

September 27, 2011

MINUTES OF THE CITY COUNCIL MEETING HELD SEPTEMBER 27, 2011

A Work Session of the City Council of the City of Hopewell, Virginia, was held Monday, September 27, 2011, at 6:30 PM in the City Council Chambers, Municipal Building, 300 North Main Street, Hopewell, Virginia.

PRESENT: Christina J. Luman-Bailey, Mayor
K. Wayne Walton, Vice Mayor
Curtis W. Harris, Councilor
Michael Bujakowski, Councilor
Gerald S. Stokes, Councilor
Jackie Shornak, Councilor
Ann M. Romano, City Clerk

Edwin C. Daley, City Manager
Thomas E. Lacheney, City Attorney
Ann M. Romano, City Clerk

ABSENT: Brenda Pelham, Councilor (illness)

WORK SESSION

Mayor Luman-Bailey opened the meeting at 6:30 PM.

REGULAR BUSINESS – JANET ROGEL, VAWCO and DEQ, CITY OF HOPEWELL CONSERVATION PLAN – INCORPORATE THE CITY OF HOPEWELL INTO THE REGIONAL PLAN

Mayor Luman-Bailey welcomed Janet Rogel from the Virginia American Water Company, who made a brief summary to Council. Ms. Rogel reiterated that this topic was discussed at Council's regular meeting on September 13, 2011. They do not foresee a shortage of water in the next 30 years. The DEQ waived the requirement for an ordinance from the City of Hopewell. Lake Chesdin is not a part of this plan. Questions or comments should be directed to Dan Dietrich, Office of Epidemiology, 804-864-8128.

This will be added to the agenda for October 18, 2011 for a motion to adopt. (6:39 PM)

REGULAR BUSINESS – CITY FINANCE ESTIMATES

The City Manager distributed a report (filed in the City Clerk's Office) for Council review. The audit will be available in December 2011.

Finance Projections
Observations and Recommendations

1. The Capital Fund is very solid. May be able to use some funds to pay old bonds or escrow funds for this purpose.
2. The General Fund is experiencing a declining trend and will dip below the 10% reserve balance level in FY 2016 if the economy does not improve. Local industries are expanding so this will help revenues.

Recommendations

3. Close the Economic Development Fund and pay the remaining debt from capital reserves.

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4. Preserve Cemetery Perpetual Care Fund only for Cemetery purposes.
5. Adjust Marina fees as needed after the construction project.
6. Discontinue the \$100,000 transfer from Self-insurance Fund to the Capital Fund effective June 30, 2011.
7. Discontinue \$85,000 transfer from Self-insurance Fund to the General Fund effective June 30, 2011.
8. Transfer Self-insurance Fund expenses for insurance back to the General Fund in 2013 or 2014 when the fund is depleted and close the fund.
9. No changes in the Capital Fund.

The Economic Development Fund has been used for the following: (1) Exeter bonds were paid from that fund; (2) Four years ago a Councilor used to propose research projects that came out of that fund. \$181,569.00 will come out to pay bonds; \$33,781 projected as a balance for FY 2012-2013. Will add additional amount necessary to pay bonds \$325,000.00 out of Capital Fund.

DISCUSSION: There was disagreement among Councilors regarding closing the Economic Development Fund. The fund was created over 30 years ago. Other Councilors voiced concern about the possible negative appearance of the City to potential developers/investors if the City does not have an Economic Development Fund. The explanation is that only City Council, staff and the auditors are privy to the City's various funds. That would have no bearing on outsiders. The interest rate on bonds is approximately six per-cent (6%). Mr. Hager reported that (1) retire bonds – lower outstanding debt load; (2) trade interest payment against smaller interest income. Any questions should be directed to the City Manager or Elesteen Hager, Director of Finance. The Audit will be available in December. (6:55 PM)

REGULAR BUSINESS – WASTEWATER CAPITAL PROJECT FUNDING

David Rose and Jimmy Sanderson of Davenport & Company addressed Council and distributed a handout (filed in the City Clerk's Office). They discussed meeting with the Rating Agencies and there will be conference calls at the end of October. They will come back to Council on October 18 to ask Council to approve issuing of debt. The rating meetings will also be at the end of October. Look in interest rates and close at the end of November. Pay off bonds. Interest rates are holding. Good ratings. Cost of project came in below. The current bond rating is AA-AA-A-1.

There will be two public hearings on October 18: (1) Bond proceeds for three projects. Amendment to ordinance originally adopted, on first reading (2004 & 2009); (2) Public hearing on three projects – consider ordinance on first reading authorizing issuance of that debt.

Plan of Finance Update and Objectives:

- Davenport has analyzed the ability of the City to finance the following Capital Projects totaling \$13 million.
 - Beacon Theatre - \$5 million
 - Public Safety Building - \$5 million
 - City Marina renovations - \$3 million
- \$2 million of the City's existing bond proceeds will be used to fund a portion of the projects.
- Davenport has assumed no revenues will be generated from the Beacon Theatre or the city Marina that will be available to offset debt service.

Preliminary Plan of Finance:

1. Issue 5-year interest-only Notes that are callable in whole or part (i.e., pre-payable) prior to their maturity at 3.00% estimated interest rate.

Rationale:

In the event circumstances change, the City could term out the Notes prior to maturity if they desired

2. Takeout of the Note over 20 years at 5.50% estimated interest rate.

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3. Establish a Capital Reserve by setting aside certain funds prior to the actual Fiscal Year in which funding is needed. These funds are created from the surplus generated by the decline in the City's existing debt service combined with planned tax increases and other available funds dedicated to debt service.

Dedicated Annual Revenues to Fund Debt Service

Meals & Lodging Tax Revenues	\$390,000
I-295 Revenue	<u>200,000</u>
	\$590,000

Review Potential of Optimizing use of Cash reserves:

- Pay down Existing Debt with Higher Interest Rates
- Fund Capital Projects with Cash Reserves

Rationale/Benefits of Using Cash to Redeem Debt:

- ▶ City has Bonds outstanding with various interest rates that have been issued over time.
- ▶ The City currently has taxable Bonds that carry Interest rates of up to 6.375%.
- ▶ Currently, the City has approximately \$9 million of funds in a Capital Projects Fund that is earning less than 0.25% due to the current investment rate environment.
- ▶ Using a portion of these reserves to pay down higher interest rate debt will effectively provide a return to the City equal to the difference between the interest rate on the Bonds and Interest Rate Return on investments.
- ▶ Rating Agencies and investors will view this action as a credit positive for the City.
- ▶ Further analysis will be required to determine the most Optimal Bonds to target for Redemption.

Debt Capacity Policy:

- ▶ The City currently has a policy that limits Debt to 5% of total Assessed Value of Real Estate in the City.

	Current	Calendar Year 2013 Plus \$11m
Debt Outstanding	\$59,294,902	\$65,842,856
Assessed Value	\$1,359,712,700	\$1,359,712,700
Debt to AV (%)	4.36%	4.84%

- ▶ The City will continue to be in compliance with its Debt Policy with the issuance of approximately \$11 million
- ▶ Should Council and Management determine to utilize idle cash reserves to redeem existing debt, this policy will only improve.

Penny Analysis – Summary

- ▶ Utilizing a BAN approach and a Capital Reserve Fund, the City can finance \$11 million in projects and limit the need to generate additional revenue.

	TAX EQUIVALENT IMPACT							Total Tax Equivalent
	2013	2014	2015	2016	2017	2018	2019	
Case 1 – 5% Decline in Assessed Value	-	-	-	-	2¢	-	2¢	4¢
Case 2 – No Decline in Assessed Value	-	-	-	-	2¢	-	-	2¢

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- ▶ The City can finance the Projects with no Tax Equivalent Impact until 2017. To the extent there is growth in the City, beyond that assumed, the Tax equivalent Impact will be reduced.
- ▶ Potential strategy of paying down higher interest rate debt may further reduce the potential Tax Equivalent Impact.

Summary Results/Observations:

- ▶ The City has identified needs of approximately \$13 million in the near term to be supported from General Fund revenues.
- ▶ Davenport's plan would allow moving forward with the projects with limited near-term tax-equivalent impact.
- ▶ Davenport and the City will explore use of Idle Cash Reserves to Optimally Redeem existing City Debt.

Preliminary Timeline

- | | |
|--------------------|---|
| September 27, 2011 | • Update Council on Financing Plan |
| October 18, 2011 | • Refined Analysis on Utilization of Cash to Pay Down Existing Debt Presented to Council. |
| | • Public Hearing and First Reading of Ordinance authorizing the use of remaining bond proceeds for projects, prior to issuance of debt. |
| | • Public Hearing and First Reading of ordinance authorizing borrowing for projects. |
| November 15, 2011 | • Second reading and adoption of ordinance. |
| Calendar Year 2012 | • City will utilize existing bond proceeds for project needs; explore cash defeasance. |
| | • Project costs defined. |
| | • Bond financing of project when costs are finalized. |

DISCUSSION: The \$20 million bond was not used for its intended purpose. Projects: dredging contract has been signed with a provision that it is subject to funding. On October 18 it will be necessary to approve. Regarding the Marina, the design work contract has been signed subject to appropriation also. That will come back to Council in December 2011/January 2012 to decide on projects to do. That would go to bid next spring. Start construction a year from now. At that time use \$2 million from the old bonds (from the Downtown Bonds & the Social Services Bonds). \$5 million – completed project \$3.3 million with \$1.6 million change, not \$2 million. That would pay for financing needs until next spring. Proposal for public service bonding will be for consideration on October 18, 2011. January/February/March select a contractor. Contract would take two more months. June 2012 would have a signed agreement. Begin to incur costs. Beacon – proposal by November. About one month behind the public safety building. Probably next summer. Will not borrow any money until there is a contract on any of these projects.
(7:34 PM)

REGULAR BUSINESS – CITY TREASURER – PERSONAL PROPERTY TAX RELIEF PERCENTAGE RATE FOR 2011

Terri Batton, City Treasurer, distributed handouts (filed in the City Clerk's Office).

PERSONAL PROPERTY TAX REVENUES/COLLECTIONS			
BUDGETED	2010	2011	
Personal Property Levy	\$3,633,774	\$3,600,000	(preliminary)
Furniture & Fixtures Levy	<u>974,943</u>	<u>900,000</u>	(preliminary)
	SUBTOTAL LEVY	\$4,608,717	\$4,500,000
Vehicle License Fees Budgeted	<u>353,500</u>	<u>360,000</u>	

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- Taxes paid may be deductible for income tax purposes if a taxpayer itemizes; license fees are not deductible.
- The 2010 bills included 2010 personal property taxes and 2011 vehicle license fees for vehicle(s) owned January 1, 2011. The 2010 bills were mailed in December 2010 and were due by February 15, 2011 (fiscal year 2011).
- If the license fee is eliminated during this billing cycle, only 2011 personal property tax would be billed for the increased rate and there would be no 2012 vehicle license fee. The 2011 bills would be mailed in December 2011 and would be due by February 15, 2012 (fiscal year 2012).

**PERSONAL PROPERTY TAX RATES AND VEHICLE LICENSE OR REGISTRATION FEE AND/OR DECAL
INFORMATION FOR SURROUNDING LOCALITIES**

Locality	2011 PP Rate	2011 State % Relief	Vehicle License Fees/Decals
Hopewell	3.50	55%	Vehicle License Fees
Colonial Heights	3.5	65%	Decals
Chesterfield	3.60	65%	Registration Fees
Prince George	4.00	51%	Registration Fees
Petersburg	4.30	65%	Decals
Dinwiddie	4.90	48%	License Fees

ACTIONS NEEDED FOR EACH OPTION		
STATUS	ELIMINATE VEHICLE LICENSE FEE	ELIMINATE FEE/INCREASE REVENUE (\$10,000 per penny)
No tax rate change/increase, no public hearing required	Proposed tax rate increase, public hearing required.	Proposed tax rate to be approved on first reading at October 18 Council meeting.
Annual resolution for tax relief percentage to be approved at October 18 Council meeting	Proposed tax rate to be approved on first reading at October 18 Council meeting.	Proposed tax rate to be approved on first reading at October 18 Council meeting.
	Ordinance No. 2005-21 may need to be amended if Council decides to change the way taxes are calculated on vehicles valued at \$1,000 or less.	Ordinance No. 2005-21 may need to be amended if Council decides to change the way taxes are calculated on vehicles valued at \$1,000 or less.
	Annual resolution for tax relief percentage to be approved at October 18 Council meeting.	Annual resolution for tax relief percentage to be approved at October 18 Council meeting.

DISCUSSION: Regarding decals, the Police Department cannot always tell where a vehicle is from if it does not have a decal. There has been a problem with non-residents using the Hopewell Convenience Center. Cars should have a decal. Military can register outside of Virginia. If you keep the fee, think about the decal. The Treasurer suggested eliminating the fee. Taxpayers have complained about paying for a vehicle license fee and getting nothing for it. A decal for a car or truck was previously \$23; when changed to a vehicle license fee in 2007, it decreased to \$20. There was a question about whether or not it is possible to “police” residents whose vehicle is registered in another state. The Treasurer indicated that she has had a couple of similar complaints in the past. If there were no delinquent taxes, not sure of what can be done, but she has notified the Commissioner of the Revenue and the Hopewell Police Department in the past (Commissioner assesses, Police can check for proper and/or expired tags). The Commonwealth’s Attorney may also be a contact since it involves not having a State of Virginia tag. There was another handout (Actions Needed for Each Option) given to Council for their review. The City

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Manager indicated that Option #2 will be on the agenda for Council on October 18. (Eliminate Vehicle License Fee, 3.85 tax rate, 49% tax relief, \$3,960,000 revenues, Overall, bills slightly less for vehicles \$7,500 and below, increases for vehicles more than \$7,500. (8:00 PM)

REGULAR BUSINESS – SHERIFF ANDERSON – E-TICKETS

Sheriff Anderson distributed handouts on the Sheriff's Office I-295 Highway Safety Program (filed in the City Clerk's Office). He requested Council's consideration of the new program. The department is currently handwriting tickets. The proposal is for e-tickets (electronic tickets). Currently in 2011 the department has spent \$6,000.00 on paper tickets. This proposal is supported by the General District Court Judge and the General District Court Clerk's office. Currently a clerk in the General District Court does only data entry inputting ticket information. E-tickets will eliminate that task and redirect the person to other duties. The estimate to implement this program is \$40,000. It is also available to the Hopewell Police Department. The \$40,000 cost is a one-time fee and is expected to last five years or longer.

DISCUSSION: There was strong Council support for the proposal. It will save a great deal of time among those entities involved with results of a ticket. It is anticipated using a Continuation Grant of \$60,000. The Sheriff's Office does not now have the money for this proposal. (8:15 PM)

MAYOR'S REMARKS

The date for the next Work Session will be on November 1, 2011 at 6:30 PM. The Hopewell Manufacturer's Association would like to invite Council to their annual dinner meeting on October 25. In addition, the date of the next regular Council meeting is on November 8, which also happens to be Election Day. Therefore, by consensus of Council, the meeting was rescheduled to November 15.

REPORTS OF COUNCIL MEMBERS

Councilor Shornak remarked that it would be helpful to have any handouts before arriving at the meeting. She felt that she could not ask questions having received the supporting documentation at the meeting. There is no time to research and gather thoughts and questions. She asked if there could be a requirement that all supporting documentation must be in the hands of City Council one week prior to the meeting. Also, all supporting documentation and handouts should be able to be projected on the screen for the public at the meeting. Mayor Luman-Bailey asked whether or not the same people who made presentations at the Work Session would be at the Council meeting; the answer is yes. Mr. Lacheney indicated that the Elmo projector costs approximately \$1,200 and would solve the issue of projecting everything on the screen for the public. Anything could be projected on the screen.

Vice Mayor Walton requested as much information as possible be given to the Councilors.

ADJOURN

Motion was made by Councilor Bujakowski, seconded by Councilor Shornak, and unanimously passed to adjourn the meeting at 8:20 PM.

Christina J. Luman-Bailey
Mayor

Ann M. Romano, City Clerk