DANVILLE CITY COUNCIL REGULAR MEETING AGENDA

MUNICIPAL BUILDING

April 21, 2026

7:00 PM

PRESIDING:	Alonzo L. Jones, Mayor	
CITY COUNCIL MEMBERS:	James B. Buckner, Vice Mayor L.G. "Larry" Campbell, Jr. Bryant Hood Daniel W. Marshall, III	Barry P. Mayo Dr. Gary P. Miller Sherman M. Saunders J. Lee Vogler, Jr.,
STAFF:	Ken F. Larking, City Manager Earl B. Reynolds, Jr., Deputy City Manager	W. Clarke Whitfield, Jr., City Attorney Susan M. DeMasi, City Clerk

The City Council is the City of Danville's legislative body and is composed of nine Council members. Council members are elected to serve a four year term of office and elects one of its own to serve as Mayor and presiding officer for a two year term.

<u>Time and Place of Meeting</u>
The public is invited and encouraged to attend and participate in the City Council meetings. The City Council meets in the City Hall, Fourth Floor, Council Chambers at 7:00 p.m. on the first and third Tuesday of each month. All meetings of the Council are open to the public.

<u>Communications from Visitors</u>
Communication from Visitors is an opportunity for citizens, who have signed up to speak at www.danvilleva.gov/council or by contacting the Office of the City Clerk, to address Council on matters <u>not</u> on the agenda. Citizens who desire to speak on agenda items will be heard <u>when the agenda item is considered</u>. Each speaker shall clearly state his or her name and address, and shall have three uninterrupted minutes. A representative of a group may have up to five uninterrupted minutes to make a presentation. The representative shall identify the group and a group may have no more than one spokesperson. Time will be kept using the electronic timer on the podium.

<u>Guidelines for Public Hearings</u>
For Public Hearings the applicant or his or her representative shall be the first speaker(s). There shall be a time limit of ten (10) minutes for the applicant's or his or her representative's presentation. The presiding officer shall then solicit comments from the public, asking those in favor of the proposal to speak first, and then those opposed to the proposal. Each speaker must clearly state his or her name and address. There shall be a time limit of three (3) minutes for each individual speaker. If the speaker represents a group, there shall be a time limit of five (5) minutes. A speaker representing a group shall identify the group at the beginning of his or her remarks. A group may have no more than one spokesperson. The presiding officer may limit or preclude comment which is repetitive, redundant, cumulative, or irrelevant to the subject of the public hearing. After public comments have been received, in a land use case, the applicant or the representative of the applicant, at his or her discretion, may respond with a rebuttal. There shall be a five (5) minute time limit for rebuttal.

MEETING CALLED TO ORDER

ROLL CALL

INVOCATION - J. LEE VOGLER, JR.

PLEDGE OF ALLEGIANCE TO THE FLAG

ANNOUNCEMENTS AND SPECIAL RECOGNITION

A. Proclamation: Make Danville Shine Month
Presented to: Dana Kern, Community Development

MEETING MINUTES

A. Consideration of Approval of Minutes from Regular Council Meeting held on March 17, 2026.

NEW BUSINESS

A. Review of General Fund Financials as of March 31, 2026.
Council Letter Number CL - 2602.

Review of General Fund Financials as of March 31, 2026. Financial Statements are included.

B. Consideration of the Financial Policies Update.
Council Letter Number CL - 2654.

A Resolution of the Council of the City of Danville, Virginia Approving and Amending the City of Danville Financial Policies to Change Item 4.2 Entitled "General Fund Budget Stabilization Reserve" to "General Fund Capital Expenditure Reserve", Establish Guidelines on Applying Surplus Revenues to Said Reserve, and Changing the Capitalization Threshold in Item 10 Entitled "Capitalization" from $5,000 to $10,000.

C. Consideration of Authorizing and Approving the City's Participation in the Proposed Settlement of Opioid-Related Claims.
Council Letter Number CL - 2688.

A Resolution of the Council of the City of Danville, Virginia Authorizing and Approving of the City's Participation in the Proposed Settlement of Opioid-Related Claims Against Six Remnant Defendants and Directing the City Attorney and/or the City's Outside Counsel to Execute the Documents Necessary to Effectuate the City's Participation in the Settlement.

D. Consideration of Authorizing Utilization of the Virginia Water Supply Revolving Fund through the Virginia Department of Health for Water Main Replacements and the Lead Service Line Replacement Project.
Council Letter Number CL - 2690.

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Authorizing the Issuance of Utility System Revenue Bonds of the City of Danville, Virginia in the Maximum Aggregate Principal Amount of $6,700,000.00 to Finance Various Expenditures for its Water, Sewer, Electric, and Gas Utility Systems.
First Reading

E. Consideration of Amending the Fiscal Year 2026 Budget Appropriation Ordinance by Anticipating the Proceeds from the Issuance of Utility Revenue Bonds.
Council Letter Number CL - 2633.

An Ordinance Amending the Fiscal Year 2026 Budget Appropriation Ordinance to Provide for the Proceeds from the Sale of Utility Revenue Bonds and Appropriating Same.
First Reading

COMMUNICATIONS FROM VISITORS

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COMMUNICATIONS

A. City Manager

B. Deputy City Manager

C. Assistant City Manager Adkins

D. Assistant City Manager Evans

E. City Attorney

F. City Clerk

G. Roll Call

ADJOURNMENT

Council Letter
City of Danville, Virginia

CL - 2695 **MEETING MINUTES A.**

City Council REGULAR MEETING

Meeting Date: April 21, 2026

Subject: Approval of Meeting Minutes.

From: Susan DeMasi, City Clerk

COUNCIL ACTION

Consideration of Approval of Minutes from Regular Council Meeting held on March 17, 2026.

Attachments

1. Meeting Minutes

March 17, 2026

The Second March meeting of the Danville City Council was held on March 17, 2026, at 7:00 p.m. in the Council Chambers located on the Fourth Floor of the Municipal Building, 427 Patton Street, Danville, Virginia. The following Council Members were present: Vice Mayor James B. Buckner, L.G. “Larry” Campbell Jr., Mayor Alonzo L. Jones, Bryant Hood, Daniel W. Marshall, Barry P. Mayo, Gary P. Miller, Sherman M. Saunders, and J. Lee Vogler, Jr. (9).

Staff Members present were: City Manager Ken Larking, Deputy City Manager Earl B. Reynolds, Jr., Assistant City Manager/CFO Michael Adkins, Assistant City Manager Briana Evans, City Attorney W. Clarke Whitfield, Jr., and City Clerk Susan M. DeMasi.

Mayor Jones presided.

INVOCATION AND PLEDGE OF ALLEGIANCE

Council Member Gary P. Miller gave the Invocation followed by the Pledge of Allegiance.

ANNOUNCEMENTS AND SPECIAL RECOGNITIONS

Presentation of the City Manager’s Proposed Fiscal Year 2027 Budget

City Manager Ken Larking explained the budget for the City matters because people in their day to day life rely on the services the City provides; making sure they provide core city services in a way that was efficient and effective was important to the people of the community. As an added advantage, they were able, because of the resources they have available to them, to invest in additional things that help meet the City Council focus areas of reducing violent crime, improving education and growing the community. They want to provide for quality, life-long education by improving their K-12 education system and workforce development programs, and build, maintain and attract great quality of life amenities. The reason they do this was because people, more and more, make a choice on where they were going to live based on what was in the community. The City’s investment and encouragement of others to invest in quality of life amenities makes the City an attractive place for people to call home, and helps them to retain their young people. This budget also attempts to deliver services efficiently and effectively and the City puts a priority on attracting new businesses and entrepreneurs that support existing businesses; that helps the City to improve economic opportunities and mobility for the community. It also increases the tax base which helps maintain adequate funding for city services.

Mr. Larking explained that the recommended budget was a balanced budget at $395.2M dollars and there was no increase to the real estate tax rate. Ongoing City operations were funded with recurring revenue sources, including the guaranteed portion of gaming revenue. Danville’s real estate tax rate remains among the lowest of Virginia’s Independent Cities and overall the tax burden remains below the vast majority of Virginia communities. Because Danville has a low tax rate, a low cost of real estate and low value of real estate, they were able to provide high quality services at a very low tax burden for the community. The budget for the General Fund was $189,475,040; it was a $326,570 decrease. Major revenue increases/(decreases) include an increase of $2.7M in gaming tax revenue. Mr. Larking explained the sales tax revenue was not coming in as expected, and they project that will be lower next year. The development agreement with Caesars included $5M in guaranteed gaming revenue, and the City has decided that in order to support ongoing operations, it was okay to use that $5M of guaranteed money to support those operations. It reduces the tax burden for the citizens, because $5M would have to be figured out some other way, either by cutting services or raising taxes or fees. They were able to fund the $1.4M cost for pay for performance at an average of 3%, and also included for the first time was

$442,000 for a Fire Department Career Progression Plan; this will offer opportunities for firefighters to progress within the department as they get more skills. The cost of retirement was going up about $408,200.

Mr. Larking noted the Utility Fund highlights include a budget of $202,279,740, which was an $11,162,770 increase from the current year. The budget for the Utility Funds can increase by quite a bit from year to year, mostly related to the cost of purchasing natural gas and electricity. Danville's electric rates were average when compared to others in the state, and lower than those around the City. Gas, water, and sewer rates were well below average, and Danville residents benefit from reliable services, with quick local response; the budget includes funds to improve reliability of infrastructure. Included were recommendations from the 2024 biennial rate study; these were modest adjustments to rates necessary to ensure reliable service. Mr. Larking explained that the biennial rate study was approved by the Utility Commission; it ensures that the cost of services were appropriately assigned to correct customer classes. The goal was to make sure the customers were appropriately paying for what they were receiving and that the City had enough to run and maintain the system reliably; this year there was an increase recommended. The average rate increase for the typical residential customer would be about $10-11 per month, with actual impacts varying by usage. Mr. Larking reviewed the City's energy efficiency programs and actions over the last few years, which include Neighbors Helping Neighbors, Bill Assistance and Energy Assistance Programs. The City proposed appropriating $700,000 of casino gaming revenue for the Energy Efficiency Program and Neighbors Helping Neighbors.

Mr. Larking noted the Casino Gaming Revenues would be allocated in alignment with the Investing in Danville framework. The guaranteed revenues applied to General Fund expenses was $5M to help stabilize operations and reduce pressure on tax rates to support Council-identified priorities across multiple departments and funds: $10.3M for Economic Opportunity, $6.8M for Education, $4.1M for Quality Housing, $4.2M for Public Safety, $2.8M for Quality of Life, $2.4M for Infrastructure, $1.1M for Community Health, and $1M for Financial Stability. The goal of casino funding was as best as the City can, to supercharge all the effort that was put forward to help transform the community to the better. If the City can invest in the right things and help the community be more sustainable, they will build new tax base and be able to have the revenues through that new tax base to support the core city services people rely on every day. As an independent city in Virginia, Danville was tasked with helping fund local K-12 education. The recommended budget was $35,394,430 which was what the schools requested; it was a $2.9M increase. Among that was mostly personnel related costs, what was necessary to match the state's increases for personnel related to their Standards of Quality funded positions. There was also an increase for health insurance and $500,000 for meaningful engagement activities which was an opportunity the school system to provide more direct wrap around services to the youth in the community. There was $306,000 for pay increases for non-instructional positions that were resulting from a recent pay study.

Mr. Larking reviewed the "next steps" for the budget through adoption on June 16th and acknowledged the budget team and department heads. Council Members thanked the City Manager and his staff for putting this budget together.

CONSENT AGENDA

Mayor Jones opened the floor for a Public Hearing regarding Budget Appropriation Items. Notice of the Public Hearing was published in the *Danville Register & Bee* on March 10, 2026. No one present desired to be heard and the Public Hearing was closed.

Council Member Campbell **moved** for adoption of the following Consent Agenda items:

Minutes from the Special Council Meeting held on February 10, 2026 and Regular Council Meeting held on February 17, 2026. Draft copies of the minutes had been distributed prior to the meeting.

Consideration of Amending the Fiscal Year 2026 Budget Appropriation Ordinance for Grant Funds from the US Department of Housing and Urban Development

An Ordinance entitled, Ordinance No. 2026-03.07, An Ordinance of the Council of the City of Danville, Virginia Amending the Fiscal Year 2026 Budget Appropriation Ordinance for Projects to be or being undertaken to improve the Danville Community financed with Community Development Block Grant, Home Investment Partnership Funds from the U.S. Department of Housing and Urban Development, and Estimated Program Income for a Total Appropriation of $1,199,074.29.

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

VOTE: 9-0
AYE: Buckner, Campbell, Hood, Jones, Marshall, Mayo, Miller, Saunders and Vogler (9)
NAY: None (0)

APPOINTMENTS

Vice Mayor Buckner **moved** for adoption of the following Appointment Resolutions:

Resolution 2026-03.03 - Appointing Kitteria Mayo to the Southern Area Agency on Aging.

Resolution 2026-03.04 - Appointing Matthew Bailey to the Architectural Review Board.

Resolution 2026-03.05 - Appointing Christopher Betts to the Architectural Review Board.

Resolution 2026-03.06 - Appointing Jamie Cahill to the Architectural Review Board.

Resolution 2026-03.07 - Appointing Lauren Smith to the Architectural Review Board.

Resolution 2026-03.08 - Appointing Jackson Weller to the Architectural Review Board.

Resolution 2026-03.09 - Appointing Adam Jones to the Architectural Review Board.

Resolution 2026-03.10 - Appointing Robert Stowe to the Architectural Review Board.

Resolution 2026-03.11 - Appointing Melanie Holley to the Public Arts Commission.

Resolution 2026-03.12 - Appointing Sam Kushner to the Public Arts Commission.

Resolution 2026-03.13 - Appointing Joshua Cassell to the Public Arts Commission.

Resolution 2026-03.14 - Appointing Kelly Hood to the Public Arts Commission.

Resolution 2026-03.15 - Appointing Gretchen Lamb to the Public Arts Commission.

Resolution 2026-03.16 - Appointing Stacey Strawn to the Public Arts Commission.

Resolution 2026-03.17 - Appointing James Buckner to the Public Arts Commission.

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

VOTE:	9-0
AYE:	Buckner, Campbell, Hood, Jones, Marshall Mayo, Miller, Saunders and Vogler (9)
NAY:	None (0)

OLD BUSINESS

Consideration of an Ordinance to Issue Revenue Bonds for Utility System Improvements

Vice Mayor Buckner **moved** for adoption of an Ordinance entitled, Ordinance No. 2026-03.06, an Ordinance of the Council of the City of Danville, Virginia Authorizing the Issuance of Bonds of the City of Danville, Virginia, in the Maximum Aggregate Principal Amount of $10,000,000 to Finance Various Expenditures for its Utility System

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

VOTE:	9-0
AYE:	Buckner, Campbell, Hood, Jones, Marshall Mayo, Miller, Saunders and Vogler (9)
NAY:	None (0)

NEW BUSINESS

REVIEW OF GENERAL FUND FINANCIALS AS OF FEBRUARY 28, 2026

Assistant City Manager/Chief Financial Officer Michael Adkins gave the General Fund Financial Report as of February 28, 2026, which marks 67% of the fiscal year complete. Total Revenues were just over $170M, 58% of budget and typically where the City was in February. Property taxes received were 53% of the budget; there usually wasn’t much movement there with current taxes until May-June when the City does spring billing. Delinquent Real Estate Tax Collections were still coming in very well, collecting just over $1M by the end of February at 89% of budget. If that continues, the City will surpass budget on delinquent collections this year. As mentioned previously, sales tax has been sluggish this year; at the end of February, the City had collected $8.8M which was just over 63% of budget, in dollars they were short about $476,000. The winter storms in January did have a little bit of a negative impact on meals and lodging taxes, but not too bad. Meals tax received at the end of February totaled $9.1M or 66%, just barely a percent under budget, and lodging was 66% at $2.4M. There were about $116,000 of late payments received in the first couple days of March which related to February; after that, the shortfall was very minimal. Concerning the casino gaming taxes, at the end of February, the City had earned $26.5M, about $3.6M ahead of budgeted expectations and Mr. Adkins noted as a conservative estimate, by the end of the year, if this trend continued, that line item will be over budget by about $4.8M. That was also considering the additional $2M that has been added to that budget for this year. The budget for the current year for Investment and Interest Income was $2.1M and the City met that amount at the end of February with four months remaining in the year. Mr. Adkins noted he was conservatively estimating an overage of interest and investment earnings of $500,000 by the end of June. State and Federal revenues were on track and he had no concerns there.

Regarding Expenditures, Departmental Spending at the end of February was 61% of budget, well under the 67% mark at this point in the year. For Non-Departmental Expenses, the main two were debt service and group health insurance. Debt service was a known expense and the last debt service payment for this fiscal year was made on March 1st, on track with budget and no concerns. Last month they had closed that gap on Group health insurance and were back on track with budget. This month it had crept up a little bit at 2% over the budget, but that was not too much to worry about. With this fiscal year so far, he has no real concerns; sales tax obviously will be the most likely largest negative budget variance, but there were other items mentioned both on the expenditure and revenue side that will easily offset that deficit this year.

CONSIDERATION OF A RESOLUTION TO ISSUE REVENUE BONDS FOR UTILITY INFRASTRUCTURE PROJECTS

Vice Mayor Buckner **moved** for adoption of a Resolution entitled:

RESOLUTION NO. 2026-03.18

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA PROVIDING FOR THE ISSUANCE AND SALE BY THE CITY OF DANVILLE, VIRGINIA, OF A TAXABLE UTILITY SYSTEM REVENUE BOND, SERIES 2026, IN A PRINCIPAL AMOUNT NOT TO EXCEED $10,000,000, HERETOFORE AUTHORIZED, AND PROVIDING FOR THE FORM, DETAILS, AND PAYMENT OF SUCH BOND.

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

VOTE:	9-0
AYE:	Buckner, Campbell, Hood, Jones, Marshall Mayo, Miller, Saunders and Vogler (9)
NAY:	None (0)

CONSIDERATION OF A RESOLUTION APPROVING THE CITY MANAGER TO ENTER INTO A PURCHASE POWER AGREEMENT WITH AMERICAN MUNICIPAL POWER FOR TEN-MEGAWATTS OF NATURAL GAS GENERATION

Council Member Saunders **moved** for adoption of a Resolution entitled:

RESOLUTION NO. 2026-03.19

A RESOLUTION APPROVING THE CITY MANAGER TO ENTER INTO A PURCHASE POWER AGREEMENT WITH AMERICAN MUNICIPAL POWER FOR TEN-MEGAWATTS OF NATURAL GAS GENERATION

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

VOTE:	9-0
AYE:	Buckner, Campbell, Hood, Jones, Marshall Mayo, Miller, Saunders and Vogler (9)

NAY: None (0)

CONSIDERATION OF A RESOLUTION APPROVING THE CITY MANAGER TO ENTER INTO A PURCHASE POWER AGREEMENT WITH AMERICAN MUNICIPAL POWER FOR FIVE-MEGAWATTS OF SOLAR GENERATION

Council Member Saunders **moved** for adoption of a Resolution entitled:

RESOLUTION NO. 2026-03.20

A RESOLUTION APPROVING THE CITY MANAGER TO ENTER INTO A PURCHASE POWER AGREEMENT WITH AMERICAN MUNICIPAL POWER FOR FIVE-MEGAWATTS OF SOLAR ENERGY GENERATION

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

VOTE:	9-0
AYE:	Buckner, Campbell, Hood, Jones, Marshall Mayo, Miller, Saunders and Vogler (9)
NAY:	None (0)

CONSIDERATION OF AMENDING THE FISCAL YEAR 2026 BUDGET APPROPRIATION ORDINANCE FOR A GRANT AND LOAN FROM THE VIRGINIA TOBACCO REGION REVITALIZATION COMMISSION FOR THE NATURAL GAS PIPELINE EXTENSION TO THE SOUTHERN VIRGINIA MEGASITE AT BERRY HILL

Upon **Motion** by Vice Mayor Buckner and **second** by Council Member Campbell, an Ordinance entitled:

ORDINANCE NO. 2026-03.08

AN ORDINANCE AMENDING THE FISCAL YEAR 2026 BUDGET APPROPRIATION ORDINANCE TO PROVIDE FOR A VIRGINIA TOBACCO REGION REVITALIZATION COMMISSION $459,000 GRANT AND $2,000,000 LOAN TO ASSIST WITH THE CITY'S NATURAL GAS PIPELINE EXTENSION TO THE SOUTHERN VIRGINIA MEGA SITE AT BERRY HILL.

was presented by its **First Reading**, as required by City Charter, to lie over before final adoption.

CONSIDERATION OF AMENDING THE FISCAL YEAR 2026 BUDGET APPROPRIATION ORDINANCE FOR STATE AVIATION CAPITAL FUNDING

Upon **Motion** by Council Member Saunders and **second** by Vice Mayor Buckner, an Ordinance entitled:

ORDINANCE NO. 2026-03.09

AN ORDINANCE AMENDING THE FISCAL YEAR 2026 BUDGET APPROPRIATION ORDINANCE TO PROVIDE FOR STATE AVIATION CAPITAL GRANT FUNDING TO COMPLETE A SITE PREPARATION CONSTRUCTION PROJECT AT THE DANVILLE

REGIONAL AIRPORT IN THE AMOUNT OF $993,760 AND FOR THE LOCAL SHARE IN THE AMOUNT OF $110,418 FOR A TOTAL OF $1,104,178 AND APPROPRIATING THE SAME

was presented by its **First Reading**, as required by City Charter, to lie over before final adoption.

COMMUNICATIONS FROM VISITORS

Mayor Jones recognized Katherine Wall who suggested on new development contractors, it would be appropriate if the City would consider making the developer pay for the roads and keep them maintained. Also, on the language change from neighborhoods versus communities, would there be a big difference, what was the definition of the two. Traffic on Memorial, was it in the study to get fixed; people go across from Edgewood to Country Club Drive and City equipment trucks go straight across the street. Ms. Wall asked if the Schoolfield Corridor area would include the Edgewood area.

Mayor Jones recognized Frank Leist who noted he signed up to speak on Council Letters 3574 and 2591 concerning the purchase of power, stating that Danville owns its own utilities. Mr. Leist discussed the City's purchasing power, producing more of its own power and generating revenue for the City.

COMMUNICATIONS

There were no communications from the City Manager, Deputy City Manager, Assistant City Manager Evans, City Attorney or City Clerk.

Assistant City Manager Michael Adkins introduced the new Popular Financial Report which was to provide citizens with an accessible report on the City's finances in a more understandable format. The report was on the City's website under the Finance Department's section.

Council Member Miller discussed the reverse 911 calls that informed citizens of emergencies or weather events. The Utility Department has received a lot of compliments this year with the weather events, they have done an outstanding job. Dr. Miller noted Parks & Rec have moved down to the Dan River Falls Building, they have a great office.

Council Member Vogler noted the Council retreat was fantastic, there will be a lot of great actionable items that came out of the meeting. Mr. Vogler noted a citizen reached out to him, that over by the Salvation Army, Henry Street, there was a small park there and some concern where the children walk from the Salvation Army to the park. There were a lot of cars coming up the hill, to possibly installing a crosswalk, or some kind of safety measure.

Vice Mayor Buckner noted the first annual Bee City public meeting will be March 23, 5:30 to 7:30 p.m., at Ballou Park Rec Centre, in the nature center on the second floor. More information was available on danvilleva.gov/beecityusa. There was a new housing opportunity coming on line soon; in late April, the repurposed Cedarbrook School will have new apartments with amenities and parking.

Council Member Campbell noted he was glad to see the appointments to the new Public Arts Commission; that was important as it enhances the quality of life in the City, and commended the City Manager and Council for doing that. Rev Campbell noted the retreat was the best one he has attended, and a question was how to share prosperity to all areas of the community and how

Council tried to tackle that. Rev Campbell encouraged men to get their checkups and take care of their health.

Council Member Hood noted he wanted to commend everyone on a wonderful retreat with the total engagement of everyone, and thanked the City Manager and his team for putting together the proposed budget. Today was the West Piedmont Better Housing Coalition annual meeting which assists with affordable housing and combatting homelessness. Also in attendance was Council Member Mayo and panelist, Deputy City Manager Earl Reynolds. It was great to see organizations come together from the region for one common cause.

Council Member Marshall noted Sunday, March 15, 2026 was a special day for him and his family, the one-year anniversary for his lung transplant at Duke. Mr. Marshall noted there were so many people he wanted to thank including the doctors, nurses and staff at Duke, and all the people who texted him and supported him. Mr. Marshall thanked his wife and daughter for their support, and encouraged citizens to go to the DMV and sign up for Donate Life, for organ donation.

Council Member Mayo encouraged men and women to get their yearly checkup. Mr. Mayo noted the retreat was awesome; this was a great team working together making a difference to the City. Mr. Mayo noted he attended the West Piedmont Better Housing Coalition with Mr. Reynolds and Mr. Hood, learning about homelessness, housing and what the City has to do better.

Mayor Jones encouraged men to take care of their health. Mayor Jones thanked the City Manager for the budget presentation, the retreat was great, and recognized Danville School Superintendent Angela Hairston. Mayor Jones read an editorial published in the *Star- Tribune* entitled Will the Real Danville Please Stand Up.

MEETING ADJOURNED AT 8:22 P.M.

APPROVED:

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MAYOR

ATTEST:

____
CITY CLERK

Council Letter
City of Danville, Virginia

CL - 2602 **NEW BUSINESS A.**

City Council REGULAR MEETING

Meeting Date: April 21, 2026

Subject: Review of General Fund Financials as of March 31, 2026.

From: Michael Adkins, Assistant City Manager-Chief Financial Officer

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COUNCIL ACTION

Review of General Fund Financials as of March 31, 2026. Financial Statements are included.

Attachments

1. Financial Statements

To: Ken F. Larking, City Manager
Michael L. Adkins, Assistant City Manager

From: Amy Chandler, Director of Finance

Date: April 13, 2026

Subject: Summary of Preliminary General Fund Financial Results for March 31, 2026

After completing the first three quarters of the fiscal year, revenues are tracking well with budget and are ahead of the previous year. As of March 31, General Fund revenues totaled $120,658,990, representing 65% of the FY2026 budget. Last year at this time, revenues totaled $107,464,224, also 65% of budget. The increase compared to the prior year is primarily attributable to growth in local taxes, along with an increase in Other Local Taxes driven by tourism-related revenue and an increase in Intergovernmental revenues due to an increase in the Gaming Tax Revenue. Notable increases in Other Local Taxes were seen in Meals Tax as well as the Caesars direct payments.

General Property Tax collections continue to perform well with 53% of the budgeted property tax realized at the end of March. More specifically, real estate tax collections through the end of March amounted to $13,885,645, or 53% of budget. Delinquent real estate tax collections also continued to perform well, totaling $1,058,312 through March, representing 93% of the current-year budget.

Local taxes collected through March 31 amounted to $39,843,415, or 68% of budget, exceeding FY 2025 collections for the same period by $3.3 million. Sales tax collections through March amounted to $9,804,826, or 70% of budget. Meals taxes collected for the first three quarters of the fiscal year amounted to $10,199,503 or 73% of budget, an increase of $582,626 from last year. Business Licenses realized at the end of March were $6,598,868, or 77% of budget. Lodging taxes received as of March 31 were $2,668,537 or 73% of budget, an increase of $37,000 over the prior year. All other revenue categories are tracking well with budget at this point.

Expenditures through March 31 totaled $155,744,179, or 78% of the budget, representing an overall increase of $19.5 million compared to March 31, 2025. Departmental spending for the first three quarters of the fiscal year amounted to $76 million, or 69% of budget, an increase of $6.4 million over the prior year. This increase is primarily driven by an increase in salaries and benefits along with budgeted increases for motor vehicle purchases for public safety along with budgeted increases for demolition expenses. The remaining overall increase is attributable to increases in non-departmental expenditures related to increased debt service as well as an increase in group health insurance, and an increase in Transfers to Capital Projects and Other Funds due to timing differences of when the transfers occurred in FY 2025 versus FY 2026.

Fund expenditures exceeded revenues by $35,085,189. This is typical for most of the fiscal year because revenue recognition does not align with expenditure timing. At this point, the General Fund is performing as expected relative to the current budget.

CITY OF DANVILLE, VIRGINIA
GENERAL FUND REPORT
75% OF YEAR LAPSED AS OF MARCH 31, 2026
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
REVENUES:						
Property Taxes	$ 48,213,680	$ 26,255,828	54.46%		$ 21,957,852	$ 22,792,599
Other Local Taxes	58,297,800	39,843,415	68.34%		18,454,385	36,515,772
License Permits & Privilege Fees	606,510	383,929	63.30%		222,581	372,805
Fines & Forfeitures	526,660	294,705	55.96%		231,955	160,220
Revenue From Use Money & Property	2,942,951	2,998,912	101.90%		(55,961)	3,229,579
Charges For Services	3,498,770	2,608,279	74.55%		890,491	2,677,761
Miscellaneous Revenue	25,100	174,649	695.81%		(149,549)	173,668
Recovered Cost	11,235,078	8,204,502	73.03%		3,030,576	7,105,355
Intergovernmental	46,000,721	28,131,771	61.16%		17,868,949	22,745,465
Transfers From Utilities	15,684,000	11,763,000	75.00%		3,921,000	11,691,000
TOTAL REVENUES	**$ 187,031,270**	**$ 120,658,990**	**64.51%**		**$ 66,372,279**	**$ 107,464,224**
EXPENDITURES:						
General Government Administration	$ 18,158,241	$ 12,870,492	70.88%	$ 314,743	$ 4,973,006	$ 11,520,340
Judicial Administration	10,155,844	7,102,664	69.94%	5,278	3,047,902	6,821,599
Public Safety	48,796,331	34,709,258	71.13%	410,219	13,676,853	31,362,811
Public Works	6,561,373	4,832,063	73.64%	182,817	1,546,493	4,118,687
Health, Education, Welfare & Soc. Svc.	11,815,722	7,504,688	63.51%	48,676	4,262,358	7,292,217
Parks, Recreation & Cultural	7,997,007	5,002,807	62.56%	43,020	2,951,180	4,714,444
Community Development	5,618,597	3,504,244	62.37%	151,069	1,963,284	3,303,014
Non-Departmental	16,710,415	15,749,706	94.25%	-	960,709	13,257,624
Education	34,383,070	30,715,335	89.33%	-	3,667,735	27,367,361
Transfer to Capital Projects	28,229,333	27,971,035	99.09%	-	258,298	24,434,751
Transfer to Other Funds	10,414,190	5,781,885	55.52%	-	4,632,305	2,019,880
TOTAL EXPENDITURES	**$ 198,840,123**	**$ 155,744,179**	**78.33%**	**$ 1,155,822**	**$ 41,940,122**	**$ 136,212,728**
Revenue over(under) Expenditures		$ (35,085,189)				$ (28,748,505)
FUND BALANCE:						
Beginning Fund Balance 07/01/2025		$ 69,331,450				$ 63,543,749
Revenue over(under) Expenditures		(35,085,189)				(28,748,505)
Ending Fund Balance 3/31/26		**$ 34,246,261**				**$ 34,795,244**
Composition of Fund Balance:						
Reserved for Encumbrances/Designated Funds		$ 5,236,859				$ 9,282,248
Unassigned		29,009,402				25,512,996
TOTAL FUND BALANCE 3/31/26		**$ 34,246,261**				**$ 34,795,244**

CITY OF DANVILLE, VIRGINIA
GENERAL FUND
COMPOSITION OF FUND BALANCE
PRELIMINARY - AS OF MARCH 31, 2026

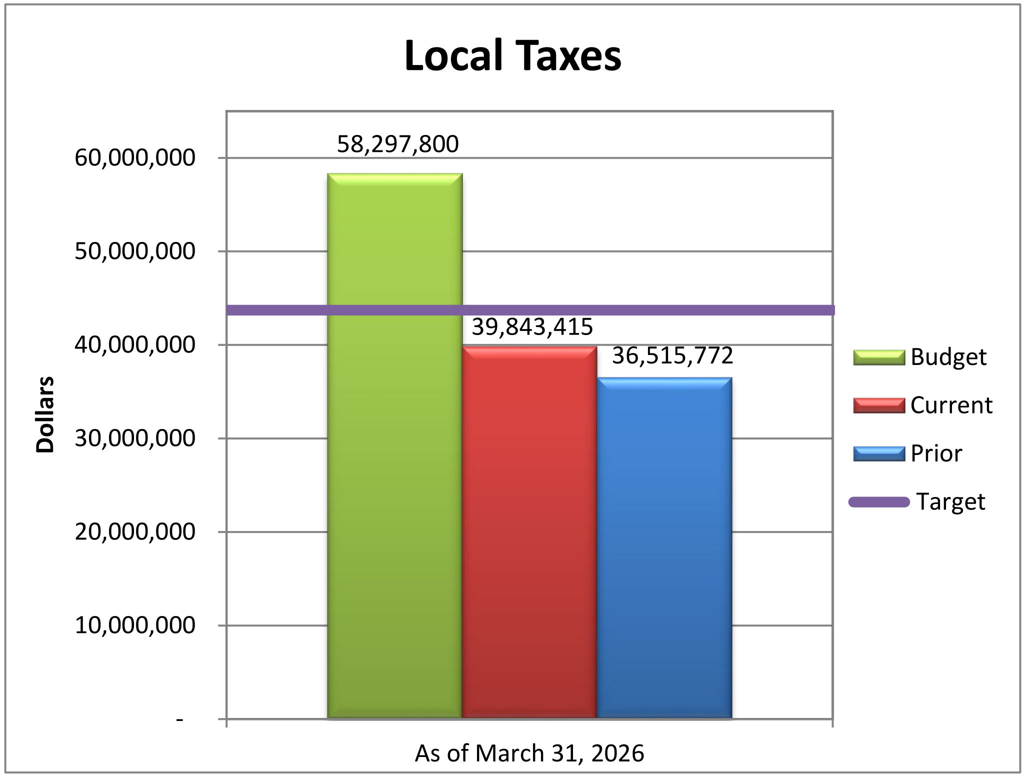
Beginning Total Fund Balance, July 1, 2025	69,331,449.97
Add: General Fund Revenues	120,658,990.09
Deduct: General Fund Expenditures Ending	(155,744,178.93)
Total Fund Balance, March 31, 2026	34,246,261.13

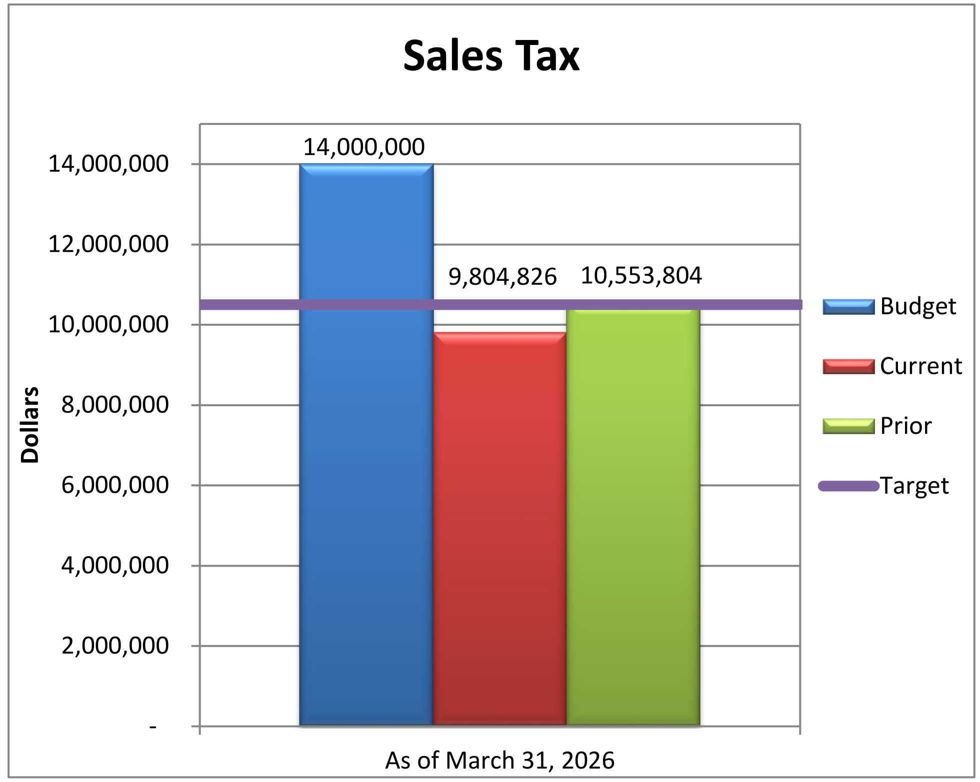
Composition of Fund Balance:	
Restricted for Commonwealth Attorney	133,587.97
Restricted for Police Department	153,858.29
Restricted for Fire Department	144,788.35
Committed for Sheriff's Department	20,180.18
Committed to Schools	-
Committed to Budget Stabilization	3,000,000.00
Assigned to Sheriff's Department	17,182.13
Assigned to Community Development	70,909.84
Assigned for Encumbrances	1,155,821.90
Assigned Casino Revenue	-
Nonspendable (Inventory and Prepaids)	540,530.80
UNASSIGNED	**29,009,401.67**
Total Fund Balance, March 31, 2026	34,246,261.13
	-

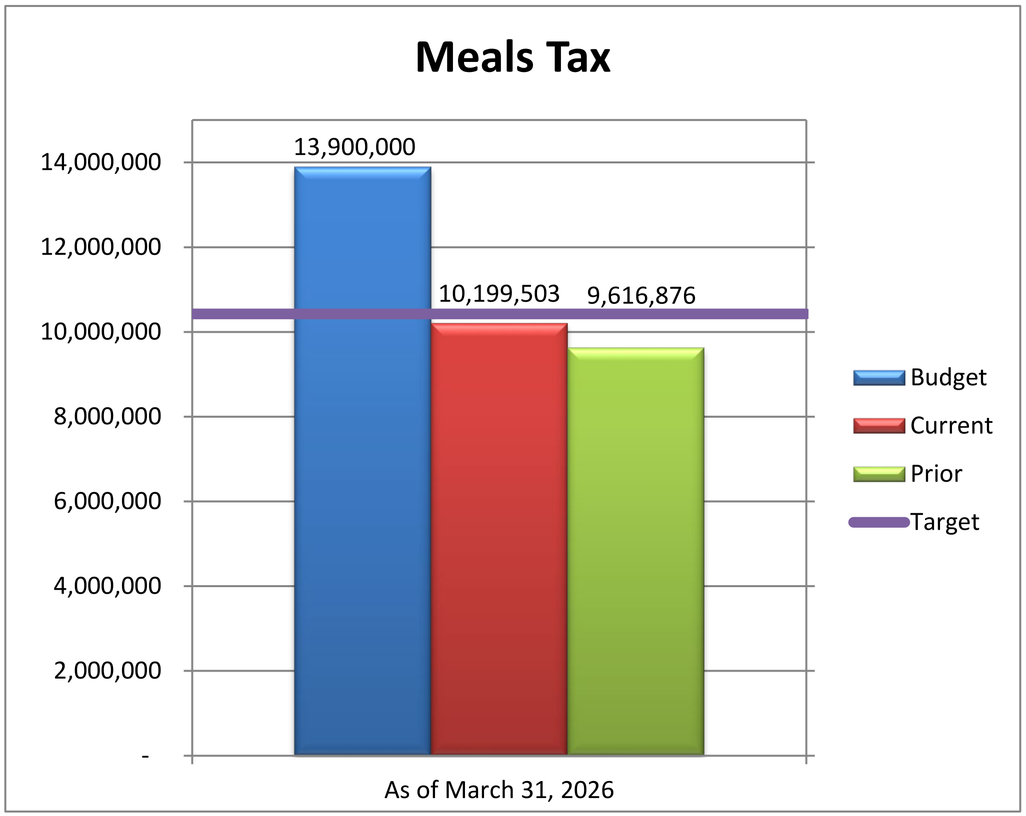
Unassigned fund balance from above	29,009,401.67
Unassigned Minimum per policy (25% of General Fund Operating Revenues) based on FY 2026 budget	46,757,817.39
Current surplus (deficit) over (under) minimum	(17,748,415.72)

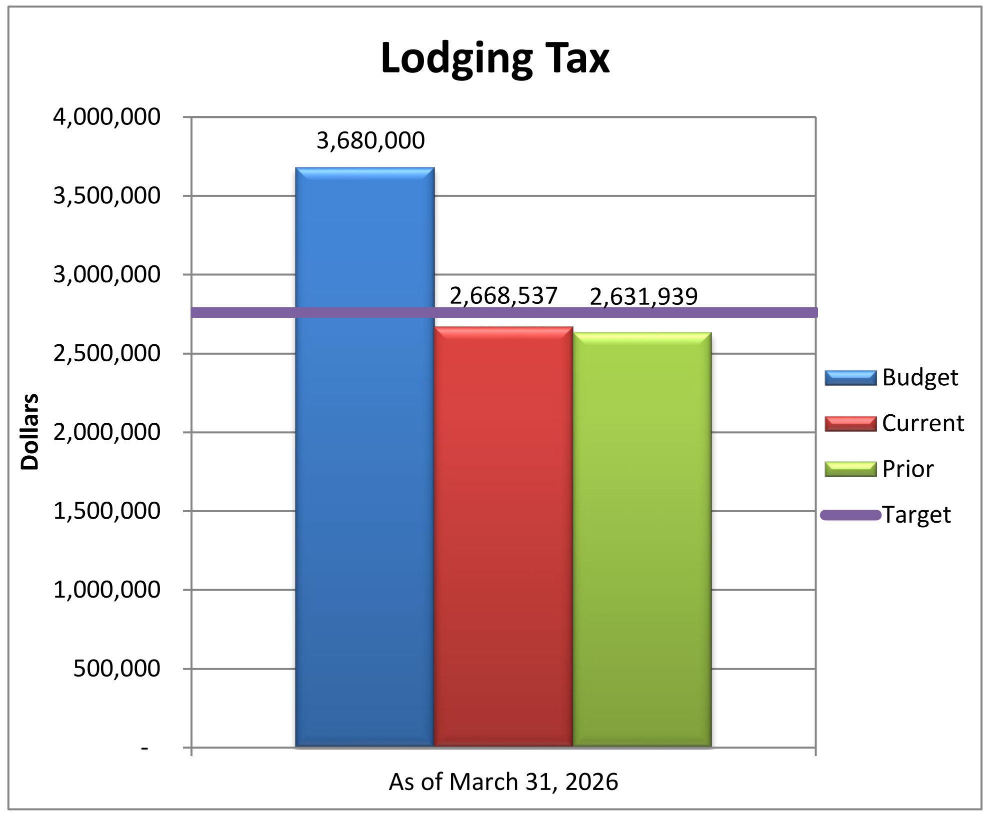
City of Danville, Virginia
Summary of Other Local Tax Revenues - PRE-CLOSING - UNAUDITED
For the period ending March 31, 2026

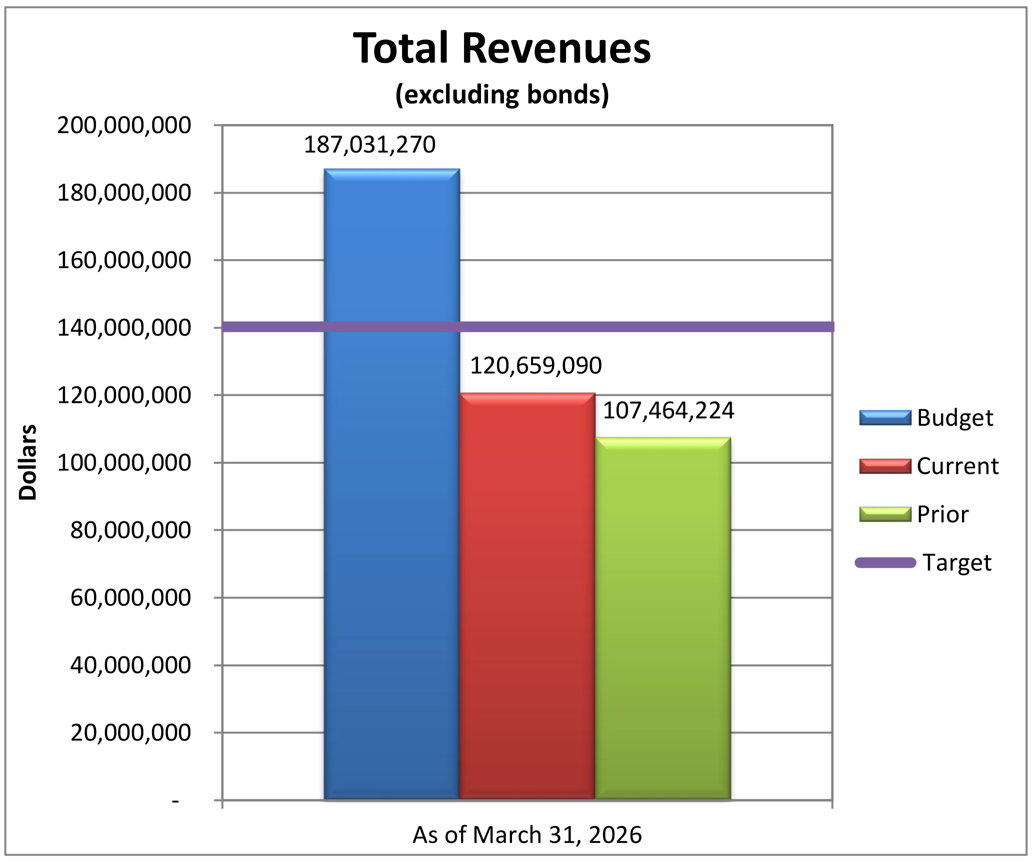
Description	Current Budget	Revenue Realized	Percentage Realized	Prior Year Budget	Prior Year Realized	Percentage Prior Year
Sales Tax	$ 14,000,000	$ 9,804,826	70.03%	$ 13,000,000	$ 10,553,804	81.18%
Business Licenses	8,582,000	6,598,868	76.89%	7,642,000	7,517,510	98.37%
Meals Tax	13,900,000	10,199,503	73.38%	12,100,000	9,616,876	79.48%
Utility Taxes	930,000	718,970	77.31%	930,000	636,735	68.47%
Vehicle License Fees	1,000,000	350,466	35.05%	1,025,000	349,295	34.08%
Bank Stock Tax	1,100,000	375	0.03%	1,100,000	-	0.00%
Recordation Tax	370,000	339,517	91.76%	370,000	270,046	72.99%
Hotel Motel Tax	3,680,000	2,668,537	72.51%	3,525,000	2,631,939	74.66%
Daily Property Rental Tax	20,800	35,738	171.82%	20,800	40,520	194.81%
Motor Vehicle Tax	240,000	157,035	65.43%	240,000	149,995	62.50%
DMV Fees	275,000	166,196	60.43%	275,000	159,738	58.09%
Ceasars Min Fee	14,200,000	8,803,385	62.00%	8,700,000	4,589,315	52.75%
TOTAL	$ 58,297,800	$ 39,843,415	68.34%	$ 48,927,800	$ 36,515,772	74.63%

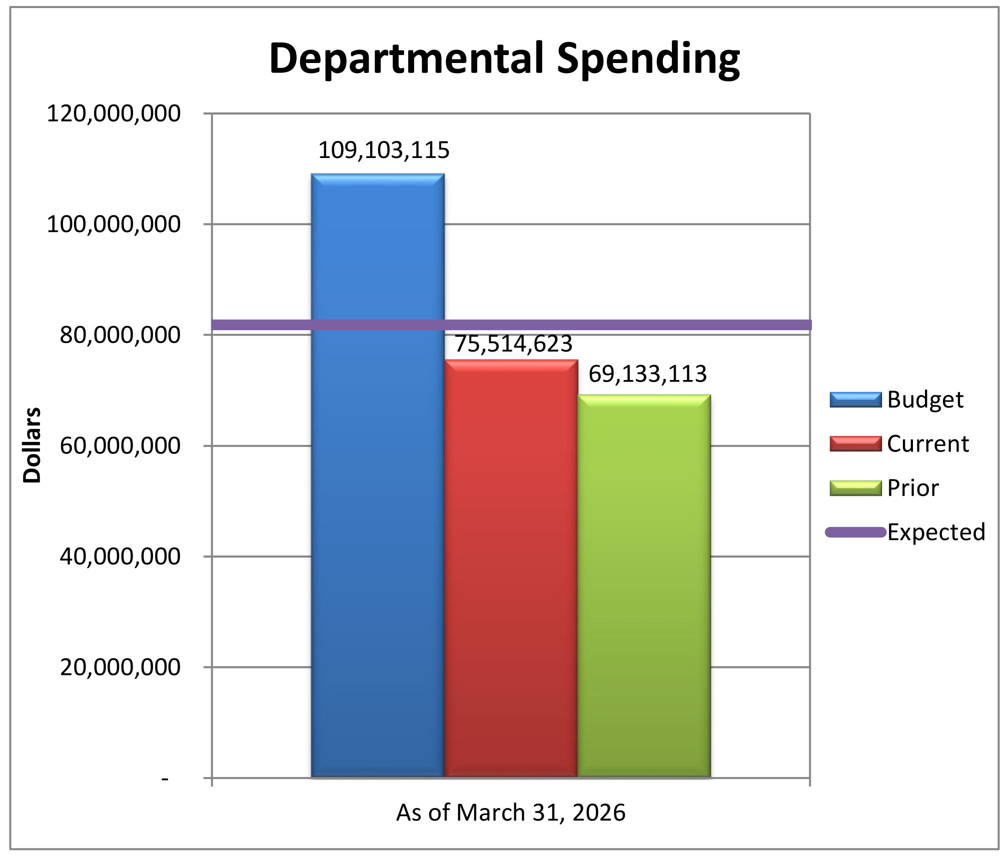

Local Taxes
58,297,800
39,843,415
36,515,772
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
-
Dollars
Budget
Current
Prior
Target
As of March 31, 2026

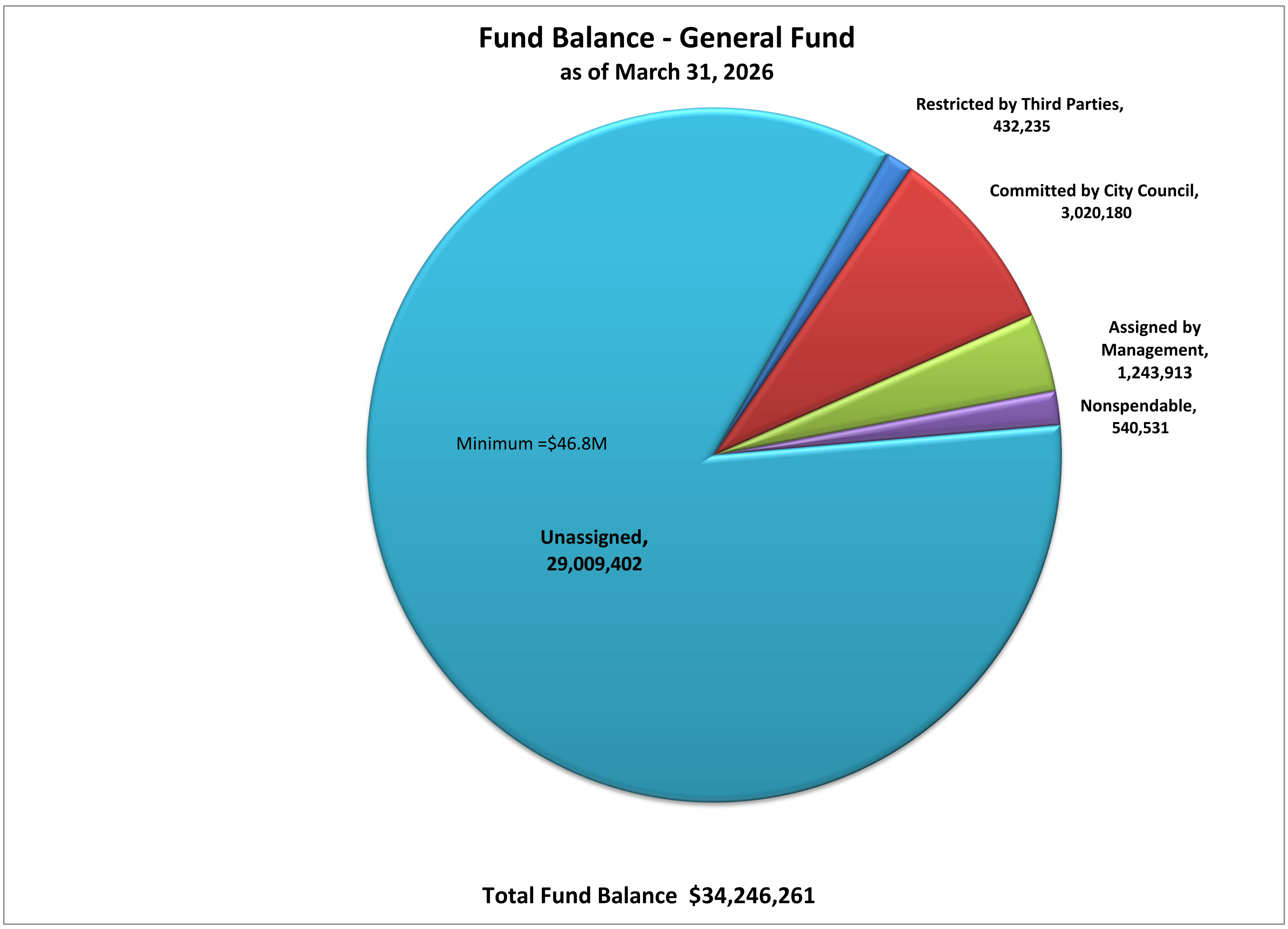

Sales Tax
14,000,000
9,804,826
10,553,804
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
Dollars
Budget
Current
Prior
Target
As of March 31, 2026


Meals Tax
13,900,000
10,199,503
9,616,876
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
Budget
Current
Prior
Target
As of March 31, 2026


Lodging Tax
3,680,000
2,668,537
2,631,939
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
Dollars
Budget
Current
Prior
Target
As of March 31, 2026


Total Revenues
(excluding bonds)
200,000,000
180,000,000
160,000,000
140,000,000
120,000,000
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
-
Dollars
187,031,270
120,659,090
107,464,224
Budget
Current
Prior
Target
As of March 31, 2026


Departmental Spending
120,000,000
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
-
Dollars
109,103,115
75,514,623
69,133,113
Budget
Current
Prior
Expected
As of March 31, 2026


Fund Balance - General Fund
as of March 31, 2026
Restricted by Third Parties, 432,235
Committed by City Council, 3,020,180
Assigned by Management, 1,243,913
Nonspendable, 540,531
Minimum =$46.8M
Unassigned, 29,009,402
Total Fund Balance $34,246,261

Council Letter
City of Danville, Virginia

CL - 2654 **NEW BUSINESS B.**

City Council REGULAR MEETING

Meeting Date: April 21, 2026

Subject: Update to the City's Financial Policies

From: Michael Adkins, Assistant City Manager-Chief Financial Officer

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COUNCIL ACTION

A Resolution of the Council of the City of Danville, Virginia Approving and Amending the City of Danville Financial Policies to Change Item 4.2 Entitled “General Fund Budget Stabilization Reserve” to “General Fund Capital Expenditure Reserve”, Establish Guidelines on Applying Surplus Revenues to Said Reserve, and Changing the Capitalization Threshold in Item 10 Entitled “Capitalization” from $5,000 to $10,000.

SUMMARY

This revision of the City's financial policies will convert the existing Budget Stabilization Fund into a Capital Reserve and will establish guidelines on using surplus revenues at the end of each fiscal year as a funding source for the Capital Reserve. This revision to the financial policies will also increase the capitalization threshold from $5,000 to $10,000, which is more in line with current best practices.

BACKGROUND

The City's financial policies are routinely reviewed and were last updated in October 2024. During the City's credit rating reviews, the financial policies received very favorable comments and are considered a strong tool used to safeguard the City's creditworthiness. The suggested revisions address two areas: the creation of a capital reserve and an increase to the capitalization threshold.

In Fiscal Year 2012, a Budget Stabilization Fund was created, and capped at $3,000,000, to address any unexpected reductions in state revenues during any given fiscal year. At that time, the unassigned fund balance of the General Fund was around $30 million. Over the past 14 years, the Budget Stabilization Fund has not been used and today's unassigned fund balance of $54 million has the capacity to address such a revenue shortfall, should it occur. In consultation with the City's financial advisors at Davenport & Company, and considering the revenue provided through casino gaming taxes, the creation of a Capital Reserve is being recommended. This update can be found in Section 4.2 of the financial policy document.

In addition, an increase to the capitalization threshold is recommended by the Finance Department with guidance and approval from the City's independent auditors, Brown Edwards & Company, CPAs. Currently, any tangible item purchased at a cost over $5,000 must be recorded as a fixed asset, tracked within the City's fixed asset system, depreciated over its projected useful life, and analyzed at the time of disposition or sale. The $5,000 threshold has been in place for decades. Inflationary impacts over the years have created burdensome record keeping and accounting, as many routine purchases now exceed the $5,000 threshold. Most localities have set a capitalization threshold of $10,000 or more. In discussion with Brown Edwards, a capitalization threshold of $10,000 is very reasonable for the City of Danville. This change in the financial policy can be found in Section 10.

RECOMMENDATION

Staff recommends City Council approve the accompanying Resolution to incorporate suggested revisions into the City's financial policies.

Attachments

1. Resolution
2. Financial Policies

PRESENTED: ____________________

ADOPTED: ______________________

RESOLUTION NO. 2026- ____ . ____

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA APPROVING AND AMENDING THE CITY OF DANVILLE FINANCIAL POLICIES TO CHANGE ITEM 4.2 ENTITLED “GENERAL FUND BUDGET STABILIZATION RESERVE” TO “GENERAL FUND CAPTIAL EXPENDITURE RESERVE”, ESTABLISH GUIDELINES ON APPLYING SURPLUS REVENUES TO SAID RESERVE, AND CHANGING THE CAPITALIZATION THRESHOLD IN ITEM 10 ENTITLED “CAPITALIZATION” FROM $5,000 TO $10,000.

NOW THEREFORE, BE IT RESOLVED, by the Council of the City of Danville, Virginia, that the Financial Policies of the City of Danville be amended to incorporate changes as demonstrated in the “Financial Policies of Danville, Virginia, as of October 1, 2024, with proposed revisions,” a copy of which is attached hereto and made a part thereof, as if fully set out herein, and the same be, and hereby, is approved.

Approved:

____
Mayor

Attest:

____
City Clerk

Approved as to
Legal Form and Sufficiency:

____

City Attorney

Financial Policies

17 93

DANVILLE
VIRGINIA

Table of Contents

Initially approved by Resolution #2011-11.08 of the
Danville City Council November 15, 2011

Last amended by Resolution #2014-10.04 of the
Danville City Council October 1, 2024

<u>Introduction</u>: Written, adopted financial policies have many benefits, such as assisting elected officials and staff in the financial management of the City, saving time and energy when discussing financial matters, engendering public confidence, and providing continuity over time as elected officials and staff members change. While these policies will be amended periodically, they will provide the basic foundation and framework for many of the issues and decisions facing the City. They will promote sound financial management and assist in the City's stability, efficiency, and effectiveness. Policies are designed to conform to state and local regulations, generally accepted accounting standards, standards set by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA), and best practices employed by other local governments. The City Manager's "Administrative Policies & Procedures" and operating procedures maintained by municipal departments supplement these Financial Policies.

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1. Guiding Principles

The City provides a wide variety of essential and desirable services and facilities to its residents, visitors, businesses, and institutions. The Danville City Council and staff are responsible for managing municipal finances wisely, ensuring adequate funding to meet current and future needs, appropriately accounting for all revenues and expenditures, and complying with all applicable regulations. To satisfy these obligations, the Council and staff are committed to developing a sound financial plan for municipal operations, maintenance, and capital improvements. To achieve this, the City Council:

- Establishes financial policies;
- Sets policy guidance for preparation of operating and capital improvement budgets;
- Adopts budgets for all funds based on adopted policies and in accordance with the City Charter and State laws; and
- Oversees the administration of finances and budgets undertaken by the City Manager.

2. Financial Structure

In accordance with the GASB, the financial structure of the City will be divided into tax-supported governmental funds (including a General Fund to support the governmental services of the City) and self-supporting proprietary funds established for nongovernmental purposes. Proprietary funds will include a series of enterprise funds, which shall be managed as business enterprises supported by revenues derived by that enterprise. A list of funds with descriptions of each is provided in the Appendix of this document.

3. Budget

The Council will annually adopt a budget that includes funds as may be required by law or by sound financial practices and generally accepted accounting principles. The budget will control the levy of taxes and expenditures for all City purposes during the ensuing fiscal year. The City budget will be balanced using approved funding sources, including fund balances. The annual budget will serve as the official plan of services and facility operations intended to accomplish the City's goals and objectives.

3.1 Budget Preparation & Adoption

The budget process is one of the most important undertaken by the City each year. However, the City Charter provides only minimal guidance on how the budget is to be prepared, reviewed, and adopted. * It simply states that

- The City Manager is responsible for preparation of the budget;
- A proposed budget is to be presented to the City Council no later than April 1;
- No more than 30 days later, after collaboration with the Council, the Manager is to introduce a completed budget;
- A brief synopsis of the budget is to be published in the newspaper and Council is to conduct a public hearing; and
- The budget is to be adopted before July 1.

The City Council and City Manager will exceed the minimum requirements by starting the process earlier, providing more direct Council guidance along the way, and encouraging more active public engagement throughout the process, including during the City Manager's budget preparation process. The City Council will similarly exceed minimum requirements in conducting additional budget hearings and encouraging public input through not only providing testimony at hearings, but also through e-mails, social media tools, telephone calls, and direct discussion. The budget process undertaken by Council and staff will endeavor to

- Maintain a transparent process;
- Provide a steady flow of readily available information to the public;
- Inform, involve, and engage the public;
- Identify and consider issues and concerns of the public; and
- Achieve public understanding, if not acceptance, of trade-offs and decisions made in adopting a balanced budget.

* City Charter, §3-3, §8-6, and §8-7

3.2 Revenue & Expenditure Forecasts

Budget revenue estimates will be conservative, yet realistic. Expenditure estimates will fully cover, but not overstate, projected costs. A five-year forecast of General Fund revenues and expenses will be prepared at the beginning of each budget process to help determine if projected revenues can sustain current ser- vices. The City Council will consider the five-year forecast and other information provided and set priorities and offer guidance at the outset of the City Manager's annual budget preparation process. Council will additionally at that time make desired modifications to Financial Policies that might affect the budgeting process.

The City will avoid dependence on temporary or unstable revenues to fund main-stream municipal services. The City will not use one-time revenues to fund on-going operational costs. Neither will debt be used to fund current expenditures. The City will strive to maintain a reasonable real estate tax rate and will only consider upward adjustments to the property tax as a last resort.

If a deficit is projected for the coming fiscal year, the City will take steps to reduce expenditures and/or increase revenues. If a deficit is caused by emergency or temporary economic conditions, Council may consider a transfer from the Budget Stabilization Fund or the Unassigned Fund Balance to balance the budget as described in Policy 4.

3.3 Service & Facility Charges

Many services and facility uses are allowed by the City without additional charge. Examples include general use or parks and emergency responses by police officers. Services or facility uses that solely benefit an individual or group and can be practicably controlled and priced will be provided at reasonable fees. The City will maximize the application of user charges rather than depending on general revenues and subsidies from other City funds for services so identified and where costs are directly related to the level of service provided. The following principles will apply in establishing user fees:

- City staff will provide services and facilities as efficiently as is possible to keep user fees reasonable and affordable.
- City Council will determine under what circumstances cost subsidies, discounts, or waivers will be granted.
- User fees will otherwise be set at levels that cover full costs, including all direct, capital and facility wear and tear, and overhead expenses.

- Reimbursable work performed by the City shall be billed at actual costs except in cases where firm estimates and/or "not-to-exceed" prices were quoted to a client.
- Where practical, user charges shall be comparable to other neighboring cities and private sector providers. In the interest of doing no harm to other local service and facility providers, whether in the private or non-profit sectors, the City will avoid undercutting rates charged by others in Danville.

Departments that impose fees or service charges will prepare and/or update them for inclusion in the annual budget process. Responsibility for consideration and adoption of fees is assigned to the City Council or its boards and commissions as authorized* The City will maintain a current schedule of fees and charges, showing when the fees were last reviewed and/or recalculated.

3.4 Budget Contingency Accounts

Annual budgets will be stripped of informal contingency accounts to protect against expenditure overruns. The City Manager will instead propose appropriation of Contingency Accounts in the General Fund and each utility fund to cover unanticipated expenditure needs. The Contingency Account for each applicable fund shall be established at a minimum of $100,000. If approved by City Council through its appropriation of the budget, Contingency Accounts will be used at the direction and approval of the City Manager.

3.5 Capital Improvement Plan

In addition to the operating budget, the City Manager will annually submit a five-year Capital Improvement Plan (CIP) for review by Council. The CIP will include new or expanded facilities; infrastructure projects; extraordinary maintenance projects; land acquisition; special initiatives such as blight eradication or River District revitalization; large equipment items such as fire trucks; and large computer, telecommunications, and other technology investments. Normally, any such expenditure of $50,000 or more will be included in the CIP. As with the operating budget, items included in the CIP are those considered necessary to maintain public services and facilities. The CIP will show proposed expenditures and associated revenue sources. Current revenues and grants are the preferred methods of financing rather than borrowing. Operating impacts of CIP elements will be reported in the plan.

3.6 Legal Level of Control

Amended by Resolution 2024-10.04 of the Danville City Council, October 1, 2024

Budget appropriations shall be legally controlled at the fund level. The City Manager is delegated authority to administer the budget within appropriated fund levels. In accordance with state code, municipal appropriations made to the

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* For example, by the Danville Utility Commission in the case of non-consumption fees and charges associated with the City's utilities.

Danville Public Schools (DPS) are administered independently under the authority of the School Board. The DPS is allowed to carry forward its unencumbered municipal appropriation at the end of each fiscal year subject to any limitations included in City Council's adopted budget ordinance for the upcoming fiscal year.

3.7 Budget Administration

The City Manager and department directors are responsible for continuously monitoring revenues and expenditures and for carefully administering adopted budgets. The City Council will receive monthly financial reports and briefings. Council's boards, commissions, and committees charged with budgeting responsibilities will similarly be kept informed.

The City will take immediate corrective action if, at any time during the fiscal year, expenditure and revenue estimates are such that an operating deficit is projected at year-end. Corrective actions may include a hiring freeze, expenditure reductions, fee increases, or use of contingencies. The City Council may approve additional measures as appropriate.

3.8 Multi-year Financial Plan

Amended by Resolution 2018-01.10 of the Danville City Council, January 16, 2018

The City will annually present a five-year General Fund financial forecast to City Council that must include:

- An in-depth analysis of revenues, expenditures, and all long-term obligations;
- A plan for eliminating any funding shortfalls that would prevent adoption of a balanced budget in any year covered by the five-year forecast;
- Identification of requirements for achieving a balanced budget for the upcoming fiscal year and the subsequent fiscal year; and
- The expected effect on the City's unreserved fund balance with regard to fund balance policies.

4. Fund Balances

Sufficient reserves must be retained by the City at all times to provide financial stability. A properly sized and configured fund balance in each operating fund is essential in accomplishing this. The Governmental Accounting Standards Board requires that General Fund balance elements be structured in five categories that span a continuum of use constraints that classify a fund's net resources from those that have the most constraints placed on their use to the least. What was formally accounted for as the "unrestricted" fund balance is now separated into "assigned" and "unassigned" fund balance accounts. *

- Non-spendable Fund Balance -- amounts that cannot be spent because of form (such as inventory) or because of legal or contractual requirements (such as the principal of an endowment fund, pre- paid items, or long-term receivables).
- Restricted Fund Balance -- amounts that are constrained to being used for a specific purpose by external parties (such as grantors, bondholders, or the state or federal governments), through constitutional provisions, or by enabling legislation. Such restrictions normally cannot be removed by City Council.
- Committed Fund Balance -- amounts committed by ordinance for specific purposes by the City Council itself. Council can likewise remove such constraints through an amending ordinance. These relate to expenditures that are not expected to occur routinely. Examples include reserves established by Council to construct a new facility or to purchase property for an industrial park.
- Assigned Fund Balance -- amounts that Council sets aside for specific purposes, but with fewer restrictions than intended with restricted or committed fund balance amounts. Examples include the City's special revenue, capital project, debt service, and budget or rate stabilization funds.
- Unassigned Fund Balance -- amounts that have not been restricted, committed, or assigned and are therefore available for any Council-authorized purpose.

In the case of municipal funds other than the General Fund (for example, utility and enterprise funds) assigned and unassigned fund balances remain combined in "unrestricted" fund balance accounts.

4.1 Unassigned & Unrestricted Fund Balances

Amended by Resolution 2024-10.04 of the Danville City Council, October 1, 2024

Unassigned or unrestricted fund balances are important in maintaining financial stability and are considered by bond rating agencies as key indicators of credit-worthiness. They provide the financial resources to deal with emergencies, natural disasters, precipitous economic downturns, revenue shortfalls, and unanticipated expenditures. They also provide cash flow liquidity in responding to fluctuations in major revenue sources, such as with property tax receipts. Unassigned and unrestricted balances themselves generate revenue through investment interest earnings.

* GSAB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions,*" effective for fiscal periods beginning after June 15, 2010.

The City Council designates the following minimum levels for unassigned and unrestricted fund balances:

- General Fund -- The unassigned General Fund balance shall be maintained at a level not less than 25% of operating revenues.
- Utility Funds -- The Water, Wastewater, Gas, Electric, and Telecommunications Funds shall maintain unrestricted fund balances equal to at least 90 days of average operating and maintenance expenses, inclusive of transfers to the General Fund, plus 90 days of the next fiscal year's debt service payments.
- Other Funds -- The City's other enterprise, internal service, special, and fiduciary funds will be budgeted to fully cover expenses but will not at this time be subjected to unassigned or unrestricted fund balance standards.

Actual fund balance levels may rise and fall during the fiscal year but will be restored to designated levels during the annual budgeting process. An appropriation from an unassigned or unrestricted fund balance that would result in the balance falling below its designated level requires a simple majority vote of Council (with five of nine members voting "aye"). No such vote shall be taken until the Council receives a briefing from the City Manager that identifies potential ramifications of the appropriation and includes a financial plan to restore the unassigned or unrestricted fund balance to its designated minimum level within two years.

Because the City's budgets are based on appropriately conservative revenue and expenditure budget projections, it is to be expected that at least some sur- plus revenue will be added to fund balances at the end of each fiscal year. Sur- pluses may be appropriated for specific expenditures by the City Council or assigned to fund balance accounts, normally to unassigned or unrestricted fund balances. Unassigned and unrestricted fund balances in excess of established minimum levels may be appropriated by Council for nonrecurring expenditures such as unanticipated budget shortfalls, economic development incentive payments, special projects, acquisition of real property, capital purchases, local matches for grants, pre-payment of existing debt, prepayment of equipment maintenance contracts, and one-time employee pay bonuses. Except during periods of economic recession or under unusual circumstances, excess funds will not be used to support routine operating expenditures. Nor will availability of excess cash reserves be allowed to supplant prudent budgeting practices.

~~4.2 General Fund Budget Stabilization Reserve~~

~~Amended by Resolution 2024-10.04 of the Danville City Council, October 1, 2024~~

~~As part of the FY 2012 Budget process, the City Council authorized creation of a Budget Stabilization Fund as part of the General Fund's assigned fund balance using revenues in excess of its designated minimum unassigned fund balance level. The Budget Stabilization Fund will not be used to finance new or expanded services. It is instead intended to help sustain municipal operations during times when revenue sources such as property, sales, meals, and business tax receipts are sluggish due to continuing effects of the economic recession or continuing response to emergencies. As it deems appropriate, the City Council will appropriate revenue from the Budget Stabilization Fund for use during the current or coming fiscal year to sustain current municipal service levels.~~

~~The fund is subject to the following restrictions:~~

- ~~There is no designated minimum size for the Budget Stabilization Fund. It may, from time to time, be drawn down significantly or even depleted entirely. The fund does, however, have an upper limit. Its maximum size will not exceed a balance of $3,000,000.~~
  ~~(R2015-05.03)~~

- ~~The Budget Stabilization Fund will retain interest earnings on the balance of revenues held in the fund.~~

- ~~After allocation of surplus revenues to designated fund balance reserves, up to one-half of remaining General Fund revenue surpluses will be transferred to the Budget Stabilization Fund at the closing of each fiscal year, subject to its aforementioned maximum size limit.~~

- ~~The Budget Stabilization Fund is not to be used to offset minor revenue shortfalls. Appropriations from the fund to balance the coming year's budget will be made only in the event that total projected ongoing General Fund revenues are expected to decline more than one percent below the current year's estimated receipts.~~

- ~~As the Budget Stabilization Fund has no direct revenue source of its own to replenish expended resources, care will be taken in its use.~~

- ~~Use of the Budget Stabilization Fund will not take the place of prudent budgeting practices that carefully establish appropriate services and service levels, properly maintain municipal facilities, undertake important initiatives, and set fees, charges and taxes necessary to pay associated expenditures.~~

- ~~Spending cuts or other cost-saving measures must be undertaken in combination with use of Budget Stabilization Fund revenues.~~

4.2 General Fund Capital Expenditure Reserve

Amended by Resolution 2026-XX.XX of the Danville City Council,

In FY 2026, the City Council authorized converting the former Budget Stabilization Fund into a Capital Expenditure Reserve as part of the General Fund's assigned fund balance. This reserve will be funded with excess revenues from casino-derived gaming taxes and a portion of other surplus General Fund revenues, if not needed to meet the designated minimum unassigned fund balance level.

The Capital Expenditure Reserve will not be used to finance recurring operating costs. It is instead intended to help provide a source of funding for capital needs including, but not limited to, maintenance and upgrades to existing City infrastructure and the construction of new capital assets and infrastructure. As it deems appropriate, the City Council will appropriate revenue from the Capital Expenditure Reserve for use during the current or coming fiscal year to meet capital expenditure needs.

The reserve is subject to the following guidelines and restrictions:

- There is no designated minimum size for the Capital Expenditure Reserve. It may, from time to time, be drawn down significantly or even depleted entirely. Nor does the Reserve have an upper limit, as it is expected to be used in the capital project budgeting process or could be used to accumulate funding over several years for significant capital needs.
- At the conclusion of each fiscal year, any unappropriated casino-derived gaming tax, both the state gaming tax and the local direct payment from the casino, will be added to the Capital Expenditure Reserve, unless these surplus funds are needed to meet the City's minimum required unassigned fund balance.
- At the conclusion of each fiscal year, any other surplus General Fund revenues causing the Unassigned Fund Balance to exceed 30% of the adopted revenue budget for the new fiscal year will also be moved to the Capital Reserve Fund. This, in essence, will cap the unassigned fund balance at 30% of budgeted revenues for the next fiscal year.
- Use of Capital Expenditure Reserve funds will be approved by City Council either through the annually adopted Capital and Special Projects Plan budget, or by a specific budget appropriation ordinance.

5. Utility Contributions to the General Fund

Amended by Resolution 2018-01.10 of the Danville City Council, January 16, 2018

The Electric, Gas, Water, Wastewater, and Telecommunications Fund all make contributions to the General Fund at levels meant to approximate taxes that would be paid to the City were these enterprises run by private sector utilities, as well as profit that would be earned by shareholders. Total utility fund transfers budgeted for FY 2013 amount to $14,382,000, constituting approximately 15% of General Fund revenues.

FY 2013 Utility Fund contributions to the General Fund are designated as the base rates for these transfers. Transfers from the Telecommunications Fund are handled separately because its primary customers are the City itself and the Danville Public Schools.

FY 2013 General Fund
Contribution Amounts

Electric Fund	$	9,562,610
Gas Fund		2,906,330
Water Fund		933,300
Wastewater Fund		677,760

To emulate tax burdens imposed on taxable utilities in other communities, transfers from Utility Funds to the General Fund will be increased based on the growth in net fixed assets. The increase in the transferred amount from a utility fund will be calculated on the basis of half of the average proportional growth of that fund's net fixed assets (fixed assets less depreciation) over the previous five fiscal years, rounded to the nearest thousand. If this calculation indicates a decreased investment in net fixed assets for the five-year period, the transfer could be reduced by the calculated percent decrease, up to a maximum decrease of 1%. In order to preserve the City's credit score with American Municipal Power, the Electric Fund will have the additional requirement that a minimum of six months cash reserves be maintained. * Applicable adjustments in the General Fund contributions will be implemented every other year as part of the biennial utility rate studies.

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* Cash reserves = [annual operating expense (excluding purchased power cost and depreciation) + regular capital maintenance + capital improvements] X (.50 or 180 days/ 360 days)
This does not change the City's Fund Balance Policy, but rather guarantees American Municipal Power the City's Policy will meet or exceed their requirements.

6. Biennial Utility Rate Studies

Under the direction of the Danville Utility Commission, the City shall undertake a utility cost-of-service and rate study every two years. The City will endeavor to set utility rates that are consistently

- Fair, just, and reasonable;
- As low as is prudently possible;
- Structured in a fashion consistent with best utility practices; and
- Generate revenue sufficient to
  - Support continued provision of reliable, safe, environmentally responsible, high-quality service;
  - Sustain infrastructure required to accommodate economic development; and
  - Generate sufficient revenue to meet established General Fund contribution obligations.

7. Vehicle Replacement

The City's vehicles are to be used in a fashion that yields the highest possible return on investment. Factors taken into account in determining when each vehicle is replaced will include safety, cost of operation, and resale value. When prudent to do so, a vehicle may be transferred after a time from an organizational unit with intense vehicle operating requirements (i.e., Police Patrol) to another with lower operating demands (i.e., Police Detectives or Building Inspections). While each will be retained as long as it can be driven safely and cost-effectively, the following guidelines will be used for replacing vehicles and large equipment items.

Replacement Guidelines	
Sedans, & Bucket or Digger Derrick Trucks	10 years or 100,000 miles
Pickup Trucks & Vans	12 years or 100,000 miles
Other Equipment	12 years or 10,000 hours

Old vehicles replaced by new ones will be sold as soon as practicable. The City will avoid "fleet creep" wherein use of old, replaced vehicles is continued. If additions to the fleet can be justified, they will be included in the City Manager's proposed budget and considered by City Council.

The City's utilities finance their own fleets. Vehicles operated by General Fund departments and other funds are financed through the Motorized Equipment Fund. Vehicle rental rates are charged for applicable vehicles at rates established by the City Manager. Rental rates are reviewed annually and revised as needed to ensure that sufficient funds are available to replace vehicles.

8. Investments

Investment of revenues will be made in conformance with best practices to meet four primary objectives:

- Safety – to preserve invested funds with minimal risk of loss
- Diversity – to avoid excessive market risk
- Liquidity – to maintain sufficient to meet cash flow and operating requirements
- Yield – to produce maximum interest earnings

City Manager is responsible for control of City revenues. Responsibility for investing idle funds is delegated to the Chief Financial Officer.

All excess cash, except for cash in certain restricted and special accounts, will be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Interest earnings shall be distributed to the individual funds not less than annually.

9. Debt Management

Amended by Resolution 2024-10.04 of the Danville City Council, October 1, 2024

City recognizes the primary purpose of facilities and equipment is to support provision of public services. Using debt financing to meet the capital needs of the community, the City must balance between debt financing and "pay-as-you-go" methods. The City realizes failure to meet the demands of growth may inhibit its continued economic viability but also realizes too much debt may have detrimental effects.

9.1 General Authority

The Constitution of Virginia and State Code authorizes localities to issue debt within certain limitations. The Constitution restricts the amount of General Obligation debt – that is, debt payable from general municipal revenues and backed by the full faith and credit of a city – to 10% of the assessed valuation of real property in the jurisdiction plus any applicable limitations set forth in the City's charter. In determining the debt applicable to the 10% legal debt limit, the following types of debt are excluded:

- Notes issued in anticipation of the collection of revenue and maturing within 12 months;
- Bonds secured by the full faith and credit of the municipality, for which the principal and interest payments are made with revenues earned by the utility or facility (double-barrel bonds);
- Bonds of the municipality, the principal and interest on which are payable exclusively from the revenues and receipts of a utility system or other specific undertaking from which a city may derive a revenue (revenue bonds); and
- Financial instruments on which the debt service payments are contingent upon annual appropriations by the governing body (lease purchase agreements and reimbursable agreements).

Additional restrictions on debt issuance, if any, can be found in the City's Charter.

9.2 City of Danville Standards

The City will maintain the following standards to ensure a higher level of financial security than that afforded by meeting minimum State standards:

- <u>Debt to Assessed Value</u>: Debt supported by General Fund tax revenue will not exceed 3.0% of total taxable assessed value of property within City limits. For the purposes of calculating this ratio, assessed value shall include real property and personal property.
  - Debt supported by the 1% sales tax dedicated to school construction shall be excluded from this limit as long as revenues generated by the 1% sales tax are sufficient to pay debt service on the related school construction debt.
- <u>Debt Service to Expenditures</u>: Debt service paid from general tax revenue will not exceed 10% of total General Fund Expenditures, including transfers out.
  - Debt supported by the 1% sales tax dedicated to school construction shall be excluded from this limit as long as revenues generated by the 1% sales tax are sufficient to pay debt service on the related school construction debt.
- <u>Debt Payout Ratio</u>: The City will structure its bond issues to maintain an overall 10-year payout ratio (the amount of principal retired within 10 years) of not less than 60%.
  - Debt supported by the 1% sales tax dedicated to school construction shall be excluded from this limit as long as revenues generated by the 1% sales tax are sufficient to pay debt service on the related school construction debt.
- <u>Derivatives</u>: The City will not use interest rate exchange agreements, swaps, or other derivatives in managing its debt portfolio.

Other standards adhered to by the City of Danville include the following:

- No debt will be issued until an ordinance has been adopted by a simple majority of Council by affirmative vote of its members. ***(R2024-10.04)***
- Long-term borrowing for capital improvements will be confined to such improvements and projects that cannot be reasonably financed from current revenues.
- In consideration of bond issue cost, bond issues shall be appropriately sized, preferably not less than $3 million. Several projects may be grouped together in a single bond issue. However, no single project element should cost less than $100,000, as lower-level expenditures will be included in operating budgets and financed with current revenues.
- Capital improvements that are financed by issuing general obligation bonds, revenue bonds, or other long-term debt, including lease-purchase obligations, will be repaid within a period not to exceed the expected useful life of the improvement.
- Unless required to be credited to a trustee held account by requirements of a trust indenture, it is the accounting policy of the City to recognize temporary investment earnings on bond proceeds in the General Fund in order to match transfers out to the Debt Service Fund for bond interest expenditures.
- To maintain a predictable debt service burden, the City will give preference to debt that carries a fixed interest rate. However, consideration may be given to variable rate debt. Conservative estimates will be used in budgeting variable rate debt service interest expenses. Variable rate debt will be limited to no more than 20% of total outstanding debt.

9.3 Long & Medium-Term Debt

The City makes use of general obligation and revenue bonds for debt financing normally extending over 20 to 30 years and lease-purchase financing for debt paid over five to 10 years.

- General Obligation Bonds -- General obligation bonds will be used for public improvement projects that have a direct benefit to the citizens of Danville. General obligation bonds may be used to finance utility projects if doing so is more cost effective than using revenue bonds.
- Revenue Bonds -- The City uses revenue bonds to finance utility projects when general obligation bonds are not feasible or cost effective.

- Lease-Purchases -- Lease-purchase obligations, bonds, or other debt instruments may be used as a medium-term (4 to 10 years) method of borrowing for the financing of vehicles, specialized equipment, or capital improvements. Assets with a longer useful life may be lease financed if it is determined it is in the City's best interest. The equipment or improvement must have an expected life of more than five years and cost in excess of $100,000. Such debt will be paid before expiration of the expected life of the equipment or improvement acquired.

9.4 Short-Term Debt

The City's policies regarding fund balance and unrestricted cash reserves are designed to eliminate the need to borrow to meet operating cash flow requirements. However, from time to time, as part of an overall plan to stabilize utility rates and manage its utility business over a multi-year planning period, the City may borrow on a short-term basis through the issuance of short-term notes or through the procurement of a line of credit. Security for the notes or line of credit may include a pledge of utility revenues on a gross or net basis or the general obligation pledge of the City. Bond Anticipation Notes (BANs) may be issued for capital related cash purposes to reduce the debt service during the construction period of a project or to provide interim financing. BAN financing is limited to five years or less.

10. Capitalization

Capital costs are costs incurred on the purchase of land, buildings, construction and equipment to be used in the provision of municipal services. Capital costs do not include labor costs except for labor used for construction. Unlike operating costs, capital costs are one-time expenses, although payment may be spread out, or "capitalized," over many years in financial reports. Capital outlays are budgeted as expenditures during the applicable fiscal year and then as fixed assets in financial statements thereafter. The threshold for capitalizing capital assets is $10~~5~~,000 for equipment, $25,000 for capital leases, and $100,000 for infrastructure and buildings. Capitalization thresholds are applied to individual, rather than to groups of fixed assets. Fixed asset accounts are not treated as having cash value in governmental accounting.

The following policies apply to the capitalization of fixed assets:

- Capital assets are reported as the sum of the initial invoice cost, the value of any trade-in for equipment items, installation cost excluding in-house labor, and ancillary charges, such as freight and transportation charges, site preparation costs, and professional fees. Interest costs for borrowed funds are capitalized for construction projects only.
- Donated capital assets are valued at their estimated fair market value on the date donated.

- Maintenance, repairs, and minor equipment are charged to operations when incurred and are booked as fixed assets in the event they materially change capacities or extend useful lives of capital assets.
- Depreciation of fixed assets is recorded over applicable useful lives on a straight-line basis.
- Upon the sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in current year's operations.

11. Grants

City departments will take full advantage of state, federal, business, and foundation grants to achieve municipal goals and objectives. The City Manager will ensure that required matching funds are available before making application for grants and that careful consideration is given to administrative and regulatory requirements, as well as accommodation of ongoing operating costs. Grants that require budget adjustments to authorize increased expenditures are taken to City Council in the form of proposed budget ordinance amendments.

12. Pay Adjustments for City Retirees

Amended by Resolution 2014-06.01 of the Danville City Council, June 3, 2014

Chapter 32 of the City Code establishes the Employees' Retirement System (ERS) of the City of Danville for the purpose of providing a pension benefit to City employees upon retirement. The City strives to provide a pension benefit that is competitive in order to hire and retain a highly skilled workforce. However, pension benefits must also be affordable and the ERS plan must maintain a healthy funded status with sufficient investment earnings and City contribution levels that are sustainable within the City's budget. This ensures the City's ability to provide a promised benefit to both current and future retirees.

The pension benefit shall be calculated according to Chapter 32, Article III of the City Code. The City will not grant post-retirement cost-of-living increases for its retirees through the ERS. However, in the event that the following criteria are met, lump sum ad-hoc pension bonuses of up to one-half of the retiree's base pension payment may be appropriated by City Council from current operating revenues as part of the annual personnel expense budget. Only those hired before July 1, 2014, are eligible to receive bonuses. The following criteria will be used to consider provision of such bonuses:

1. Cumulative inflation growth of at least 5% since the last calculation date (not the last bonus payment date) that qualified retirees for a bonus payment as measured by the "All Urban Consumers Consumer Price Index" (CPI-U);
   (R2024-10.04)
2. The Retirement System's funded status for the prior fiscal year is at least 90% (as calculated by dividing actuarial value of assets by the accrued liability as ofthe appropriate valuation date);
3. The City's contribution to fund the normal cost of the pension plan, as a percent of payroll, for the budgetary period under review is no more than 12%; and
4. Operating revenues from applicable funds are available to cover the cost.

The following chart will be used to determine the amount of bonus to be considered by Council based on varying levels of ERS funding contributions.

The bonus amount will be calibrated against the City's combined contribution to fund the normal pension cost. In no event will the Council-authorized bonus exceed one-half of the retiree's normal monthly benefit payment.

City's Combined ERS Contribution as % of Payroll*	% of Bonus Available
> 12%	0
> 11% but ≤ 12%	25%
> 10% but ≤ 11%	50%
> 9% but ≤ 10%	75%
≤ 9 %	100%

*As determined in the appropriate actuarial valuation

Retirees are not eligible for a bonus until the first-year anniversary of their retirement date. The retirement date is defined as the first day of the month following the employee's separation date.

The cost of the bonus will be allocated to the various City funds based on each fund's full-time payroll budget.

The effective date of this plan provision is July 1, 2014.

Appendix

City of Danville Funds

Operating Funds

- The General Fund – The General Fund is the primary operating fund for government activities. Its most significant sources of funding are general property taxes, other local taxes and transfers from the various utility funds. The most significant expenditures from this fund are for public safety, public works programs including infrastructure maintenance, health and welfare programs and contributions to other funds for education and capital improvements. The accounting records are maintained on a modified accrual basis.

Enterprise Funds

Utility Funds: The Wastewater, Water, Gas, Electric, and Telecommunications Funds are all designed to be self-supporting with user fees that cover the expenses for the collection system and treatment facilities and contributions to the General Fund. All use an accrual basis of accounting.

- Wastewater Fund – This fund provides accountability for activities related to the treatment of household, commercial, and industrial wastewater.
- Water Fund – This fund provides accountability for activities relating to the treatment and distribution of potable water to residential, commercial, and industrial users.
- Gas Fund – This fund provides accountability for activities relating to the purchase and distribution of natural gas to residential, commercial, and industrial users.
- Electric Fund – This fund provides accountability relating to the purchase of electricity, production of electricity, and operating and maintenance costs. The operating and maintenance costs cover the hydro-electric facilities, transmission system and the distribution system.
- Telecommunications Fund – The Telecommunications Fund is an e-Rate service provider to the Danville Public Schools and the Pittsylvania County Schools and maintains and operates nDanville, a high-tech fiber optic network.

Other Enterprise Funds:

- Transportation Fund – This fund provides for activities relating to mass transit bus services. The fund is on an accrual basis of accounting. However, the fund is not self-supporting. Operation and maintenance costs are paid by user fees from passengers of the bus service, local federal and state grants and transfers from the General Fund.

- Sanitation Fund – This fund provides for activities relating to the collection and disposal of solid waste. This fund is self-supporting with user fees, which cover the operating and maintenance cost. The fund is on an accrual basis of accounting.

- Cemetery Services Fund – The Cemetery Fund provides for funeral services, sale of lots and record keeping. The staff provides services to local funeral homes and can assist residents and non-residents who are interested in purchasing at-need and pre-need burial lots. Additionally, this fund provides for the maintenance of the eight municipally owned cemeteries. The fund is designed to be self-supporting; however, an annual subsidy from the General Fund has been required. The fund is on an accrual basis of accounting.

Internal Service Funds:

- Insurance Fund – This fund provides accountability for all City costs relating to workers compensation on a self-insured basis, general insurance provided by outside insurance carriers – excluding group health and life, risks covered by statewide pools and risks other than worker compensation on a self-insured basis. The fund is supported by charges to the user departments on a cost-reimbursement basis and is on a modified accrual basis of accounting.
- Central Services Fund – This fund provides accountability for the acquisition of office supplies, the cost of interoffice mail, central mailroom and printing services, which are provided to the various department of the city. The fund is supported by charges to the user departments on a cost-reimbursement basis and is on a modified accrual basis of accounting.
- Motorized Equipment Fund – This fund provides accountability for the acquisition and maintenance of motorized vehicles for various departments of the City. The fund is supported by charges to the user department on a cost-reimbursement basis and is on a modified accrual basis.

Special Funds:

- Capital Projects Fund – General Government – This fund provides accountability for financial resources used for major construction projects relating to general government use. Funding resources include proceeds from the sale of bonds, federal and state grants and transfers from the General Fund. The fund operates on a modified accrual basis of accounting.
- Special Revenue Fund – General Government – This fund provides accountability for the proceeds of specific revenue sources that are restricted to a specific purpose. Examples include various grants, as well as the additional 1% sales tax that is restricted to school capital expenditures.
- Community Development Fund – This fund provides accountability for projects and programs involving Federal funds received through the Community Development Block Grant (CDBG) program. Funding resources include CDBG funds and program income from some of the programs. The fund operates on a modified accrual basis.
- VDOT Fund – This fund is a special revenue fund that provides accountability for revenues allocated to the City by the Virginia Department of Transportation and restricted to the related qualifying expenditures for street and bridge design, construction, safety, and maintenance.
- Economic Development Fund – This is a special revenue fund that accounts for the financial resources used for the growth and development of a diversified economic base in the City through state, federal, and local grants, and support of the Industrial Development Authority of Danville.

Fiduciary Funds:

- Cemetery Maintenance Fund – This fund is a permanent fund used to account for funds set aside to provide for the perpetual care of the City cemeteries. Only the earnings from the investments of this fund may be expended.
- Retirement Fund – This fund is used to account for the investments of the City of Danville Employees Retirement System. This fund is audited and provides financial reports separate from all other City funds. Funding is provided by contributions from the City and investment earnings.

Council Letter
City of Danville, Virginia

CL - 2688 **NEW BUSINESS C.**

City Council REGULAR MEETING

Meeting Date: April 21, 2026

Subject: Authorizing and Approving the City's Participation in the Proposed Settlement of Opioid-Related Claims

From: Michael Adkins, Assistant City Manager-Chief Financial Officer

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COUNCIL ACTION

A Resolution of the Council of the City of Danville, Virginia Authorizing and Approving of the City's Participation in the Proposed Settlement of Opioid-Related Claims Against Six Remnant Defendants and Directing the City Attorney and/or the City's Outside Counsel to Execute the Documents Necessary to Effectuate the City's Participation in the Settlement.

SUMMARY

A proposed nationwide settlement agreement ("Settlement") has been reached that would resolve the legal claims of states and local political subdivisions against six regional distributors/dispenser defendants related to alleged misconduct related to opioids. The City of Danville may participate in the settlement by affirmatively opting into the settlement.

BACKGROUND

A new national opioid settlement has been reached with six regional distributors/dispenser defendants (Remnant Defendants Settlement): Associated Pharmacies, Inc. (and American Associated Pharmacies; J M Smith Corporation; Louisiana Wholesale Drug Company, Inc.; Morris and Dickson Co.; North Carolina Mutual Wholesale Drug Company, Inc.; and United Natural Foods, Inc. (including its subsidiaries SuperValu and Advantage Logistics) (Six Remnant Defendants). There is one settlement agreement covering the combined settlement with the Six Remnant Defendants that will pay a combined $97.625 million for purposes of abating the opioid epidemic. This funding will be shared across all settlement participants with populations of 30,000 or more.

RECOMMENDATION

It is recommended that the City Council adopt the accompanying Resolution authorizing and approving the City to participate in the Opioid-Related settlement and to affirmatively "opt in" to the Remnant Defendants Settlement in order to recover its share of the funds that the settlement would provide. The Resolution also grants authority to the City Attorney and City's Chief Financial Officer to "opt in" to future opioid-related settlements of similar nature without formal action by City Council.

Attachments

1. Resolution
2. Settlement Overview

PRESENTED: ________________________

ADOPTED: ________________________

RESOLUTION NO. 2026- _____._____

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AUTHORIZING AND APPROVING OF THE CITY'S PARTICIPATION IN THE PROPOSED SETTLEMENT OF OPIOID-RELATED CLAIMS AGAINST SIX REMNANT DEFENDANTS, AND DIRECTING THE CITY ATTORNEY AND/OR THE CITY'S OUTSIDE COUNSEL TO EXECUTE THE DOCUMENTS NECESSARY TO EFFECTUATE THE CITY'S PARTICIPATION IN THE SETTLEMENT.

WHEREAS, the opioid epidemic that has cost thousands of human lives across the country also impacts City of Danville (City) by adversely impacting the delivery of emergency medical, law enforcement, criminal justice, mental health, and substance abuse services, and other services by the City's various departments and agencies; and

WHEREAS, the City has been required and will continue to be required to allocate substantial taxpayer dollars, resources, staff energy, and time to address the damage the opioid epidemic has caused and continues to cause the citizens of the City of Danville; and

WHEREAS, the City seeks recovery of the public funds previously expended and to be expended in the future to abate the consequences and harm of the opioid epidemic; and

WHEREAS, a settlement proposal has been negotiated that will cause Associated Pharmacies, Inc. and American Associated Pharmacies; J M Smith Corporation; Louisiana Wholesale Drug Company, Inc.; Morris and Dickson Co.; North Carolina Mutual Wholesale Drug Company, Inc.; and United Natural Foods, Inc. (including its subsidiaries SuperValu and Advantage Logistics) (Six Remnant

Defendants) to pay approximately $97.625 million dollars to abate the opioid epidemic; and

WHEREAS, the City's outside counsel and the City Attorney have reviewed the available information about the proposed settlement and the City Attorney concurs with the recommendation of outside counsel.

NOW THEREFORE BE IT RESOLVED by Council Of the City of Danville, Virginia this 21st day of April 2026, that it hereby approves of the City's participation in the proposed settlements of opioid-related claims against "Six Remnant Defendants" and directs the City Attorney and/or the City's outside counsel to execute the documents necessary to effectuate the City's participation in the settlements, including the required release of claims against settling entities; and

BE IT FINALLY RESOLVED that the City Council hereby authorizes the City Attorney and the City's Chief Financial Officer to execute the documents necessary to effectuate the City's participation in other future opioid-related settlements of similar nature.

Approved:

____
Mayor

Attest:

____
City Clerk

Approved as to
Form and Legal Sufficiency:

____
City Attorney

National Opioids Settlements: Six Remnant Defendants
Notice and Claims Administrator
opioidsparticipation@rubris.com

To: Danville city, VA
Reference Number: CL-2020598

THIS SETTLEMENT OVERVIEW CONTAINS IMPORTANT INFORMATION ABOUT THE SIX REMNANT DEFENDANTS NATIONAL OPIOID SETTLEMENT

SIX REMNANT DEFENDANTS SETTLEMENT OVERVIEW

A new national opioid settlement has been reached with six regional distributors/dispenser defendants (Remnant Defendants Settlement): Associated Pharmacies, Inc (and American Associated Pharmacies); J M Smith Corporation; Louisiana Wholesale Drug Company, Inc.; Morris and Dickson Co.; North Carolina Mutual Wholesale Drug Company, Inc.; and United Natural Foods, Inc. (including its subsidiaries SuperValu and Advantage Logistics) (Six Remnant Defendants). There is one settlement agreement covering the combined settlement with the Six Remnant Defendants.

If effectuated, the proposed Remnant Defendants Settlement will result in the the Six Remnant Defendants paying a combined $97,625,000.00 in cash for purposes of abating the opioid epidemic. An Eligible Entity's participation in the Remnant Defendants Settlement, the Settlement will result in a one-time settlement payment to each Eligible Entity. The Settlement funds must be used for the *Core Strategies and Approved Uses* set forth in Exhibit D of the Remnant Defendant Settlement Agreement.

The Remnant Defendants Settlement does not include State Attorneys General or any amount allocated to a State. Rather, this Settlement will be distributed only and directly to any Eligible Entity that participates by signing and returning the *Combined Subdivision Participation and Release Form* by the deadline.

The allocation to participating entities will be calculated using the national Denver model but removing from the equation any amount that the Denver model would allocate to a State Attorney General or a State allocation. Specifically, the interstate allocation formula will be used to calculate what amount should go to all the subdivisions in each state and then apply the intrastate allocation as between all subdivisions who are either a litigating subdivision or a non-litigating subdivision with a population of 30,000 or more. Using that methodology, a national pro-rata percentage was created. That allocation percentage of participation is reflected in Exhibit E of the Remnant Defendant Settlement Agreement.

Eligible Entities must decide whether to participate by **Monday, May 4, 2026.**

WHO IS RUBRIS INC. AND WHAT IS THE NOTICE AND CLAIMS ADMINISTRATOR?

The Settlement provides that a Notice and Claims Administrator will provide notice and manage the collection of participation forms. Rubris, Inc. is the Notice and Claims Administrator for this new Settlement and was also retained for the prior national opioid settlements.

WHY IS YOUR ENTITY RECEIVING THIS NOTICE?

Your entity is eligible to participate in this Settlement. This Notice is also sent directly to counsel for each Eligible Entity if the Notice and Claims Administrator has their information. *If you are represented by an attorney with respect to opioid claims, please contact them.*

WHERE CAN YOU FIND MORE INFORMATION?

Detailed information about the Settlement may be found at:
https://nationalopioidsettlement.com

You are encouraged to review the Settlement Agreement terms and discuss the terms and benefits with your counsel. Each Eligible Entity will need to decide whether to participate in the proposed Settlement, and entities are encouraged to work through this process before the Monday, May 4, 2026, deadline.

HOW DO YOU PARTICIPATE IN THE SETTLEMENT?

The Settlement requires that each Eligible Entity take affirmative steps to "opt in" to the Settlement. You will receive the *Combined Subdivision Participation and Release Form* via DocuSign along with instructions from the Implementation Administrator. In order to participate in this Settlement, a person with authority must sign and return the required *Combined Subdivision Participation and Release Form*. DocuSign remains the preferred method of submission of the needed form.

The participation rate will be used to determine whether participation for each *Remnant Defendant* is sufficient to move forward. If the Settlement moves forward, your release will become effective as to that *Remnant Defendant*. If the settlement as to any *Remnant Defendant* does not move forward, the release as to that *Remnant Defendant* will not become effective.

Please add the following email addresses to your "safe" list so emails do not go to spam / junk folders: *dse_na3@docusign.net* and *opioidsparticipation@rubris.com*. Please monitor your email for the Participation Form and instructions.

All required documentation must be signed and returned on or before Monday, May 4, 2026. Upon effectuation of the Remnant Defendants Settlement, each Eligible Entity will be provided with a link to a portal where you will enter contact and payment information to receive settlement funds.

Council Letter
City of Danville, Virginia

CL - 2690 **NEW BUSINESS D.**

City Council REGULAR MEETING

Meeting Date: April 21, 2026

Subject: Authorizing Utilization of the Virginia Water Supply Revolving Fund.

From: Michael Adkins, Assistant City Manager-Chief Financial Officer

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COUNCIL ACTION

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Authorizing the Issuance of Utility System Revenue Bonds of the City of Danville, Virginia in the Maximum Aggregate Principal Amount of $6,700,000.00 to Finance Various Expenditures for its Water, Sewer, Electric, and Gas Utility Systems.
   First Reading

SUMMARY

The Virginia Department of Health has authorized the City of Danville to receive a total of $12,201,000 through the Virginia Water Supply Revolving Fund towards its Water Main Replacement and Lead Service Line Replacement projects. This funding is treated as a low-interest revenue bond; however, there is principal forgiveness of $5,524,620, which will result in a net amount owed of $6,676,380.

BACKGROUND

In the Fiscal Year 2026 Capital and Special Projects Budget, City Council approved the Water Line Reconstruction Project and the Lead Service Line Replacement Project with the intention of using the financing program offered through the Virginia Water Supply Revolving Fund through the Virginia Department of Health.

The Water Line Reconstruction Project will allow for planned, non-emergency, and systematic replacement of water mains, resulting in improvements to water quality, fire protective services, and system reliability. The City has 331 miles of water mains in its system; more than 144 miles are cast iron and another 8.6 miles are galvanized steel. More than 34 miles of the cast iron are 80 years old, or older.

The Lead Service Line Replacement Project is a result of the 2021 Infrastructure Investment and Jobs Act that was passed by the federal government. All water utilities had to complete a lead service line inventory by October 2024. This project provides funding to replace the lead and galvanized lines located on both the City side and customer side of the water meter. This funding will be available to homeowners who need financial assistance to replace their private lead or galvanized service lines.

This program, through the Virginia Water Supply Revolving Fund, allows the City to access over $12 million of funding for these needs, while only having to repay about 55%. The amount owed is treated as a low-interest revenue bond and will be repaid over future years with revenues generated from water operations.

RECOMMENDATION

Staff recommends adoption of this Ordinance, allowing the City of Danville to utilize funding available through the Virginia Water Supply Revolving Fund.

Attachments

1. Ordinance

PRESENTED: ___________________

ADOPTED: ___________________

ORDINANCE NO. 2026-____.___

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AUTHORIZING THE ISSUANCE OF UTILITY SYSTEM REVENUE BONDS OF THE CITY OF DANVILLE, VIRGINIA IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF $6,700,000.00 TO FINANCE VARIOUS EXPENDITURES FOR ITS WATER, SEWER, ELECTRIC, AND GAS UTILITY SYSTEMS.

WHEREAS, the City Council (the “Council”) of the City of Danville, Virginia (the “City”), desires to issue utility system revenue bonds (a) to finance capital improvement projects for the City’s water, sewer, electric and gas utility systems, including but not limited to (1) a lead service line identification and replacement project, together with related expenses, and (2) a water main replacement project, together with related expenses (collectively, the “Projects”), and (b) to pay related costs of issuance.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Danville, Virginia, that:

1. It is determined to be necessary and expedient for the City to undertake the Projects, all of which are determined to promote the development and public welfare of the City, to borrow money for such purposes and to issue the City’s bonds therefor.

2. Pursuant to the City Charter and the Public Finance Act of 1991, there are hereby authorized to be issued and sold utility system revenue bonds (the “Bonds”) of the City in the maximum aggregate principal amount of Six Million Seven Hundred

Thousand and 00/100 Dollars ($6,700,000.00) to finance and pay, together with other available funds, the costs to plan, design, acquire, construct, extend, renovate, equip and/or improve the Projects and to pay related costs of issuance.

3. The Bonds shall be dated such date or dates, mature at such time or times not exceeding forty (40) years from their dates, bear interest at such rate or rates, be in such denominations and form, be executed in such manner and be sold in one or more series at such time or times and in such manner as the Council shall hereafter provide by appropriate resolution or resolutions.

4. The Bonds shall be limited obligations of the City payable solely from the revenues of the City's water, sewer, electric and gas utility systems. Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other political subdivision of the Commonwealth, including the City, shall be pledged to the payment of principal of or premium, if any, or interest on the Bonds.

5. The City Clerk, in collaboration with the City Attorney, is authorized and directed to see to the immediate filing of a certified copy of this Ordinance in the Circuit Court of the City of Danville.

6. This Ordinance shall take effect immediately.

Approved:

____
Mayor

Attest:

____
Clerk

Approved as to
Form and Legal Sufficiency:

____
City Attorney

Council Letter
City of Danville, Virginia

CL - 2633 **NEW BUSINESS E.**

City Council REGULAR MEETING

Meeting Date: April 21, 2026

Subject: Amending the Fiscal Year 2026 Budget Appropriation Ordinance by Anticipating the Proceeds from the Issuance of Utility Revenue Bonds.

From: Henrietta Weaver, Budget Director

COUNCIL ACTION

An Ordinance Amending the Fiscal Year 2026 Budget Appropriation Ordinance to Provide for the Proceeds from the Sale of Utility Revenue Bonds and Appropriating Same.

First Reading

SUMMARY

The City Council has authorized the issuance of Revenue Bonds to finance various utility infrastructure projects. The attached ordinance is a flexible ordinance providing for posting of proceeds from the sale of bonds.

BACKGROUND

On March 17, 2026, City Council approved a Resolution providing for the issuance and sale of utility revenue bonds not to exceed $10,000,000 to finance various utility infrastructure projects.

RECOMMENDATION

It is recommended that the City Council adopt the attached ordinance amending the Fiscal Year 2026 Budget Appropriation Ordinance for utility revenue bonds.

Attachments

1. Ordinance

PRESENTED: _______________

ADOPTED: _________________

ORDINANCE NO. 2026-______- ______

AN ORDINANCE AMENDING THE FISCAL YEAR 2026 BUDGET APPROPRIATION ORDINANCE TO PROVIDE FOR THE PROCEEDS FROM THE SALE OF UTILITY REVENUE BONDS AND APPROPRIATING SAME

WHEREAS, the City of Danville, Virginia has issued revenue bonds in the amount of $9,000,000 to finance various utility infrastructure; and

WHEREAS, the Council of the City of Danville, Virginia approved on March 17, 2026, a Resolution providing for the issuance and sale of utility revenue bonds not to exceed $10,000,000.

NOW THEREFORE, BE IT ORDAINED by the Council of the City of Danville, Virginia that the Fiscal Year 2026 Budget Appropriation Ordinance be, and it is hereby, amended by the funds from the sale of bonds and appropriating same, as follows:

ANTICIPATED REVENUE

Description	Account No.	Amount
Wastewater Fund:		
Proceeds from the Sale of Bonds	61875000-43026	$ 2,500,000
	TOTAL	**$ 2,500,000**

ANTICIPATED EXPENDITURES

Description	Account No.	Amount
Wastewater Fund:		
Southside Plant Improvements	61875999-50	$ 2,500,000
	TOTAL	**$ 2,500,000**

ANTICIPATED REVENUE

Description	Account No.	Amount
Electric Fund:		
Proceeds from the Sale of Bonds		
Substation Upgrades and Rebuilds	61029000-43026	$ 3,500,000
Electric System Reliability	61789000-43026	3,000,000
	TOTAL	**$ 6,500,000**

ANTICIPATED EXPENDITURES

Description	Account No.	Amount
Electric Fund:		
Substation Upgrades and Rebuilds	61029999-50	$ 3,600,000
Electric System Reliability	61789999-50	3,000,000
	TOTAL	**$ 6,500,000**

AND BE IT FURTHER ORDAINED that this appropriation shall be a flexible budget allowing for the posting of the proceeds to the appropriate accounts to accommodate the actual bond issuance costs; and

BE IT FINALLY ORDAINED that all other accounts and provisions of the Fiscal Year 2026 Budget Appropriation Ordinance, as amended, not hereby amended, shall continue in full force and effect unless and until hereafter further amended or repealed.

Approved:

____

Mayor

Attest:

____

Clerk

Approved as to

Form and Legal Sufficiency:

____

City Attorney