



## **DANVILLE CITY COUNCIL WORK SESSION AGENDA**

### **MUNICIPAL BUILDING**

**September 18, 2018**

**7:30 P.M.**

#### **MEETING CALLED TO ORDER**

#### **MINUTES**

- A. Consideration of Approval of Minutes from Regular Work Session held on August 9, 2018.  
Council Letter Number CL - 1922.

#### **WORK SESSION ITEMS**

- A. General Fund Financial Results through August 31, 2018.  
Council Letter Number CL - 1981
- B. Consideration of Appointments to Boards and Commissions.  
Council Letter Number CL - 1996

#### **PROGRAM UPDATE**

#### **COMMUNICATIONS FROM**

- A. City Manager
- B. Deputy City Manager
- C. City Attorney
- D. City Clerk

E. Roll Call

**ADJOURNMENT**

# Council Letter

## City of Danville, Virginia



**CL-1992**

**Meeting Minutes Item #: A.**

**Work Session Meeting**

**Meeting Date:** 09/18/2018

**Subject:** Approval of Meeting Minutes

**From:** Susan M. DeMasi, City Clerk

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### **COUNCIL ACTION**

Work Session Meeting: 09/18/2018

### **SUMMARY**

Consideration of Approval of Minutes from Regular Work Session held on August 9, 2018.

Council Letter Number CL - 1922.

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### **Attachments**

Meeting Minutes

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August 9, 2018

A Regular Work Session of the Danville City Council convened on August 9, 2018 at 8:04 p.m. in the Conference Room located on the Fourth Floor of the Municipal Building. Council Members present were: James B. Buckner, L. G. "Larry" Campbell Jr., Mayor Alonzo L. Jones, Dr. Gary P. Miller, Sherman M. Saunders, Fred O. Shanks, III, Adam J. Tomer, Vice Mayor J. Lee Vogler, Jr., and Madison J.R. Whittle (9).

Staff Members present were: City Manager Ken Larking, Deputy City Manager Earl B. Reynolds, City Attorney W. Clarke Whitfield Jr., and City Clerk Susan M. DeMasi.

Mayor Jones presided.

## **MINUTES**

Upon **Motion** by Council Member Saunders and **second** by Council Member Campbell, Minutes of the Regular Work Session held on May 3, 2018, Special Budget Work Session held on May 15, 2018 and Regular Work Session held on May 15, 2018, were approved as presented. Draft copies were distributed to Council Members prior to the Meeting.

## **WORK SESSION ITEMS**

Mayor Jones noted he would like to move Items D and E to the beginning of the Agenda.

### **CONSIDERATION OF APPROVING A PURCHASE AGREEMENT TO ACQUIRE THE DANIEL GROUP HANGAR AT DANVILLE REGIONAL AIRPORT**

City Manager Ken Larking noted this item pertains to the purchase of a hangar owned by the Daniel Group at the Danville Regional Airport. Averett is looking for additional space, this hangar meets their needs and the City was able to work out an arrangement. Director of Transportation Marc Adelman noted Averett's program is growing and they are the primary driver of economic activity at the Airport. The hangar has been unused for several years and it would be a benefit if the City could acquire it and rent it to someone that would be reliably providing a monthly rental fee for it. Dr. Miller noted it has not been used in several years, is it in good condition and Mr. Adelman noted it was and has been maintained. Mr. Adelman stated there are a few punch list items and Mr. Larking noted the purchase price is less than what it would cost to build a new hangar, and the funds are budgeted in the current year's budget. Mr. Tomer noted the City is going to pay \$140,000 for the hangar, Averett's rent will go up \$800, that is a 14½ year payback, are there going to be other generations of revenue and Mr. Adelman noted fuel sales and aircraft maintenance. Mr. Tomer asked if Averett was not in a position to buy it themselves and Mr. Adelman explained all the facilities at the Airport that the City owns are rented, no one owns any facilities except for the Daniel Group. One of the reasons it remained vacant for so long was because interested parties cannot acquire the land, all they can do is acquire the building; the FAA would not allow the City to sell the land. Mr. Tomer noted he has concerns about the payback.

### **CONSIDERATION OF APPROVAL OF A FIVE YEAR LEASE RENEWAL AGREEMENT WITH AVERETT UNIVERSITY AT DANVILLE REGIONAL AIRPORT**

Mr. Adelman noted this item is related to the previous item; the lease agreement is another five year renewal with Averett University, factoring in the leased premises space. Currently, Averett University is paying a total of \$18,000 annually for all rental fees, that includes \$1,100 a month for their current space as well as an additional fee of \$4,800 a year for Unicom services provided

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by City staff. This item would increase the total cost by \$9,600; the total fees that would be generated through Averett University for rental space would be \$27,600.

Council agreed to put these two items on an upcoming business agenda.

### **CONSIDERATION OF APPOINTMENTS TO BOARDS AND COMMISSIONS**

Vice Mayor Vogler noted following a meeting of the Committee on Appointments, the Committee makes the following recommendations:

Commission on Architectural Review	Reappoint: Jeffrey Bond
Community Improvement Council	Appoint: Tyrell Payne
Danville CPMT	Appoint: Natalie Whitlow as the Health Department Representative
Airport Commission	Appoint: Philip Hall as the DDC Representative

Council had no objections to the recommendations and the Appointments will be put on the next Council agenda.

### **CONSIDERATION OF AMENDING AND REORDAINING CHAPTER 32, ENTITLED "RETIREMENT SYSTEM" OF THE DANVILLE CITY CODE**

Director of Human Resources Sara Weller noted this is an update to the City Code for the Retirement System; it reflects the changes to the Public Safety retirement. It includes the 2.2 multiplier effective September 1, 2018 as well as the age change to early retirement to age 50 with 25 years of service. There were no questions from Council and they agreed to put this on an upcoming business agenda.

### **CONSIDERATION OF AUTHORIZING THE CITY MANAGER TO ENTER INTO AMERICAN MUNICIPAL POWER'S AGENCY DESIGNATION AGREEMENT**

Director of Utilities Jason Grey explained this item is related to the Kentucky Solar project as far as billing, auditing and invoicing. Right now the City does it manually with Utilities and Finance; this way it will be handled by American Municipal in a more efficient process. Mr. Shanks noted the City did this with Schoolfield about a year ago and Mr. Grey stated they did.

Council agreed to put this on an upcoming agenda.

### **DISCUSSION ON RESCINDING ORDINANCE NUMBER 2005-09.12 PERTAINING TO THE APPROVAL PROCESS FOR MURALS IN DOWNTOWN DANVILLE**

Director of Community Development Ken Gillie explained the River District Association has asked the City to rescind the Mural Program, which was established years ago so there would be a body that would approve murals. The City now has the River District Design Commission that can handle this; they are asking to remove the Ordinance as there is a process in place to take care of it. Mr. Shanks noted the City is not doing anything that affects ghost signs and Mr. Gillie explained that has been addressed in the Zoning Code and the City is not changing that portion

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of it. Mr. Saunders questioned if the River District Association will continue to maintain the murals and Deputy City Manager Earl Reynolds noted the ones that have been done under the auspices of the Downtown Danville Association, they will continue to maintain them. Mr. Reynolds noted the River District Association has three murals, Spring Street the Trolley mural, on Craghead, the Tobacco picture and the Old '97.

Council Agreed to put this on an upcoming business agenda.

**DISCUSSION ON ACCEPTANCE OF A GRANT FROM THE VHDA IN THE AMOUNT OF \$125,000 FOR 205 JEFFERSON AVENUE**

Deputy City Manager Earl Reynolds explained this is a continuation of a discussion they had regarding 205 Jefferson Avenue which is a vacant, twenty-five unit apartment building located in the Old West End historical district. The property was vacated in 2014 because of zoning enforcement actions; it was later sold at a foreclosure sale to a Texas LLC. For several years, the City has been trying to get that LLC in compliance on the zoning and maintenance issues with no response. The Commonwealth passed legislation called the Receivership Legislation for properties in distress such as this one. The locality would have the opportunity, if granted by the Court, to step in as a custodian of the property, make certain repairs, and return to court to report back what had been done, and give the owner the opportunity to reimburse the locality. If the owner is unable or unwilling to do so, the court would order a judicial sale of the property which would allow the locality to be made whole. Since the receivership order, the City has been trying to find partners to reduce the City's cost; the last cost was about \$200,000 to stabilize the property and deal with the zoning and property maintenance issues. Staff went to the VHDA because they are partners with the City on the Five Forks Corner, and they said they would be willing to invest \$125,000 into the stabilization project, this is a true grant.

Also, through Sonja Ingram and the Department of Historic Resources, they learned that Preservation Virginia still had a program where they purchase distressed properties. The City asked if they would invest in this project, and learned last week they went to their board and recommended this project. The Department of Historic Resources is willing to invest the purchase money into the project on behalf of the Danville Neighborhood Development Corporation. The City of Danville will never own this property, it will be purchased by Preservation Virginia and at the same closing, the property will then be transferred to the Danville Neighborhood Development Corporation. The City had already set aside some funds in the blight eradication program to deal with some of the deficiencies with the property. Staff believes this will get it to where the property will be much more marketable as evidenced by the fact the City received an email this afternoon from an out of town developer, who has several projects in the River District, who is already interested in meeting to discuss how he can be involved in this project.

Mr. Saunders commended the City Manager, Deputy City Manager and the City employees, success is about building relationships. Mr. Campbell questioned would the building eventually be sold to an entrepreneur or other party and Mr. Reynolds noted the Danville Neighborhood Development Corporation is developing a scenario of how they want to redevelop the property; they have the option of partnering with a private sector entity to do that, which will probably be the route they will take. They want to maintain an interest in the project because one of the things they want, looking forward, is to develop a revenue stream to support themselves; this is an opportunity to begin to do that.

Mr. Tomer questioned where the DNRC will they get their funding from and Mr. Reynolds noted currently they get funding from the City. Mr. Larking explained the extent of the City's contribution

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to this project will be \$75,000, after that it will be a partnership between the DNRC and a private developer who will put in apartments that have rent appropriate to be able to pay off any redevelopment costs. Mr. Tomer stated the DNRC will need money from the City to redevelop this and Mr. Reynolds noted no, they are similar to projects seen in the River District, where private developers get funds to convert the tobacco warehouses. In addition to the \$75,000, the City has another \$15,000 invested in this project. Mr. Tomer stated after the DNRC gets it, will it stay there without going back to get real estate tax off it or will the redeveloper then take possession of it and it be owned by a for profit corporation the City can get taxes off of. Mr. Reynolds noted when the pro forma is done for this project, paying taxes will be factored into it; they won't do any projects which ask for a tax break. Mr. Reynolds noted DNRC will continue to own it 100% or they will have a controlling ownership interest in it. Mr. Tomer asked if they own it 100% how will the City get real estate tax off it and Mr. Reynolds noted non-profits can pay real estate tax.

Mr. Larking noted the purpose of the DNRC is to improve housing throughout the City; staff wants them to be self-sustaining and this is an opportunity for them to get some revenue to help them. This will be their first big project; this group will eventually be taking ownership of a lot of the properties that the Housing Authority owns and the vehicle the City has used to deal with blight, and building the land bank. Mr. Shanks stated how does the investment in this project give them cash flow, and Mr. Larking explained they will be handling this project like a lot of the apartments in the River District that have been renovated and are now generating profit. They get renovated through bankable tax credits and various financing options; all the privately held apartments in the River District that have success are generating revenue for the people who own them. Mr. Shanks noted what if, to stabilize that building it will cost \$300,000, who makes up the difference and Mr. Reynolds stated staff believes that \$200,000 is a good number; they have had internal and external reviews.

Mr. Larking noted the other scenario to consider is this is blighted property that eventually something is going to have to be done to. In the past, when the City has had to deal with blighted property, eventually it falls on them to demolish it and try to recoup anything it can afterward. The estimated cost of demolition is about \$180,000; staff believes this is a good investment by the City to invest \$75,000 into what will be an apartment complex that will have success.

Vice Mayor Vogler noted he can see the value of the property itself, where it is located is a gateway from the Old West End and the River District, he is a little concerned about the building. Is there a specific concept of who the City is trying to reach for these apartments, and Mr. Reynolds explained they will be market rate units. If they are required to provide affordable units it would probably be three or four of the total twenty five. Sometimes that requirement is placed on a locality if it gets low interest financing from some of the organizations in Richmond. VHDA is a special legislation under Virginia law, as a Virginia financing agency, they are separate from the Commonwealth. They are very interested in doing construction and permanent financing in Danville and will be looked at as what they could bring to the table to make this project happen.

Mr. Tomer noted something has to be done with the property, it is blighted, it needs to be stabilized, it is either going to fall down or be demolished. His concerns are it will be a runaway project but has assurances that the City is not going to spend anymore money; the City either spends \$180,000 to bulldoze it or spends \$75,000 and try to spend other people's money. Mr. Larking noted there are risks to anything the City does, but staff has high confidence that this is going to be the extent of the City funding for the project. Mr. Buckner noted his agreement with Mr. Tomer, if the City does nothing, it will fall down and the City will have to demolish it and haul it away, that is \$180,000 plus; the City doesn't know if it can be done for \$180,000. The City can

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spend \$75,000 on it and take the grants; people who are doing developments in the City are taking on worse properties than this and have come out on top. Mayor Jones thanked Mr. Reynolds for going out and finding partners for the City on this project and noted his support.

Council agreed to put this on a business agenda.

**DISCUSSION ON CREATING A PUBLIC SAFETY MEMORIAL TO HONOR DANVILLE EMPLOYEES THAT HAVE LOST THEIR LIVES SERVING IN DANVILLE**

Mr. Tomer noted he has received some news since the time he discussed this, the police department has been looking at something similar as well. He wanted Council's feedback, he thinks it should be a public/private partnership, and get sponsors so it is not a burden to the tax payers. Mr. Tomer noted it is important that they honor the individuals from the City that have lost their lives in service. He would like Council to have a discussion about the creation of or helping the police department if they have something in mind, looking at possible locations for this and what Council thinks they would like to see. Other communities have memorials that honor their police officers, sheriff's deputies, fire fighters and first responders; it is an important thing to do. Dr. Miller noted the City also had an employee who was electrocuted working in Utilities last year, would this include someone like that and Mr. Tomer noted that is for Council to discuss. Vice Mayor Vogler noted he is in support of the concept and Dr. Miller made a great point, the only thing he would think of with this, the City is going to have to do something with the Police Station, building one or finding another facility that could be renovated. Is this something that possibly could be a part of the police station. Mr. Tomer noted he is open to that; the renderings he saw today of what the Police Department is doing, looked more like something on a park like area. He wanted to get Council's input on if they want the City staff to explore options on this with the particular departments. Mayor Jones stated as soon as the police department is finished with what they are working on, Council can look at that and go from there.

**DISCUSSION ON THE NATIONAL RESOURCE NETWORK'S PROCESS**

City Manager Ken Larking noted he wanted to talk to Council about the process for proceeding with the National Resource Network initiatives and give some background on what staff has done since the presentation. He has had employee meetings, and a meeting with the Management Team, gave the information to them and opened it up for any questions. Staff did record the presentation given by David Eichenthal, it is on the City's internal website and is available to any employee that wants to look at it. Mr. Larking noted the next step is for staff in the finance department to get some training, with the Budget Director and the Director of Finance, on the model that was developed for the City. When they talk about initiatives, they want to plug in different scenarios, and see in real time what that impact will be over the five year period. Many of these initiatives will require a lot of effort on the City's part to implement. There is an advisory group with two council members on it, Mr. Shanks and Mr. Tomer, and he envisions the advisory group taking a look at all the initiatives that were laid out, and prioritize which ones make the most sense to look at first.

**CONSIDERATION OF APPROVING A RESOLUTION OF SUPPORT OF THE HISTORIC TAX CREDIT ENHANCEMENT ACT OF 2018**

Assistant Director of Economic Development Corrie Teague Bobe noted the City has been approached to create a resolution in support of the Historic Tax Credit Enhancement Act of 2018 and encourage the City's Federal representatives to vote in favor of this new piece of legislation. The Act is meant to encourage development in historic districts by making the Federal Historic

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Tax Credit Program more appealing, and reduce the tax liability on the developers that take the risk and invest in historic districts.

Council agreed to put this on an upcoming business agenda.

### **PROGRAM UPDATE**

Mr. Larking noted the City has put out an RFP for Sports Tourism, has received four responses and will interview three applicants Monday. The County has expressed interest in potentially partnering with the City on sports tourism and he invited David Smitherman, the County Administrator to participate in the interviews, he is sending Greg Sides because he could not make it. Mr. Larking stated he did not know if they would join with the City, but if they do, it would be good for them to be involved in the evaluation process.

Mr. Larking noted they had a meeting today at Dewberry, evaluating potential sites for a police department. They identified perhaps a dozen potential sites for a new police department, and they have narrowed it down to three properties. Staff is still moving forward with this project.

Mr. Larking stated September 11, 2018 will be the State of the Region speech and they will do something similar to what was done last year, more of a panel, with a question and answer period, with he, the Chairman of the Board of Supervisors, County Administrator, and the Mayor on the panel. They will be focusing on the three focus areas the City has set forth.

### **ECONOMIC DEVELOPMENT UPDATE**

Director of Economic Development Telly Tucker explained at a previous work session, Council instructed staff to come back with more information about tax rates related to data centers. Mr. Tucker noted he has a presentation for Council, (a copy of Mr. Tucker's power point, *Data Center Tax Rate Consideration*, has been retained in Laserfiche.) Mr. Tucker noted a few communities in Virginia have created a special rate for data centers, staff researched those communities, why they may be doing those things and contrasted that with the data center industry and what they are looking for. Data Centers are not huge job generators, the jobs that are there pay good salaries, but they attract a lot of capital investment by way of computer equipment.

The number one driver for data center consideration is power cost. Data centers, particularly those in North Carolina, have benefitted from Duke Energy providing power at less than 5 or sub four cents per kilowatt hour. In Virginia currently, the City rate and the APCo rate is closer to somewhere between five and six cents per kilowatt hour. For people using 10-40MW of power, that makes a difference; these are highly desirable customers because they run 24/7. They are also looking for broadband connectivity; along with Mid-Atlantic Broadband and the terabyte capacity, Virginia also has two direct connections across the Atlantic Ocean, one, a subsea cable from Bilbao, Spain to Virginia Beach and connects into the MBC network. The other comes from Brazil into the Virginia Beach area. Mid-Atlantic Broadband has numerous connections directly to Ashburn with low latency, meaning there are not a lot of switches to get information through. Thirdly, data centers will look for favorable tax climates as well; they are going to be setting down quite a bit of machinery and computer equipment, and they want to make sure the tax climate is favorable to them.

Mr. Tucker stated, how does a City like Danville become more attractive, and noted he was going to concentrate on the favorable tax climate. Mr. Tucker reviewed a chart comparing tangible business personal property tax rates in Virginia, looking across the Southern Virginia footprint;

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Virginia Beach and Henrico are not in the Mid-Atlantic Broadband footprint, but they are two of the lowest in the state and are included for comparison purposes. The chart does not take into account depreciation, and it looks like Pittsylvania County has the highest tax for business personal property in the region at \$9.00 per \$100; however, they only assess at 10% of the original cost. He compared the effective tax rates, looking at the first three years and Danville is a little bit on the higher end of the communities that had their depreciation schedules on line, and were quite a bit more than three localities in Virginia that have reduced theirs, Henrico County, Virginia Beach and Brunswick County. Mr. Tucker stated it was important to understand with the tax structure for business tangible personal property and specifically for data centers, companies are required to report annually their original costs and the year of purchase for all of their furnishings. This includes equipment, tools, computer, servers, etc., all that are owned as of January 1<sup>st</sup>, each year. The existing business personal property tax rate for computers, desk tops, etc., in Danville is \$3.50 per hundred of the assessed value. The City does not actually assess at 100% of the cost; they assess at 60% in year one, year two at 50%, year three at 30%, year four at 20% and year five at 10%. This depreciation schedule is a little more aggressive for computer equipment than for most other business personal property because computers become obsolete so quickly and have to be replaced.

Mr. Tucker reviewed what a data center would look like at the current tax rate, with a 10MW user. The ratio is \$10M of equipment per MW; if there was a 10MW user, they would probably have about \$100M worth of equipment. There is a caveat, on average 60% of data centers refresh their computer equipment every three years. This calculation does take into effect that 60% of the equipment will be replaced after year three and the depreciation schedule will start over for that 60%, the remaining 40% will continue to depreciate over years four and five. Over five years, about \$7.6M would be generated in new tax revenue from a 10MW, \$100M data center. If the City reduced their rate to \$.40 per \$100, which is the same rate that Henrico and Virginia Beach have, similarly, after year three, for the same 10MW, \$100M, 60% of the equipment would be replaced and would reset that depreciation schedule for that 60% while the remaining 40% would continue. Over five years, the City would be at about \$872,000 of tax revenue over that five year period; it is close to a 90% reduction. Mr. Buckner questioned if Mr. Tucker thought the City should adjust their rates with Henrico and Virginia Beach; he thought forty cents was still too high. Mr. Vogler thought if the City was going to do it, it should be lower.

Mr. Tucker noted another consideration is, does the anticipated tax revenue provide an acceptable return on investment considering what the City invested in acquiring and preparing real estate for development. If the City has invested \$5M in the property, they want to make sure they consider what their investment is, what the tax is they are going to get back out and how long it is going to take the City to get that return on investment.

Mr. Larking noted they want to be careful that the City doesn't attract a business like this, to a piece of property the City has already invested several million dollars to get it developed, ready for a job and tax generator business and then the City is not getting the tax revenue they were hoping to get. There is an opportunity cost to consider. Mr. Vogler noted he assumed they were talking about Schoolfield, the City is not going to fill it up with data centers with the tax rate the City has right now, they are not competitive at all. If the City is concerned with smaller data centers trying to come in and get cheap tax rates, the City has the ability to decide if they want a company to locate there or not; it has to be the right project. If they want to get a data center, they should be the most competitive tax rate in Virginia for data centers. Mr. Shanks noted what is missing are the other tax rates, such as real estate tax rates and Mr. Tucker noted in the previous handout, they did show the real estate. Mr. Shanks stated he could not see discounting

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Danville when they have the lowest real estate tax rate; when that is factored in, it is very competitive.

Mr. Tucker stated there were other things staff discussed; they want to make sure if the City changes their tax rate citywide, do they run the risk of filling up their parks with data centers at a less than desirable tax rate and not having space to put job generators. At what scale does it make sense for the City to consider doing something like this. The communities that have lowered their rates have set their rate on the amount of power used; if they use a lot of power, they are going to have a lot of equipment. His recommendation would be to set it no less than a 20MW user so that the City gets at least \$200,000,000 worth of equipment in order to qualify for a favorable rate. He also wants to make sure everybody is aware this is not a magic bullet; it doesn't mean that just because the City lowers its rate, a data center will come tomorrow, there are other considerations. The first question they are asked at data center conferences is, what is the price of power per KW hour. The second question is usually pertaining to latency and then thirdly data center tax rates. If Danville lowers its rate and still doesn't have a competitive power rate, either through the City or AEP, it could still be unattractive; this certainly would take the City in the right direction to help make it more attractive.

Mayor Jones stated if Council decides to go with Mr. Tucker's suggestion, what happens next and Mr. Tucker explained the City would have to add Code to its Ordinance that calls for a special rate for computer equipment, for megawatt users of a certain usage. Vice Mayor Vogler noted he is fine with setting it at a high threshold in terms of investment, but the bottom line for him, he wants that rate to be the lowest in the State. Setting it at 20MW, he wants the tax rate to be below forty cents with that threshold in mind. Mr. Shanks stated if the Code is going to be changed, would it make sense to use something other than what is used in the depreciation schedule, that 60/50/30/20/10, could that be changed to make it easier to work within. Mr. Tucker noted every year they come out with the tax rate for Virginia, and there is no consistency across Virginia. Virginia Beach is lower because they tax at 40% for the life of the equipment. Pittsylvania County does 10% all the way across, Danville may need to ask for some guidance from Richmond on how can the City do that and if it can, can they hold it steady.

Mr. Tomer stated the City could do 20MW and above, twenty five cents, 15MW, thirty cents, 10MW thirty five and on down from there. Mr. Tucker explained he would caution against going below a 20MW user because the return received from a 10MW user is only about \$800,000 over five years, it is pretty low. If the goal is to try to land a big fish, he would set the bar high enough to where only the big fish are competing for it. Vice Mayor Vogler stated twenty five cents on the 20MW and Mr. Tomer noted his agreement; Mayor Jones after a straw poll, stated there was a consensus for the twenty five cents with the 20MW, to let the City Manager and City Attorney work out the details and bring it back to Council at another work session. Mr. Tomer asked for a couple different options on rates, but doesn't want to be above Virginia Beach and Dr. Miller requested thirty five cents be looked at.

## **COMMUNICATIONS**

Dr. Miller questioned a discussion on the Airport and the FBO, their contract will be up next year and Mr. Larking noted it is on the next work session agenda, the best way to proceed. Staff is looking at having an independent evaluator develop an RFP, help recruit potential proposers for that RFP and give feedback on the proposals the City receives.

Mr. Shanks hoped City Council would consider looking at the Stormwater Ordinance in terms of the responsibility of the City versus the private citizen; similar to the case on Patton Street. There

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are areas in Danville that have underground drains such Forest Hills, Primrose, Canterbury, and West Hampton, picking up water. There have been a lot of heavy storms, people's basement floors are getting blown out and the problems can't be fixed by individual property owners, it is not their water. Mr. Shanks believes Danville's rules are stricter than other places.

Mayor Jones noted the question came up about a retreat and he has spoken with the City Manager and the Vice Mayor. Mr. Vogler noted the retreats are beneficial but take up time and they discussed not doing a retreat, but an extended meeting, maybe one afternoon. Mayor Jones asked Council to think about that and let him know.

### **CLOSED MEETING**

At 9:49 p.m., Vice Mayor Vogler **moved** that this meeting of the City Council of Danville, Virginia be recessed and that Council immediately reconvene in a Closed Meeting for the following purposes: discussion or consideration of the acquisition and/or disposition of real property for a public purpose where discussion in an open meeting would adversely impact the bargaining position of the City as permitted by Subsection (A)(3) of Section 2.2-3711 of the Code of Virginia, 1950, as amended, more specifically to consider both the acquisition of a specific parcel or parcels of real property as well as the disposition of a specific parcel or parcels of real property; and to consider an Economic Development discussion and update concerning prospective business or industry where no previous announcement has been made and/or the expansion of an existing business or industry where no previous announcement has been made as permitted by Subsection (A)(5) of Section 2.2-3711 of the Code of Virginia, 1950 as amended, and more specifically to consider the location of a prospective new business or industry to the area and expansion of an existing business or industry.

The Motion was **seconded** by Council Member Buckner and carried by the following vote:

VOTE: 9-0  
AYE: Buckner, Campbell, Jones, Miller, Saunders,  
Shanks, Tomer, Vogler and Whittle (9)  
NAY: None

Upon unanimous vote at 10:14 p.m., Council reconvened in open session and Vice Mayor Vogler **moved** adoption of the following Resolution:

### **CERTIFICATE OF CLOSED MEETING**

WHEREAS, the Council convened in Closed Meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Freedom of Information Act; and WHEREAS, Section 2.1-344.1 of the Code of Virginia, 1950, as amended, requires a Certification by the Council that such Closed Meeting was conducted in conformity with Virginia Law; NOW, THEREFORE, BE IT RESOLVED that the Council hereby certifies that, to the best of each Member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements of Virginia Law under Section 2.2-3711 were heard, discussed or considered, and (ii) only such public business matters as were identified in the Motion by which the Closed Meeting was convened were heard, discussed or considered by the Committee.

The Motion was **seconded** by Council Member Whittle and carried by the following vote:

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VOTE: 9-0  
AYE: Buckner, Campbell, Jones, Miller, Saunders,  
Shanks, Tomer, Vogler and Whittle (9)  
NAY: None

MEETING ADJOURNED AT 10:15 P.M.

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MAYOR

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CITY CLERK

DRAFT

**Council Letter  
City of Danville, Virginia**



**CL-1981**

**Work Session Item #: A.**

**Work Session Meeting**

**Meeting Date:** 09/18/2018

**Subject:** Financial Report - General Fund Results as of August 31, 2018

**From:** Michael Adkins, Director of Finance

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**COUNCIL ACTION**

Work Session: 09/18/2018

**SUMMARY**

A brief update will be given on the General Fund preliminary financial results through August 31, 2018. Financial Statements are included.

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**Attachments**

[Financial Statements](#)

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**To: Ken F. Larking, City Manager**

**From: Michael L. Adkins, Director of Finance**

**Date: September 6, 2016**

**Subject: Summary of Preliminary General Fund Financial Results for August 31, 2018**

After completing the first two months of the new fiscal year, revenues compare favorably to the previous year. As of August 31, General Fund revenues were \$11,861,128. This represents 11.25% of our FY 2019 budget. Last year, at this time, we had collected \$11,179,323, or 10.9% of budget.

We continue to see steady performance in the collection of delinquent real estate taxes this year with \$177,468 realized in the first two months of this fiscal year. This accounts for 22% of the current year budget. Tax bills for FY 2019 will be mailed in a couple of months and we will begin to see collection activity in current real estate and personal property taxes at that time. Local taxes collected through August 31, were \$3,821,931, or 14.4% of budget. This also compares favorably to FY 2018, showing an increase of \$344,149 over last year. Sales tax collections in August amounted to \$1,580,957, or 17.9% of budget, an increase of \$78,317 over last year. Meals taxes collected for the first two months of the fiscal year amounted to \$1,374,673, or 16.7% of budget, an increase of \$115,989 over last year, and indicative of the rate increase from 6% to 6.5%. Business Licenses realized at the end of August were \$337,107, an increase of \$15,185 from the prior year. Lodging taxes received as of August 31, were \$192,927, or 20% of budget, an increase of \$36,253 over the prior year. All other revenue categories are performing well at this point.

Expenditures at August 31 were \$22,870,491, or 20% of budget. This is an increase of \$2.5 million compared to August 31, 2017, primarily resulting from the timing of budgeted transfers to Danville City Schools and the Capital Projects Fund. Departmental expenditures at the end of August show an increase of about \$75,000 over last year with small increases in some departments and small decreases in others. Total General Fund expenditures exceeded revenues by \$11,009,363. This is typical for the start of the fiscal year in the General Fund because the timing of the revenue recognition is not matched to expenditures and 100% of the FY 2019 transfers to the Capital Fund have been recorded. For now, the General Fund is performing as expected.

CITY OF DANVILLE, VIRGINIA

GENERAL FUND REPORT

17% OF YEAR LAPSED AS OF AUGUST 31, 2018

**\*\*PRE-CLOSING FIGURES - SUBJECT TO CHANGE - UNAUDITED\*\***

	Budgets & Appropriations For Current Year	Actual Revenues & Expenditures For Year-to-Date	Percent Realized/Expended This Year	Encumbrances	Balance to be Realized/Expended	Actual Revenues & Expenditures At This Date Last Year
<b>REVENUES:</b>						
Property Taxes	\$ 31,867,700	\$ 1,422,564	4.46%		\$ 30,445,136	\$ 1,342,400
Other Local Taxes	26,601,000	3,821,931	14.37%		22,779,069	3,477,782
License Permits & Privilege Fees	252,950	32,956	13.03%		219,994	38,183
Fines & Forfeitures	393,550	58,941	14.98%		334,609	54,470
Revenue From Use Money & Property	1,188,150	149,788	12.61%		1,038,362	131,688
Charges For Services	3,742,950	703,089	18.78%		3,039,861	690,059
Miscellaneous Revenue	125,100	37,675	30.12%		87,425	24,865
Recovered Cost	5,967,800	862,172	14.45%		5,105,628	686,095
Non-Categorical Aid	5,976,720	503,301	8.42%		5,473,419	560,754
Shared Expenses (Categ. Aid State)	5,124,990	738,845	14.42%		4,386,145	714,253
Categorical Aid (State)	9,359,130	1,013,533	10.83%		8,345,597	955,607
Emergency Services (Federal)	-	-			-	-
Categorical Aid (Federal)	27,020	-	0.00%		27,020	-
Transfers From Utilities	14,798,000	2,516,333	17.00%		12,281,667	2,503,167
Transfers From Other	-	-			-	-
<b>TOTAL REVENUES</b>	<b>\$ 105,425,060</b>	<b>\$ 11,861,128</b>	<b>11.25%</b>		<b>\$ 93,563,932</b>	<b>\$ 11,179,323</b>
<b>EXPENDITURES:</b>						
General Government Administration	\$ 8,842,424	\$ 1,876,949	21.23%	\$ 319,052	\$ 6,646,423	\$ 1,816,470
Judicial Administration	7,036,142	1,135,703	16.14%	29,817	5,870,623	1,138,436
Public Safety	29,933,346	4,594,921	15.35%	524,463	24,813,963	4,516,623
Public Works	4,399,192	595,834	13.54%	312,584	3,490,774	652,533
Health, Education, Welfare & Soc. Svc.	9,249,470	1,018,065	11.01%	46,482	8,184,922	1,017,379
Parks, Recreation & Cultural	5,189,642	742,590	14.31%	60,881	4,386,171	724,248
Community Development	2,164,630	254,513	11.76%	129,535	1,780,583	279,473
Non-Departmental	12,758,131	2,053,785	16.10%	9,241	10,695,105	1,901,505
Transfer to Schools - Operating	26,680,085	6,613,111	24.79%	2,255,825	17,811,149	8,134,753
Transfer to Capital Projects	3,775,380	3,781,090	100.15%	-	(5,710)	-
Transfer to Other Funds	4,099,240	203,932	4.97%	-	3,895,308	161,347
<b>TOTAL EXPENDITURES</b>	<b>\$ 114,127,683</b>	<b>\$ 22,870,491</b>	<b>20.04%</b>	<b>\$ 3,687,881</b>	<b>\$ 87,569,311</b>	<b>\$ 20,342,767</b>
Revenue over(under) Expenditures		\$ (11,009,363)				\$ (9,163,444)
<b>FUND BALANCE:</b>						
Beginning Fund Balance 07/01/2018		\$ 39,518,570				\$ 42,975,385
Revenue over(under) Expenditures		(11,009,363)				(9,163,444)
Ending Fund Balance 08/31/2018		<b>\$ 28,509,207</b>				<b>\$ 33,811,941</b>
Composition of Fund Balance:						
Reserved for Encumbrances/Designated Funds		\$ 12,422,164				\$ 14,755,954
Unassigned		16,087,043				19,055,987
<b>TOTAL FUND BALANCE 08/31/2018</b>		<b>\$ 28,509,207</b>				<b>\$ 33,811,941</b>

**City of Danville, Virginia**  
**Summary of Other Local Tax Revenues - PRE-CLOSING - UNAUDITED**  
**For the period ending August 31, 2018 (year to date)**

<u>Description</u>	<u>Current Budget</u>	<u>Revenue Realized</u>	<u>Percentage Realized</u>	<u>Prior Year Budget</u>	<u>Prior Year Realized</u>	<u>Percentage Prior Year</u>
Sales Tax	\$ 8,850,000	\$ 1,580,957	17.86%	\$ 8,750,000	\$ 1,502,640	17.17%
Business Licenses	5,200,000	337,107	6.48%	5,100,000	321,922	6.31%
Meals Tax	8,240,000	1,374,673	16.68%	7,500,000	1,258,684	16.78%
Utility Taxes	963,000	161,230	16.74%	978,000	98,814	10.10%
Vehicle License Fees	1,000,000	85,607	8.56%	1,000,000	67,779	6.78%
Bank Stock Tax	800,000	-	0.00%	790,000	-	0.00%
Recordation Tax	200,000	33,352	16.68%	180,000	21,232	11.80%
Hotel Motel Tax	960,000	192,927	20.10%	990,000	156,674	15.83%
Daily Property Rental Tax	18,000	4,014	22.30%	17,000	5,147	30.28%
Motor Vehicle Tax	150,000	28,095	18.73%	135,000	26,429	19.58%
DMV Fees	220,000	23,969	10.89%	215,000	18,461	8.59%
<b>TOTAL</b>	<b><u>\$ 26,601,000</u></b>	<b><u>\$ 3,821,931</u></b>	<b><u>14.37%</u></b>	<b><u>\$ 25,655,000</u></b>	<b><u>\$ 3,477,782</u></b>	<b><u>13.56%</u></b>

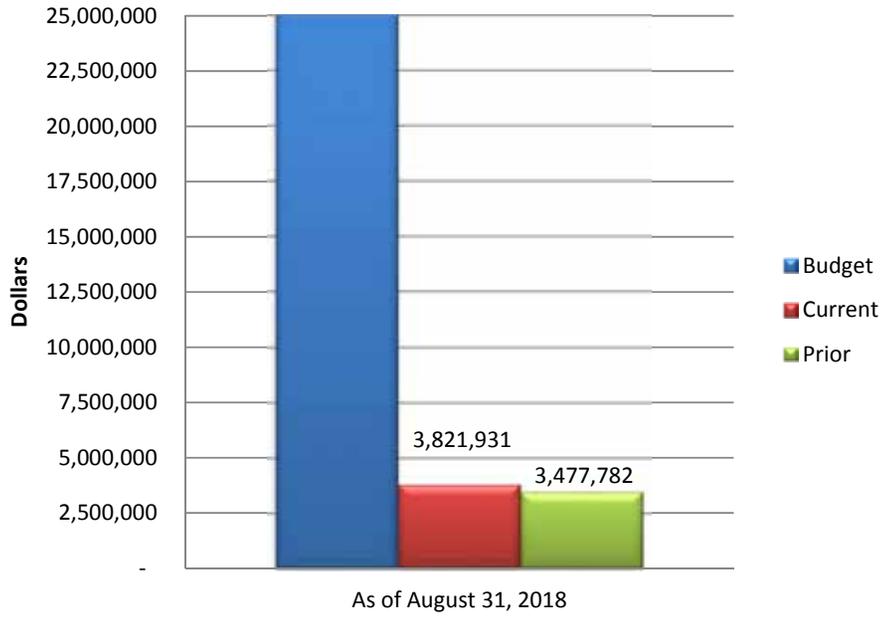
**CITY OF DANVILLE, VIRGINIA  
GENERAL FUND  
COMPOSITION OF FUND BALANCE  
PRELIMINARY - AS OF AUGUST 31, 2018**

Beginning Total Fund Balance, July 1, 2018	\$ 39,518,569.81
Add: General Fund Revenues	11,861,128.27
Deduct: General Fund Expenditures	<u>(22,870,491.20)</u>
Ending Total Fund Balance, August 31, 2018	<u><u>\$ 28,509,206.88</u></u>

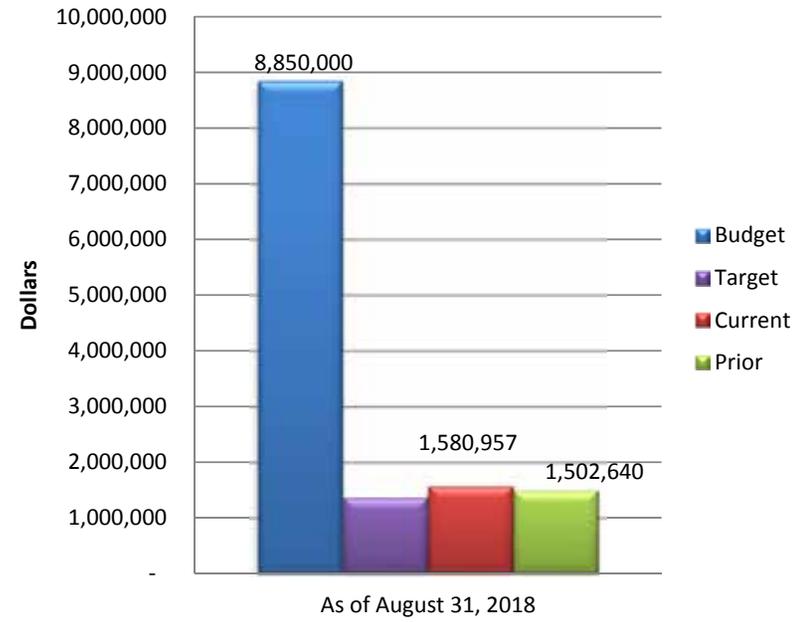
<u>Composition of Fund Balance:</u>	
Restricted for Commonwealth Attorney	\$ 110,324.22
Restricted for Police Department	47,799.85
Restricted for Fire Department	89,770.99
Committed for Sheriff's Department	2,100.07
Committed to Schools	2,000,000.00
Committed to Budget Stabilization	3,000,000.00
Committed transfer of Fund Balance FY2019	3,145,900.00
Assigned to Sheriff's Department	16,223.13
Assigned to Community Development Dept.	4,898.93
Assigned for Encumbrances	3,687,880.61
Nonspendable (Inventory and Prepaids)	317,266.15
<b>UNASSIGNED</b>	<b><u>16,087,042.93</u></b>
Total Fund Balance, August 31, 2018	<u><u>\$ 28,509,206.88</u></u>

Unassigned fund balance from above	\$ 16,087,042.93
Unassigned Minimum per policy (20% of General Fund Operating Revenues) based on FY 2019 budget	<u>20,455,832.00</u>
Current surplus (deficit) over (under) minimum	\$ (4,368,789.07)

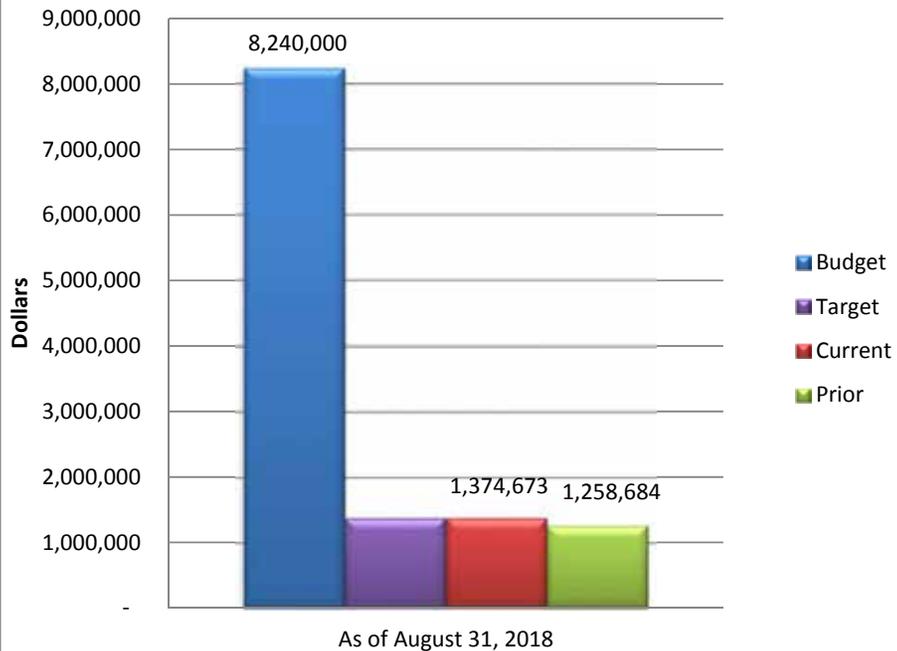
### Local Taxes



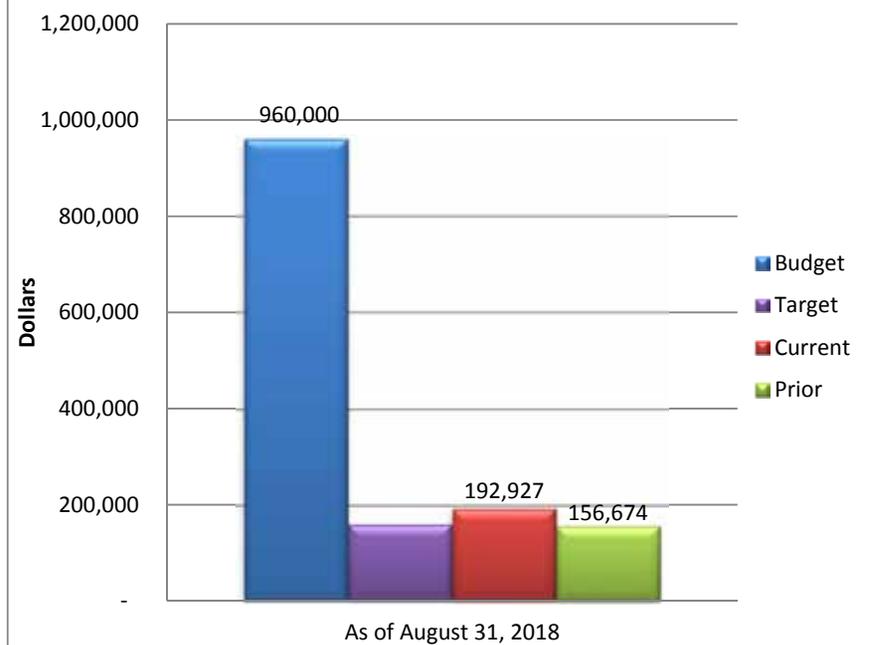
### Sales Tax

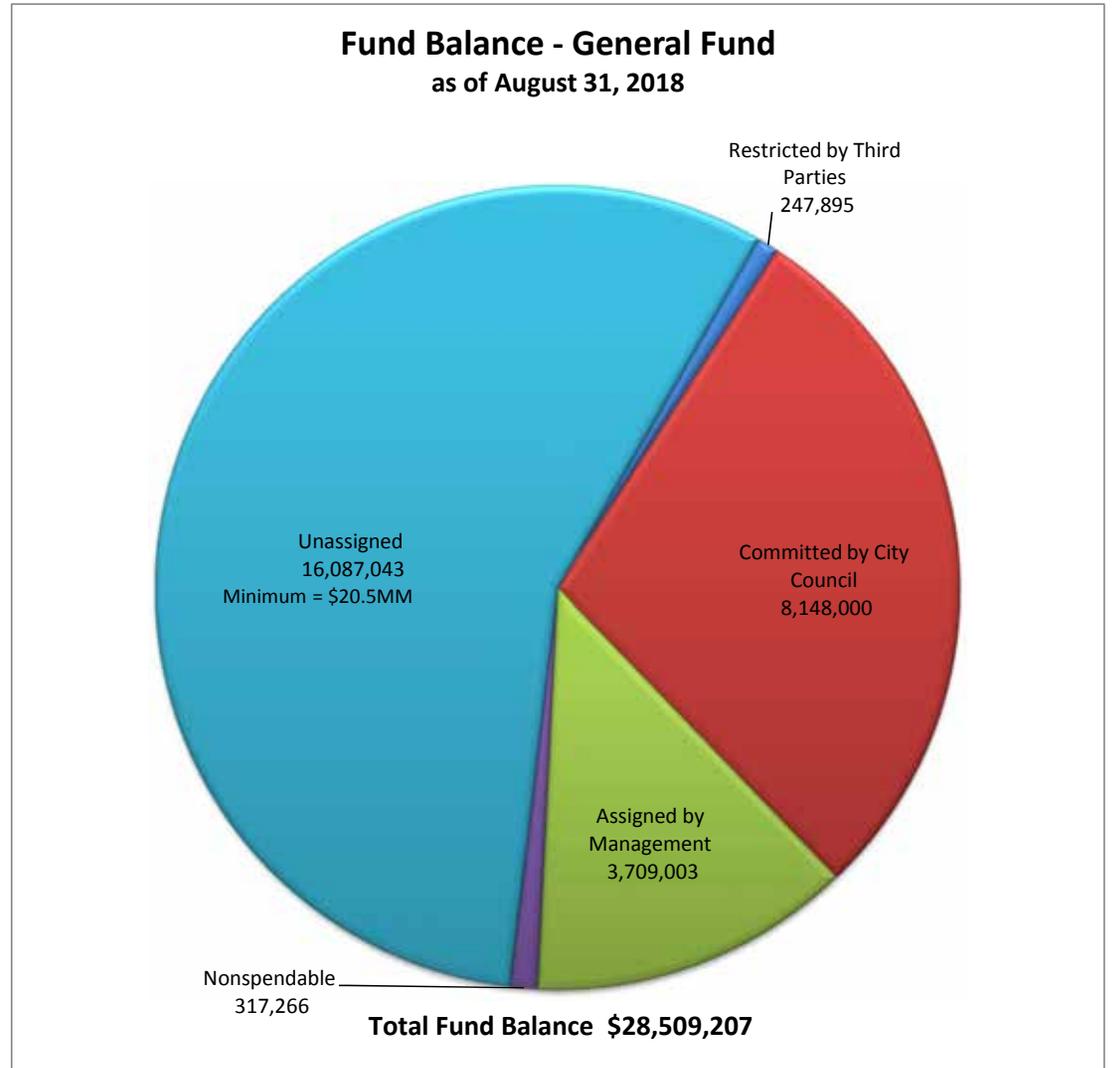
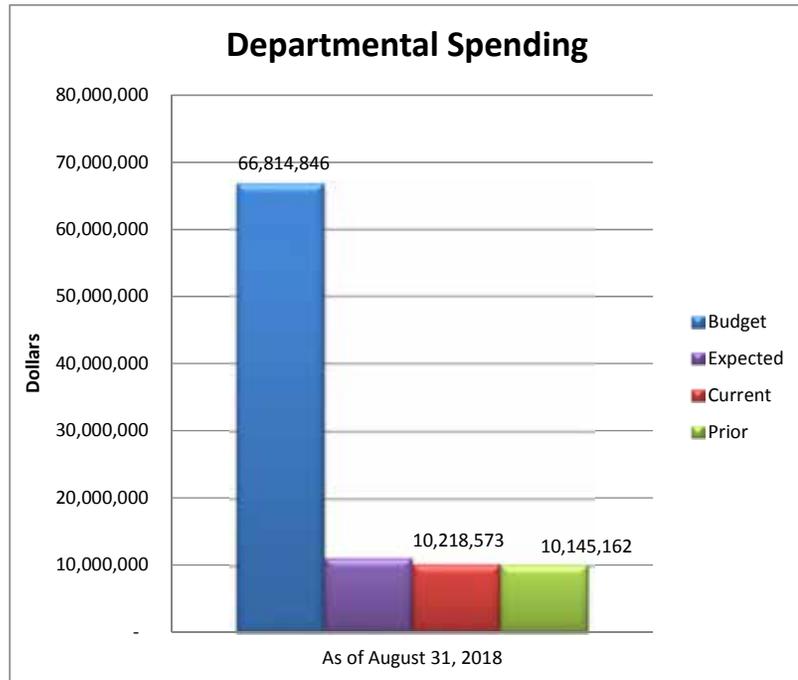
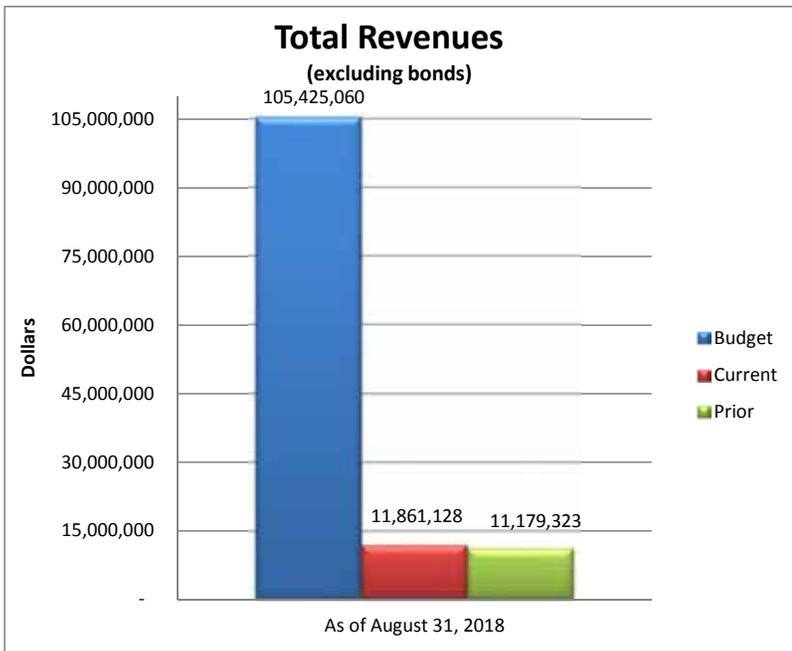


### Meals Tax



### Lodging Tax





# Council Letter

## City of Danville, Virginia



**CL-1996**

**Work Session Item #: B.**

**Work Session Meeting**

**Meeting Date:** 09/18/2018

**Subject:** Consideration of Appointments to Boards and Commissions

**From:** Susan M. DeMasi, City Clerk

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### **COUNCIL ACTION**

Work Session: 09/18/2018

### **SUMMARY**

Consideration of Appointments to the following Boards and Commissions.

Council Letter Number CL - 1996

1. Danville Redevelopment and Housing Authority
2. River District Design Commission

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### **Attachments**

*No file(s) attached.*

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