

The Franklin City Council held a work session on Monday, January 14, 2008 at 5:00 p.m. in Council Chambers, 207 W. Second Avenue.

Council members in attendance: James P. Councill, III, Mayor, Raystine Johnson, Vice-Mayor, Charles Wrenn, Rosa Lawrence, Mary Hilliard and Mark Fetherolf. ABSENT: Joseph Scislowicz.

Staff in attendance: Rowland Taylor, City Manager, H. Taylor Williams, IV, City Attorney and Phil Hardison, Chief of Police.

Closed Session

On motion made by Mr. Fetherolf and seconded by Mr. Wrenn it was unanimously RESOLVED that Council meet in closed session to discuss (1) police activities as they relate to the threat of public safety, (2) appointments to boards and committees and (3) to consult with the staff to obtain their advice about a specific legal matter involving the terms of a contract (performance agreement) with the State of Virginia as permitted by Virginia Code Section 2.2-3711 (A)(19), (1) and (7).

The vote on this motion was as follows: AYE: Mr. Wrenn, Mrs. Lawrence, Ms. Johnson, Mrs. Hilliard, Mr. Fetherolf and Mr. Councill. NO: none. ABSENT: Mr. Scislowicz.

Certification

On motion made by Ms. Johnson and seconded by Mr. Wrenn, it was unanimously RESOLVED that City Council hereby certifies that to the best of the knowledge of each member only public business matters identified in the motion which the closed meeting was convened were discussed, heard or considered. The vote on this motion was as follows: AYE: Mr. Wrenn, Mrs. Lawrence, Ms. Johnson, Mrs. Hilliard, Mr. Fetherolf and Mr. Councill. NO: none. ABSENT: Mr. Scislowicz.

Regular Meeting

The Franklin City Council held a regular meeting on Monday, January 14, 2008 at 7:00 p.m. in Council Chambers, 207 W. Second Avenue.

Council members in attendance: James P. Councill, III, Mayor, Raystine Johnson, Vice-Mayor, Charles Wrenn, Rosa Lawrence, Mary Hilliard and Mark Fetherolf. ABSENT: Joseph Scislowicz.

Staff in attendance: Rowland Taylor, City Manager, H. Taylor Williams, IV, City Attorney, Phil Hardison, Chief of Police, Russ Pace, Director of Public Works, Andy Rose, Director of Finance, Jonathan Lackey, IT Director, Beth Reavis, Director of Social Services, Carolyn Joyner, Personnel Analyst and Erin Turner, Executive Assistant.

Others in attendance: Dinah Babb, Treasurer and Dan Howe, Downtown Franklin Association Director.

Invocation

Ellis Crum offered the invocation.

Introduction of 2007 Employee of the Year

Mayor Council recognized Woody Ferguson for being awarded the 2007 Employee of the Year for the City of Franklin.

Boys & Girls Club Christmas Card Contest Winners

Mayor Council recognized four children that won an art contest and their art was displayed on Christmas cards that were sent by Cox Communications. The children were Rae'l Swiney, Ashli Stephens, Jaylen Silver and Sierra Wrenn.

Mayor Council also recognized Joseph Benn with the Franklin Boys and Girls Club for being awarded the Franklin Youth of the Year. Mr. Benn made a brief speech to Council and the audience regarding the importance of the Boys and Girls Club on him and the community.

Citizens' Time

Ellis Crum, 125 Queens Lane. Mr. Crum congratulated the members of the Boys and Girls Club for their various awards. Mr. Crum further thanked Council for their financial contributions.

Introduction of New Employees

Phil Hardison introduced Joseph B. Butts as the newest member of the Police Department. Officer Butts joins the City of Franklin from the City of Suffolk as a certified officer.

Approval of Minutes of the December 10, 2007 meeting

On motion made by Ms. Johnson and seconded by Mr. Wrenn it was RESOLVED that the minutes for the December 10, 2007 meeting were approved as presented. The vote on this motion was as follows: AYE: Mr. Wrenn, Mrs. Lawrence, Ms. Johnson, Mrs. Hilliard, Mr. Fetherolf and Mr. Council. NO: none. ABSTAIN: none. ABSENT: Mr. Scislowicz.

Public Hearing for the Issuance of the Bonds for the Poplar Springs Cemetery Expansion

A public hearing was held for the issuance of bonds (not to exceed \$400,000) for the expansion of the Poplar Springs Cemetery.

The public hearing was opened for comment.

With no one wishing to speak, the public hearing was closed.

Discussion was held by Council.

Consent Agenda

1. Financial Matters – November and December Financial Reports and Budget Amendments 2008-17, 2008-23, 2008-24, 2008-26 and 2008-27.

GENERAL FUND

REVENUE:	2007-2008 BUDGET	ACTUAL AS 11/30/2007	BUDGET PERCENT
Taxes; Licenses	\$ 13,363,441	\$ 4,354,716	32.59%
Permits, Fees, Fines	\$ 191,040	\$ 70,029	36.66%
Use of Money & Property	\$ 270,108	\$ 125,761	46.56%
Service Charges	\$ 2,189,375	\$ 863,116	39.42%
Misc & Recovered Costs	\$ 258,573	\$ 128,533	49.71%
Isle of Wight Rev. Sharing	\$ 1,110,000	\$ 1,107,450	99.77%
Loan Proceeds	\$ -	\$ -	0.00%
State Aid	\$ 2,098,572	\$ 593,909	28.30%
Federal Aid	\$ 226,543	\$ 64,197	28.34%
 Subtotal - Current Revenue	 \$ 19,707,652	 \$ 7,307,710	 37.08%
Transfers from Unappropriated	\$ -	\$ -	0.00%
Transfers from Other Funds	\$ 1,959,891	\$ 774,955	39.54%
Transfer from Prior Years	\$ -	\$ -	0.00%
 Total General Fund Revenue	 \$ 21,667,543	 \$ 8,082,665	 37.30%

EXPENDITURES:

Operating Expense:			
Legislative, General & Financial	\$ 2,333,197	\$ 888,882	38.10%
Elections, Courts, Sheriff	\$ 497,509	\$ 123,834	24.89%
Law Enforcement	\$ 3,190,822	\$ 1,306,547	40.95%
Fire and Rescue	\$ 1,304,647	\$ 551,643	42.28%
Community Development	\$ 405,912	\$ 173,596	42.77%
Streets	\$ 2,219,342	\$ 684,228	30.83%
Garage	\$ 249,458	\$ 86,560	34.70%
Refuse Collection & Disposal	\$ 1,193,610	\$ 443,624	37.17%
Buildings and Grounds	\$ 970,964	\$ 477,191	49.15%
Health	\$ 281,309	\$ 38,251	13.60%

Parks and Recreation	\$	651,580	\$	307,821	47.24%
Library	\$	292,759	\$	142,833	48.79%
Planning and Beautification	\$	108,353	\$	33,301	30.73%
Economic Dev and Tourism	\$	-	\$	-	0.00%
Downtown Development	\$	97,083	\$	21,014	21.65%
Payments to Southampton Co.	\$	595,000	\$	-	0.00%
Non-Departmental Miscellaneous	\$	23,000	\$	5,725	24.89%
Pass through Contributions	\$	-	\$	-	0.00%
Non-Departmental Capital	\$	358,017	\$	-	0.00%
Total Operating Expense	\$	14,772,562	\$	5,285,051	35.78%

GENERAL FUND CONT'D

		2007-2008 BUDGET		ACTUAL AS 11/30/2007	BUDGET PERCENT
TRANSFERS:					
To General Debt	\$	891,658	\$	186,728	20.94%
To School Debt	\$	427,640	\$	-	0.00%
To Airport Fund	\$	93,684	\$	93,684	100.00%
To Education Fund	\$	4,651,368	\$	1,938,070	41.67%
To Education - Capital	\$	50,000	\$	50,000	0.00%
To Social Services Fund	\$	525,218	\$	218,841	41.67%
To Social Services - CSA	\$	51,940	\$	51,940	100.00%
To Economic Dev Incubator	\$	53,473	\$	53,473	100.00%
To Economic Dev Joint Fund	\$	150,000	\$	150,000	100.00%
Subtotal - Current Revenue	\$	6,894,981	\$	2,742,736	39.78%
Debt Service	\$	-	\$	-	0.00%
Total General Fund Expenditures	\$	21,667,543	\$	8,027,787	37.05%

WATER AND SEWER FUND

		2007-2008 BUDGET		ACTUAL AS 11/30/2007	BUDGET PERCENT
REVENUE:					
Sale of Water	\$	1,362,894	\$	570,472	41.86%
Sewer Service Charges	\$	1,851,853	\$	758,571	40.96%
Treatment Fees - Counties	\$	123,904	\$	42,142	34.01%
Other Revenues	\$	379,920	\$	129,188	34.00%
Transfer Prior Year Budget	\$	-	\$	-	0.00%
Proceeds from Loan	\$	-	\$	-	0.00%
Total Water and Sewer Revenue	\$	3,718,571	\$	1,500,373	40.35%

EXPENDITURES:

Operating Expense:					
Water System	\$	1,300,542	\$	410,748	31.58%
Sewer System	\$	757,100	\$	166,529	22.00%
Treatment Plant	\$	714,992	\$	282,075	39.45%
Transfers for Services	\$	335,160	\$	139,650	41.67%
Total Operating Expenses	\$	3,107,794	\$	999,002	32.15%
Debt Service	\$	610,777	\$	73,021	11.96%
Total Water & Sewer Expenditures	\$	3,718,571	\$	1,072,023	28.83%

ELECTRIC FUND

		2007-2008		ACTUAL AS	
REVENUE:		BUDGET		11/30/2007	BUDGET PERCENT
Sale of Energy	\$	12,278,381	\$	5,071,791	41.31%
Other Revenue	\$	296,110	\$	206,200	69.64%
Transfers	\$	132,955	\$	-	0.00%
Proceeds from Loan	\$	-	\$	-	0.00%
Total Electric Fund Revenue	\$	12,707,446	\$	5,277,990	41.53%

EXPENDITURES:

Operating Expense:	\$	9,908,487	\$	4,220,856	42.60%
Capital Outlay	\$	412,110	\$	168,356	40.85%
Transfer to Other Funds	\$	2,215,487	\$	923,120	41.67%
Debt Service	\$	171,362	\$	42,879	25.02%
Total Electric Expenditures	\$	12,707,446	\$	5,355,211	42.14%

AIRPORT FUND**REVENUE:**

Fuel Sales	\$	168,600	\$	85,641	50.80%
Other Revenue	\$	71,700	\$	28,362	39.56%
State Grants	\$	8,400	\$	2,535	30.17%
Federal Grants	\$	-	\$	-	0.00%
Transfers from Other Funds	\$	93,684	\$	93,684	100.00%

Total Airport Fund Revenue	\$	342,384	\$	210,222	61.40%
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EXPENDITURES:

Operating Expense:	\$	300,800	\$	140,495	46.71%
Capital Outlay	\$	10,000	\$	10,000	100.00%
Transfers	\$	2,020	\$	842	41.67%
Debt Service	\$	29,564	\$	610	2.06%

Total Airport Fund Expenditures	\$	342,384	\$	151,946	44.38%
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CASH BALANCES AS OF NOVEMBER 30, 2007 - OPERATING FUNDS

General Fund	\$	474,145
Water and Sewer Fund	\$	1,010,965
Electric Fund	\$	1,865,955
Airport Fund	\$	20,140
TOTAL	\$	3,371,204

GENERAL FUND

REVENUE:	2007-2008 BUDGET	ACTUAL AS 12/31/2007	BUDGET PERCENT
Taxes; Licenses	\$ 13,363,441	\$ 6,660,768	49.84%
Permits, Fees, Fines	\$ 191,040	\$ 80,002	41.88%
Use of Money & Property	\$ 270,108	\$ 132,796	49.16%
Service Charges	\$ 2,191,389	\$ 1,015,528	46.34%
Misc & Recovered Costs	\$ 258,573	\$ 138,498	53.56%
Isle of Wight Rev. Sharing	\$ 1,110,000	\$ 1,107,450	99.77%
Loan Proceeds	\$ -	\$ -	0.00%
State Aid	\$ 2,098,572	\$ 1,106,674	52.73%
Federal Aid	\$ 233,877	\$ 64,197	27.45%
Subtotal - Current Revenue	\$ 19,717,000	\$ 10,305,912	52.27%
Transfers from Unappropriated	\$ -	\$ -	0.00%
Transfers from Other Funds	\$ 1,959,891	\$ 929,945	47.45%
Transfer from Prior Years	\$ -	\$ -	0.00%
Total General Fund Revenue	\$ 21,676,891	\$ 11,235,858	51.83%

EXPENDITURES:

Operating Expense:					
Legislative, General & Financial	\$	2,333,197	\$	1,048,424	44.94%
Elections, Courts, Sheriff	\$	497,509	\$	142,765	28.70%
Law Enforcement	\$	3,199,770	\$	1,559,339	48.73%
Fire and Rescue	\$	1,304,647	\$	653,678	50.10%
Community Development	\$	405,912	\$	209,520	51.62%
Streets	\$	2,219,342	\$	795,904	35.86%
Garage	\$	249,458	\$	100,974	40.48%
Refuse Collection & Disposal	\$	1,193,610	\$	538,073	45.08%
Buildings and Grounds	\$	970,964	\$	548,403	56.48%
Health	\$	281,309	\$	38,864	13.82%
Parks and Recreation	\$	651,980	\$	349,143	53.55%
Library	\$	292,759	\$	146,070	49.89%
Planning and Beautification	\$	108,353	\$	39,949	36.87%
Economic Dev and Tourism	\$	-	\$	-	0.00%
Downtown Development	\$	97,083	\$	23,417	24.12%
Payments to Southampton Co.	\$	595,000	\$	-	0.00%
Non-Departmental					
Miscellaneous	\$	23,000	\$	7,233	31.45%
Pass through Contributions	\$	-	\$	-	0.00%
Non-Departmental Capital	\$	358,017	\$	-	0.00%
Total Operating Expense	\$	14,781,910	\$	6,201,755	41.96%

GENERAL FUND CONT'D

		2007-2008		ACTUAL AS	BUDGET
TRANSFERS:		BUDGET		12/31/2007	PERCENT
To General Debt	\$	891,658	\$	198,278	22.24%
To School Debt	\$	427,640	\$	-	0.00%
To Airport Fund	\$	93,684	\$	93,684	100.00%
To Education Fund	\$	4,651,368	\$	2,325,684	50.00%
To Education - Capital	\$	50,000	\$	50,000	0.00%
To Social Services Fund	\$	525,218	\$	262,609	50.00%
To Social Services - CSA	\$	51,940	\$	51,940	100.00%
To Economic Dev Incubator	\$	53,473	\$	53,473	100.00%
To Economic Dev Joint Fund	\$	150,000	\$	150,000	100.00%
Subtotal - Current Revenue	\$	6,894,981	\$	3,185,668	46.20%
Debt Service	\$	-	\$	-	0.00%
Total General Fund Expenditures	\$	21,676,891	\$	9,387,423	43.31%

EXPENDITURES:

Operating Expense:					
Water System	\$	1,300,542	\$	590,157	45.38%
Sewer System	\$	757,100	\$	244,288	32.27%
Treatment Plant	\$	714,992	\$	324,930	45.45%
Transfers for Services	\$	335,160	\$	167,580	50.00%
Total Operating Expenses	\$	3,107,794	\$	1,326,956	42.70%
Debt Service	\$	610,777	\$	108,778	17.81%
Total Water & Sewer Expenditures	\$	3,718,571	\$	1,435,734	38.61%

ELECTRIC FUND

		2007-2008		ACTUAL AS	
REVENUE:		BUDGET		12/31/2007	BUDGET PERCENT
Sale of Energy	\$	12,278,381	\$	6,098,390	49.67%
Other Revenue	\$	296,110	\$	272,557	92.05%
Transfers	\$	132,955	\$	-	0.00%
Proceeds from Loan	\$	-	\$	-	0.00%
Total Electric Fund Revenue	\$	12,707,446	\$	6,370,947	50.14%

EXPENDITURES:

Operating Expense:	\$	9,908,487	\$	4,937,267	49.83%
Capital Outlay	\$	412,110	\$	194,265	47.14%
Transfer to Other Funds	\$	2,215,487	\$	1,107,743	50.00%
Debt Service	\$	171,362	\$	45,292	26.43%
Total Electric Expenditures	\$	12,707,446	\$	6,284,567	49.46%

AIRPORT FUND**REVENUE:**

Fuel Sales	\$	168,600	\$	97,025	57.55%
Other Revenue	\$	71,700	\$	35,020	48.84%
State Grants	\$	8,400	\$	3,053	36.35%

Federal Grants	\$	-	\$	-	0.00%
Transfers from Other Funds	\$	93,684	\$	93,684	100.00%
Total Airport Fund Revenue	\$	342,384	\$	228,782	66.82%

EXPENDITURES:

Operating Expense:	\$	300,800	\$	168,819	56.12%
Capital Outlay	\$	10,000	\$	10,000	100.00%
Transfers	\$	2,020	\$	1,010	50.00%
Debt Service	\$	29,564	\$	610	2.06%
Total Airport Fund Expenditures	\$	342,384	\$	180,439	52.70%

CASH BALANCES AS OF DECEMBER 31, 2007 - OPERATING FUNDS

General Fund	\$	2,270,798
Water and Sewer Fund	\$	929,329
Electric Fund	\$	1,835,228
Airport Fund	\$	9,256
TOTAL	\$	5,044,611

Councilman Scislowicz arrived.

On motion made by Ms. Johnson and seconded by Mrs. Hilliard, the budget items were approved by Council with the exception of Budget Amendment 2008-17. The vote on this motion was as follows: AYE: Mr. Scislowicz, Mrs. Lawrence, Ms. Johnson and Mrs. Hilliard. NO: Mr. Wrenn, Mr. Fetherolf and Mr. Council. ABSENT: none.

On motion made by Mr. Wrenn and seconded by Mr. Fetherolf, Budget Amendment 2008-17 was approved. The vote on this motion was as follows: AYE: Mr. Scislowicz, Mr. Wrenn, Mr. Fetherolf and Mr. Council. NO: Mrs. Lawrence, Mrs. Hilliard and Ms. Johnson.

Items from City Attorney

DUI Reimbursement of Expenses

Taylor Williams advised Council of a state statute that enables a locality to pass an ordinance providing for reimbursement of expenses incurred for law enforcement, firefighting, rescue and emergency services in certain instances. The statute allows the

locality to ask the court to order restitution from a driver for a conviction of various offenses when it is necessary to respond with “an emergency response to any accident or incident to such violation.” The offenses covered are driving under the influence that results in an accident, reckless driving that results in an accident, driving without a license or driving with a suspended or revoked license and a conviction for leaving the scene of an accident. The court may order as restitution the reasonable expenses incurred by the locality for services up to a maximum of \$1,000. This can be done by either a flat fee of \$250 or a minute by minute accounting of the actual costs incurred.

Council held a discussion of the matter and requested that it be brought back at the next meeting.

No Wake Zone

The City adopted a no wake zone ordinance on October 22, 2007 near the Blackwater Landing Boat Ramp. Since the adoption of the ordinance, Mr. Williams has learned that unlike most jurisdictions, the City’s boundary line does not go to the center of the Blackwater River. Southampton County has jurisdiction from the western boundary to the center of the river. Mr. Williams has been working with Southampton County to determine if the County would be willing to pass our ordinance if the City would maintain the markers, signs, etc.

On motion made by Mr. Scislowicz and seconded by Mrs. Hilliard, the No Wake Zone Ordinance was repealed. The vote on this motion was as follows: AYE: Mr. Scislowicz, Mr. Wrenn, Mrs. Lawrence, Mrs. Hilliard, Mr. Fetherolf and Mr. Council. NO: none. ABSTAIN: none. ABSENT: Ms. Johnson.

Draft Financial Policies

Andy Rose explained a few changes that were made by Council to the following Financial Policies and Guidelines at the December 10th meeting.

FINANCIAL POLICIES AND GUIDELINES

The City of Franklin has a responsibility to its citizens to account for public funds, to manage its finances wisely, and to allocate its resources efficiently and effectively in order to provide the services desired by the public. The primary objective of establishing Financial Management Policies is to provide a framework within which sound financial decisions may be made for the long term betterment and stability of the City.

OVERALL GOALS

1. To ensure the City’s sound financial condition at all times in:
 - a. Cash Solvency – the ability to pay bills
 - b. Budgetary Solvency – the ability to annually balance the budget
 - c. Long Term Solvency – The ability to pay future costs
 - d. Service Level Solvency – The ability to provide needed and desired

- services.
2. Adherence to City Charter and Code and the Code of the Commonwealth of Virginia.
 3. Adherence to the Best Accounting and Management Practices in conformity with generally accepted accounting procedures as applied to governmental units.

DEFINITIONS

Cash Balance: The sum of cash and investments of an accounting fund.

Unreserved Fund Balance: The portion of net assets of an accounting fund, calculated in accordance with generally accepted accounting principles that is not legally restricted for future use. Net assets represent the differences between total assets and total liabilities of an account fund.

General Fund: The City's primary operating fund that accounts for City services not otherwise accounted for in a separate fund.

Special Revenue Funds: Accounts for proceeds of designated revenue sources used to finance specific activities.

Debt Service Fund: Accounts for repayment of debt.

Capital Project Fund: Accounts for capital improvements financed from bond issues, special assessments and certain grants.

Enterprise Funds: Account for activities for which a fee is charged to external users for goods and services. Water & Sewer Fund, Airport Fund, and the Electric Fund are enterprise funds.

MINIMUM CASH BALANCE

In order to provide liquidity adequate to address unexpected revenue reductions or unanticipated expenditures, the following minimum cash balances should be maintained at the end of each quarter.

- General Fund – 5% of projected total **annual** revenue**
- Water & Sewer Fund – 10% of projected total **annual** revenue**
- Electric Fund – 10 % of total projected **annual** revenue**

MINIMUM UNRESERVED FUND BALANCE (NET ASSETS)

In order to avoid service disruptions that otherwise could arise from revenue shortfalls or unanticipated expenditures, the following range for unreserved fund balances (or unrestricted net assets) should be maintained at the end of each quarter.

- General Fund – 15% to 25% of budgeted annual expenses**
- Water & Sewer Fund – 15% to 25% of budgeted annual expenses**
- Electric Fund – 15% to 25% of budgeted annual expenses**

RESTORATION OF MINIMUM CASH OR UNRESERVED FUND BALANCES

Should the cash balance or the unreserved fund balance fall below the target levels, the City Manager will prepare and present a plan for restoration to the targeted levels. If a target levels is not met or anticipated not to be met, a line item will be included in the fund's expense section to budget a minimum of 2% of the upcoming projected budget revenues until the targeted levels are met.

EXCESS UNRESERVED FUND BALANCES (NET ASSETS)

In the event the unreserved fund balance exceeds the **maximum** balance requirements in the General Fund or Enterprise Funds at the end of a fiscal year, the excess may be used in one or a combination of following ways (a) Retirement of existing debt (b) One-time expenditures that do not increase recurring operation costs that can not be funded through current revenues. An example would be replacement of capital equipment or payment to a capital improvements project that would reduce the future debt of the City. (c) Establishment of reserves for risk management, equipment replacement, capital projects, emergencies or disaster recovery.

REVENUE POLICIES

1-GENERAL FUND

- a. Reassessment of real property will be made every two years.
- b. The City will monitor all taxes to insure they are equitably administered and are collected in a timely manner.
- c. User Fees and Charges will be reviewed and updated on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as changes in the method and levels of services delivery.
 - a. Refuse collection fees will be set to recover costs of services.
 - b. Rental of City Properties will be reviewed annually and compared to market rates.
 - c. Building permit and inspection fees will be reviewed annually.
 - d. Recreation program charges will be reviewed annually.
- d. Where possible the City will institute user fees and charges for specialized programs and services based on the cost of a particular service. Rates will be established to recover operational as well as capital or debt service costs.
- e. Revenue Shortfalls: Should a reduction to the general fund be directed by Council from any of the enterprise funds, the reduction shall be made to all funds proportionally based on each budget's relative percentage of the total City budget less debt service and other fixed costs.

2-WATER & SEWER FUND

The Water & Sewer Fund will be self-supporting, charges for service will be reviewed annually and set at levels which fully cover the total direct and indirect costs- including operations, capital outlay, and debt service.

3-ELECTRIC FUND

The Electric fund will be self-supporting, charges for service will be reviewed annually and set at levels which fully cover total direct and indirect costs – including operations, capital outlay, and debt service. Beyond these costs, the Electric Fund also contributes to the general fund (See Transfers To/From Policies). The objectives of the Electric Fund are to provide a service that is equal or better than neighboring electric providers at a cost that is competitive with these providers. In considering rates the following factors are to be considered (a) wholesale costs

verses sales (b) operating costs including cost-of-living increases (c) capital cost, debt service and funds for future capital projects (d) transfer to the General Fund (e) rates of neighboring electric providers.

EXPENDENTURE POLICES

1. The city will finance all current expenditures with current revenues.
2. The budgets for all funds will be controlled at the department level. Expenditures may not exceed total appropriations for any department without City Council approval.
3. All operating fund appropriations will lapse at the fiscal year end. Any encumbered appropriations at year-end may be re-appropriated by City Council in the subsequent year.

TRANSFER TO /FROM POLICIES

- 1 The Water and Sewer Fund and the Electric Fund will annually budget transfers to the General Fund for services provided by the general funds for billing, collection, payroll and general administration in accordance with an estimated of such services.
- 2 The Water and Sewer Fund and the Electric Fund will annually budget transfers to the General Fund for payments in lieu of taxes. This charge will be set at the rate charged to public service corporations.
- 3 The Electric Fund ~~will~~ **may** transfer a contribution to the City's General Fund annually. This contribution will be set by City Council with a targeted range of 8% to 12% of the Gross Revenues of the Electric Fund. Since the past and current transfer amounts are above this range and a reduction to reach this range would cause a tremendous burden on the General Fund, City Council will decrease this transfer amount by, at least, \$150,000 annually until the target range has been met.
- 4 ANY TRANSFERS OR TEMPORARY BORROWING FROM ONE FUND TO ANOTHER SHALL BE DONE ONLY WITH APPROVAL OF CITY COUNCIL.

DEBT MANAGEMENT POLICIES

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings. While this is the legal limitation, the City is well aware it cannot take on expenditures beyond its fiscal means of affordability.

General Debt Service Expense should not to exceed 10% of the General Fund Expenses.
Net general debt as a percent of taxable real estate should not exceed 5%.

Debt Service for Enterprise Funds should not exceed 20% of the Funds annual expenses.

In determining general obligation debt limitations, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, general obligation bonds payable from a specified revenue producing undertaking, so long as the undertaking is self-supporting, capital leases and revenue bonds. The City's enterprise operations for Electric Fund and Water and Sewer Fund bonded debt are a combination of self-supporting, general obligation and revenue bonds.

When the City finances capital improvements or other projects through bonds or capital leases, it will repay the debt within a period not to exceed the expected useful life of the projects.

BUDGETS AND BUDGETARY ACCOUNTING

Section 5.13 of the Charter of the City of Franklin, Virginia requires the City Manager to submit to the City Council, no less than one month before the end of the fiscal year, a proposed budget for the ensuing fiscal year. The following procedures are used establishing the City's budget:

1. City Manager usually presents a proposed operating budget to City Council in April that includes proposed expenditures based on detail estimates furnished by departments and other divisions of the City government and the means of financing them. The School Board is treated as a single expenditure line item.
2. The proposed budget also contains a recommended appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
3. City Council then holds public hearings on the proposed budget. Notice of such hearing must appear in a local newspaper not less than seven days prior to the hearing.
4. The budget must be approved by a majority vote of City Council and legally adopted before July 1. If City Council does not adopt the proposed budget before July 1, the budget as submitted is automatically adopted.
5. Additional appropriations may be made by City Council only if there is an undesignated fund balance or additional funding becomes available **or extraordinary expenses warrant emergency action.**
6. The City Manager is authorized to transfer budgeted amounts within departments up to \$10,000. Expenditures over the original budget of any department or transfers over \$10,000 must be approved by City Council. The School Board is authorized to transfer budgeted amounts within the school system's categories.
7. Appropriations lapse on June 30, for all City units, except for the Capital Projects Funds which carries unexpended balances into the following year on a project by project basis.
8. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America as applicable to governmental entities.
9. Department heads are responsible for managing departmental budgets within the total appropriated budget. Department heads shall prepare budget amendments for expenditures over a budgeted line item by more than \$10,000. No department or other agency of the city government may spend in excess of approved and appropriated amounts.

Discussion was held by Council and the matter was tabled until the next meeting.

Mrs. Lawrence asked about the \$50.00 reconnect fee implemented by the City's Utility Department to accounts being cut-off for non-payment. Mr. Rose explained that once a resident was put on the "Cut-off" list, the resident was then subject to pay the \$50.00 fine due to the administrative costs associated with cutting off power and restoring power. The issue was addressed with regard to the resident paying their bill prior to their power actually being turned off. The same policy still applies.

Receipt of the Housing Authority's Recommendation on the Development of the Hayden School Property

Council had previously received the report to review.

Greg McLemore. Mr. McLemore addressed Council with regard to his ideas for the Hayden School Property. He would like to see the City go through the proper channels to declare the building a historic landmark. Mr. McLemore further stated that he had acquired several signatures on a petition from citizens that would like the building to be used as a center for the arts.

The consensus among Council was to allow more discussion on the report at a future time.

Poplar Springs Cemetery Expansion

Council was presented with the Bond Resolution and the bids to begin the project.

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BOND, SERIES 2008 OF THE CITY OF FRANKLIN, VIRGINIA, AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF

The City of Franklin, Virginia (the “City”) needs to expand the Poplar Spring Cemetery (the “Project”) and proposes to finance the cost of the same and any issuance costs on a permanent, long-term basis through the issuance of a general obligation bond (the “Bond”).

The City is a political subdivision of the Commonwealth of Virginia, and pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended (the “Act”), the City Council of the City (the “Council”) is authorized to contract debts on behalf of the City and to issue, as evidence thereof, bonds, notes or other obligations payable from pledges of the full faith and credit of the City.

The Council desires that the Bond be sold to a financial institution authorized to make loans in the Commonwealth of Virginia and that the proceeds of the Bond be used to pay the costs associated with the Project and with issuing the Bond. The City has solicited and received responses to a request for proposals (the “RFP”) from financial institutions.

The Council now wishes to accept the winning response to its RFP and approve the terms of the Bond, and the Council, prior to its consideration of this Resolution, has held a duly-noticed public hearing with respect to the issuance of the Bond in accordance with the Act.

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

1. Award of Bid and Authorization of Bond. The Council hereby determines that it is advisable to contract a debt and issue and sell its Bond for the purpose

of financing the Project and financing the costs of issuing the Bond. After consideration of the methods of sale of the Bond and the proposals received from various financial institutions, it is hereby determined that it is in the best interest of the City to accept, and the City does hereby accept, the proposal of SunTrust Bank (the "Bank") to purchase the Bond. The Council hereby authorizes the issuance and sale of the Bond in the form and upon the terms set forth herein and ratifies all action previously undertaken by City officials and staff with respect to the authorization and issuance of the Bond and the solicitation of RFP responses.

2. Issuance of Bond Pursuant to the Act. The Council elects, pursuant to Section 15.2-2601 of the Act, to issue the Bond under the provisions of the Act and without regard to the requirements, restrictions or other provisions contained in the City Charter.

3. Details of Bond. The Bond shall be dated the date of its issuance, shall be in the form of a single fully registered bond without coupons registered as to both principal and interest in the name of the Bank, shall be in the amount of \$400,000, and shall be numbered R-1. Interest shall accrue on the Bond from its date of issuance until January 15, 2018 at an interest rate per year equal to 3.56% (the "Interest Rate"). Interest on the Bond shall be payable semi-annually on each January 15 and July 15 commencing July 15, 2008. Principal shall be payable annually on each January 15, commencing January 15, 2009, in installments determined by amortizing the principal amount of \$400,000 over ten (10) years at the Interest Rate. If not sooner paid, all principal of and interest on the Bond shall be due and payable on January 15, 2018.

Interest on the Bond shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

4. Pledge of Full Faith and Credit. The Bond will be secured by the full faith and credit of the City. For the prompt payment of the principal of, premium, if any, and interest on the Bond as the same shall become due, the full faith and credit of the City are hereby irrevocably pledged. Pursuant to Virginia Code Section 15.2-2624 and as provided hereafter, there shall be levied and collected an annual tax upon all taxable property in the City subject to local taxation sufficient to provide for the payment of the principal of, premium, if any, and interest on the Bond as the same shall become due, which tax shall be without limitation as to rate or amount and shall be in addition to all other taxes authorized to be levied in the City to the extent other funds of the City are not lawfully available and appropriated for such purpose.

5. Execution and Delivery of Bond. The Mayor and the Vice Mayor, either of whom may act, are each authorized and directed to execute the Bond. The City Clerk and any Deputy Clerk, any of whom may act, are authorized and directed to execute the Bond, to affix the seal of the City to the Bond, to attest the seal and then to deliver the Bond to the Bank upon payment of the purchase price of the Bond. The City shall receive as proceeds of the sale \$400,000, which is an amount equal to 100% of the principal amount thereof. The Bond shall be in substantially the form attached hereto as Exhibit A, with such

changes, completions and omissions as the Mayor or Vice Mayor may approve that are consistent with paragraph 3 above, such approval to be evidenced by the execution and delivery of the Bond.

6. Designation for Purchase by Financial Institutions. The City hereby designates the Bond as a “qualified tax-exempt obligation” eligible for the exception from the disallowance of the deduction of interest by financial institutions allocable to the cost of carrying tax-exempt obligations in accordance with the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The City does not reasonably anticipate that it and any “subordinate entities” or “on behalf of” issuers have issued or will issue more than \$10,000,000 in qualified tax-exempt obligations during calendar year 2008, and the City will not designate more than \$10,000,000 of qualified tax-exempt obligations in calendar year 2008.

7. Prepayment Provisions. This Bond is subject to redemption before maturity at the option of the City at any time on or after January 15, 2014, from any money available for such purpose, in whole or in part, upon payment of one hundred percent (100%) of the principal amount of the Bond being redeemed, plus accrued interest to the redemption date.

8. Further Actions. The Mayor, the Vice Mayor, the City Manager, the Director of Finance and such officers, employees and agents of the City as may be designated by any of them are authorized and directed to take such further actions as they deem necessary regarding the issuance and sale of the Bond including, without limitation, the execution and delivery of closing documents and certificates including Form 8038-G and a Non-Arbitrage and Tax Certificate (the “Tax Certificate”). All such actions previously taken by the Mayor, Vice Mayor, the City Manager, the Director of Finance or such officers, employees and agents are hereby approved, ratified and confirmed.

The Council covenants on behalf of the City that (i) the proceeds from the issuance of the Bond will be invested and expended as set forth in the Tax Certificate, (ii) the City shall comply with the other covenants and representations contained in the Tax Certificate and (iii) the City shall comply with the provisions of the Code, so that interest on the Bond will remain excludable from gross income for federal income tax purposes.

9. Selection of Bond Counsel. The Council hereby consents to Troutman Sanders LLP serving as Bond Counsel to the City in connection with the issuance of the Bond.

10. Discharge upon Payment of Bond. If the Bond shall have become due and payable in accordance with its terms, shall have been fully refunded from the proceeds of refunding bonds issued by the City and the full amount of the principal and interest so due and payable upon the Bond outstanding shall have been paid, or sufficient cash or direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America shall be held by the Director of Finance or by an escrow agent selected by the City for such purpose, at the time and in the

manner provided in this Resolution, then all covenants, agreements and other obligations of the City to the holder of the Bond under this Resolution shall cease, terminate and be void and the City shall be discharged from its obligations hereunder. Upon the deposit of such cash or obligations with the Director of Finance or escrow agent, the Director of Finance or escrow agent may request a report from certified public accountants, actuaries or other similar professionals, addressed to the Director of Finance or escrow agent, to the effect that the cash and the proceeds to be received from such obligations will be sufficient, without reinvestment, to provide for the payment of the principal of and interest on the Bond when due.

In the event that all of such cash and obligations are not required for the payment of the principal of and interest on the Bond, such excess may be used by the City for any lawful purpose.

Notwithstanding anything to the contrary contained herein, any defeasance and discharge hereunder shall not be deemed to release the City from its obligations to pay the principal of and interest on the Bond as contemplated herein until the date the Bond is paid. In addition, such defeasance and discharge shall not terminate the obligations of the City to comply with the tax laws pertaining to the Bond until the date the Bond is paid.

11. Limitation of Liability of Officials of the City. No covenant, condition, agreement or obligation contained herein shall be deemed to be a covenant, condition, agreement or obligation of any officer, employee or agent of the City in his or her individual capacity, and no officer of the City executing the Bond shall be liable personally on the Bond or be subject to any personal liability or accountability by reason of the issuance thereof. No officer, employee or agent of the City shall incur any personal liability with respect to any other action taken by him or her pursuant to this Resolution, provided he or she acts in good faith.

12. Contract with Bank. The provisions of this Resolution shall constitute a contract between the City and the Bank for so long as the Bond is outstanding. This Resolution may not be amended by the City in any manner without the consent of the Bank, except to cure any defect, error, omission or ambiguity herein.

The City understands that the Bank will not impose or charge any legal fees in connection with the Bank's purchase of the Bond.

13. Financial Statements and Fees. As long as the Bond is outstanding, the City agrees to provide its audited financial statements to the Bank each year within 270 days of the City's fiscal year end.

14. Filing of Resolution. The City Clerk is hereby authorized and directed to cause a certified copy of this Resolution to be filed with the Circuit Court of Southampton County, Virginia.

15. Effective Date. This Resolution shall take effect immediately.

On motion made by Mr. Wrenn and seconded by Mr. Scislowicz, the bid for the Poplar Springs Cemetery Expansion Project was awarded and the Bond Resolution was approved. The vote on this motion was as follows: AYE: Mr. Councill, Mr. Scislowicz, Mr. Wrenn and Mr. Fetherolf. NO: Mrs. Lawrence, Mrs. Hilliard and Ms. Johnson.

Old/New Business

Mr. Taylor addressed Council with **Reverend Lowe's** request to extend his use of the King Center for church services until June of this year.

On motion made by Ms. Johnson and seconded by Mr. Fetherolf, Reverend Lowe's request to continue using the King Center for church services until June 2008 was unanimously approved by Council. The vote on this motion was as follows: AYE: Mr. Councill, Mr. Scislowicz, Mr. Wrenn, Mrs. Lawrence, Ms. Johnson, Mrs. Hilliard and Mr. Fetherolf. NO: none.

The Downtown Franklin Association provided Council with an accounting of the funds expended in the **Jamestown 400 Progressive Dinner** on December 27th in Downtown Franklin. The DFA was requesting a donation of \$1,375 to cover the expenses.

On motion made by Mr. Wrenn and seconded by Mr. Scislowicz, it was unanimously approved to donate \$1,375 to the Downtown Franklin Association. The vote on this motion was as follows: AYE: Mr. Councill, Mr. Scislowicz, Mr. Wrenn, Mrs. Lawrence, Mrs. Hilliard and Mr. Fetherolf. NO: none. ABSENT: Ms. Johnson.

Andy Rose and Beth Reavis advised Council of the Governor's recent reductions in **CSA** funds. Both Mr. Rose and Mrs. Reavis stated that they would keep Council informed of the changes as they became implemented.

The owner of the **Newport Village Apartments** on Morton Street is seeking rehabilitation funds from the State and need the City's support in its application.

On motion made by Mr. Scislowicz and seconded by Mrs. Hilliard, Council authorized the City Manager to execute the necessary application documents to VHDA for rehabilitation funds for the Newport Village Apartments. The vote on this motion was as follows: AYE: Mr. Councill, Mr. Scislowicz, Mr. Wrenn, Mrs. Lawrence, Ms. Johnson, Mrs. Hilliard and Mr. Fetherolf. NO: none.

Mr. Scislowicz requested that the City Manager's written responses to Citizen Time questions be included in the following agenda packet.

Appointment to Various Boards and Commissions

On a motion made by Mr. Fetherolf and seconded by Mrs. Hilliard, it was unanimously approved that June Fleming was appointed to serve on the Franklin/Southampton Futures. Carolyn Crowder was appointed to serve on the Social Services Advisory Board with her new term beginning January 1, 2008 and expiring on December 31, 2011. Bambi Councill was appointed to serve on the Beautification Commission with her new term beginning January 14, 2008 and expiring December 31, 2011. Cheryl Vincent was reappointed to the Redevelopment and Housing Authority Board with her new term beginning January 1, 2008 and expiring December 31, 2011. The vote on this motion was as follows: AYE: Mr. Scislowicz, Mr. Wrenn, Mrs. Lawrence, Ms. Johnson, Mrs. Hilliard, Mr. Fetherolf Mr. Council. NO: none. ABSENT: none.

Closed Session

On motion made by Mr. Fetherolf and seconded by Mrs. Hilliard it was unanimously RESOLVED that Council meet in closed session to discuss (1) the disposition of City property as permitted by Virginia Code Section 2.2-3711 (A)(3).

The vote on this motion was as follows: AYE: Mr. Scislowicz, Mr. Wrenn, Mrs. Lawrence, Ms. Johnson, Mrs. Hilliard, Mr. Fetherolf and Mr. Council. NO: none. ABSENT: none.

Certification

On motion made by Mr. Fetherolf and seconded by Mr. Wrenn, it was unanimously RESOLVED that City Council hereby certifies that to the best of the knowledge of each member only public business matters identified in the motion which the closed meeting was convened were discussed, heard or considered. The vote on this motion was as follows: AYE: Mr. Wrenn, Mrs. Lawrence, Ms. Johnson, Mrs. Hilliard, Mr. Fetherolf and Mr. Council. NO: none. ABSENT: Mr. Scislowicz.

Adjournment

There being no further business, on motion duly made, seconded and unanimously adopted the meeting was adjourned at 9:20 P.M. The vote on this motion was as follows: AYE: Mr. Scislowicz, Mrs. Lawrence, Ms. Johnson, Mr. Wrenn, Mr. Council and Mrs. Hilliard and Mr. Fetherolf. NO: none. ABSENT: none.

Mayor

Clerk to City Council

