperate with us. Council member elect Turner indicated most of this study should have already been done by staff and he did not see a lot of substance to the information. Ms. Doss explained the months of time spent on the process and that this presentation was only a summary; Teague pointed out the value of

May 20, 2008

having an independent person come in and that this was done routinely in the business community; Teague also pointed out the study shows that staff is doing a good job with only minimal suggestions; Mayor Reynolds stated the process and study was very worthwhile and it is helpful to compare ourselves with other localities as well as on a national standard; Mayor Reynolds stated what we are doing well needs to be communicated more with citizens and this study shows what we are doing with not as many employees as other localities; Council member elect Mark Stroud pointed out he would interested in pursuing opportunities with bulk trash pick up in the county.

In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Gene Teague, seconded by James Clark, with the following recorded vote: Mr. Reynolds, aye; Mr. Clark, aye; Mrs. Lawson, aye; Mr. Ferrill, aye; and Mr. Teague, aye, Council convened in Closed Session, for the purpose of discussing the following matter: (1) a personnel matter, as authorized by Subsection 1.

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 said Session. On a motion by Ron Ferrill, seconded by James Clark, with the following recorded vote: Mr. Reynolds, aye; Mr. Clark, aye; Mrs. Lawson, aye; Mr. Ferrill, aye; and Mr. Teague, aye, Council returned to Open Session. Council took no action after returning to Open Session.

There being no further business to come before Council during their special meeting, the meeting adjourned at 8:40 PM.

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Clarence Monday  
Clerk of Council

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Kimble Reynolds, Jr.  
Mayor