FINANCE COMMITTEE AGENDA

Tuesday, March 27, 2018
11:30 a.m. – Bidder's Room

GENERAL BUSINESS

11:30 a.m.

1. Approval of the Draft Finance Committee Meeting Notes from February 27, 2018.

   Contact: Donna Witt, Director of Financial Services 455-3968

11:35 a.m.

2. Report on the General Fund Reserve for Contingencies.

   Contact: Donna Witt, Director of Financial Services 455-3968

11:40 a.m.

3. Consider a request to adopt a resolution to amend the FY 2018 General Fund budget and appropriate $154,792 with resources from the General Fund Reserve for Contingencies to refund an overpayment of real estate taxes by the News & Advance for the property at 101 Wyndale Drive for the tax years 2014, 2015, and 2016.

   Contact: Walter Erwin, City Attorney 455-3973

11:45 a.m.

4. Consider a request to adopt a resolution to amend the FY 2018 General Fund Budget, appropriating $40,000 to the Parks and Recreation Fees budget with resources from the Virginia Department of Health to fund the second year of the "We Got the Beet" campaign at the Lynchburg Community Market.

   Contact: Jennifer Kennedy, Lynchburg Community Market Manager 455-4486

11:50 a.m.

5. Consider a request to adopt a resolution reaffirming City Council's Financial Management Policies (Fund Balance, Debt, Budget, and Investments).

   Contact: Donna Witt, Director of Financial Services 455-3968

11:55 a.m.

6. Review collections received from five of the City's largest revenue sources.

   Contact: Donna Witt, Director of Financial Services 455-3968

12:00 p.m.

7. Roll Call

The next Finance Committee meeting is Tuesday, April 24, 2018, at 11:30 a.m.

AGENDA ITEM #: 1

FINANCE COMMITTEE NOTES-- DRAFT
Tuesday, February 27, 2018

GENERAL BUSINESS

Meeting commenced at 11:30 a.m.

ATTENDEES
Committee Members: *Council Member Jeff S. Helgeson, Chair; Council Member Randy Nelson; Council Member Mary Jane Dolan; Mayor Joan Foster, Ex-Officio.*
Others: *Bonnie Svrcek, City Manager; Donna Witt, Director of Financial Services; Rhonda Allbeck, Assistant Director of Financial Services; Starlette Early, Budget Analyst*

1. Approval of the Draft Finance Committee Meeting Notes from September 26, 2017.

   The notes for the September 26, 2017 Finance Committee meeting were approved as submitted.

2. Approval of the Draft Finance Committee Meeting Notes from November 28, 2017.

   The notes for the November 28, 2017 Finance Committee meeting were approved as submitted.

3. Report on the General Fund Reserve for Contingencies.

   Donna Witt reported there were no new items; there is a current balance of $1,150,000 in the FY 2018 General Fund Reserve for Contingencies.

4. Consider a request to adopt a resolution to amend the FY 2018 City/Federal/State Aid Fund budget and appropriate $62,817 with resources of $32,826 from the Virginia Office of Emergency Medical Services – Rescue Squad Assistance Fund (RSAF) grant and $29,991 from the FY 2018 General Fund Fire Department budget to purchase one (1) chest compression device, one (1) Power Pro stretcher, and one (1) cardiac monitor/defibrillator.

   The Committee unanimously approved this item. The item will be considered by City Council at their February 27, 2018 meeting.

5. Approve the submittal of a grant application to the Department of Homeland Security Federal Emergency Management Agency's (DHS/FEMA) National Preparedness Directorate's FY 2018 Assistance to Firefighters Grant (AFG) in the Operations and Safety category for $257,595 to purchase firefighter self-rescue devices more commonly referred to as Bail-out devices.

   The Committee unanimously approved this item.

6. Approve the submittal of a grant application to the Department of Homeland Security Federal Emergency Management Agency's (DHS/FEMA) National Preparedness Directorate's FY 2018 Assistance to Firefighters Grant (AFG) in the Public Education category for $115,000 to purchase LED electronic signage to be installed at four (4) fire stations to provide the

community with information regarding events, education and safety messages, along with community related impacts.

The Committee unanimously approved this item.

7. Approve the submittal of a grant application to the Virginia Office of Emergency Medical Services Rescue Squad Assistance Fund Grant to purchase $119,000 worth of Emergency Medical Services (EMS) response and training equipment. This equipment includes; one (1) Simulation Mannequin, one (1) Stretcher, one (1) Cardiac Monitor/Defibrillator, and one (1) set of CPR Mannequins.

   The Committee unanimously approved this item.

8. Approve the submittal of a grant application for the 2018 VA Department of Criminal Justice Services Byrne/Justice Assistance Grant in the amount of $20,066 with resources from a Byrne/Justice Assistance grant to purchase law enforcement equipment for the Lynchburg Police Department.

   Captain Randall Houck presented the item. The Committee unanimously approved this item.

9. Review highlights of attached quarterly financial reports for the Greater Lynchburg Transit Company (GLTC) as well as the Regional Airport, Lynchburg Regional Juvenile Detention Center, Children's Services Act, Water Operating, Sewer Operating, Stormwater Operating, and General Funds for the quarter ending December 31, 2017.

   GLTC: A written report was submitted by Brian Booth. Information in this report was previously presented to City Council at their February 13, 2018 Work Session.

   Airport: A written report was submitted by Mark Courtney. Information in this report was previously presented to City Council at their February 13, 2018 Work Session.

   Lynchburg Regional Juvenile Detention Center: Tamara Rosser reported 50 percent of revenues had been received and overall expenses were within budget at 49 percent. A few line items were more than 50 percent at this time due to HVAC repairs (77%) and Training (76%) for the new Superintendent. The Community Placement Program (CPP) is staying full with 8 beds dedicated to this program and a rate of $139/day per diem.

   Children's Services Act (CSA): Tamara Rosser reported second quarter revenues and expenses are on track with the budget, with not a great deal of activity during this period. Overall revenues received are at 42 percent of budgeted and expenses are at 36 percent.

   Water: Tim Mitchell reported revenues are exceeding budget by $226,000 due to higher than anticipated water sales from an industrial customer, increase in contracted water consumption, and interest earnings. Overall expenses are below budget by $54,000 due primarily to savings from unfilled positions at the end of the second quarter. Debt Service is expected to exceed budgeted by $80,000 due to a September 26, 2017 bond refunding. The fund balance ratio is projected to be over the target range (63%) and the debt coverage ratio is at 1.20.

   Sewer: Tim Mitchell reported overall revenues are projected to exceed budget by $167,000, mostly attributable to leachate revenue and interest revenue. Overall expenses are also *above budgeted by $173,000 due to Capital Outlay for replacement of equipment. Debt coverage ratio is 1.21 compared to target minimum of 1.20. The fund balance ratio is within target (38%).*

Stormwater: Tim Mitchell reported overall revenues and expenses are within budget. The fund balance ratio is 26% compared to the target balance of 15% - 20% and currently there is no debt service in the Stormwater Fund.

General Fund: Donna Witt reported only first installment of four for Real Estate Tax has been received for FY 2018, Personal Property tax revenue collected is at 52.1 percent, Consumer Utility Tax revenue is slightly down through November due to mild weather, Communication Sales and Use Tax is following budget, Local Sales Tax revenue is less than budgeted by 2.1 percent, Business License revenue will be coming in since this tax is due May 1, Meals Tax is slightly ahead of budget at 5 months and Lodging Tax is slightly behind projections by $12,000. She also noted Permit, Fees and Licenses are ahead of budget, Fines and Forfeitures are down considerably due to change in this program, and Interest on Investments are ahead of the budgeted projection for FY 2018.

10. Review collections received from five of the City's largest revenue sources.

Donna Witt reported the December Sales and Use Tax revenue is significantly below budget and aligned with collections in FY 2016. Consumer Utility Tax revenue was less than budgeted by $41,000 with the mild weather and Communication Sales and Use Tax revenue continues to trend within budget, but declining each year as anticipated. She noted the General Assembly did not change the services to be included in this tax to reflect current usage of streaming products. Revenues from Meals Tax are within $96 of budget and Lodging is currently $98,000 below budgeted overall due to delayed opening in hotels.

11. Roll Call

Council Member Helgeson noted the importance of the City to use zoning as a tool to limit supply of housing to help increase real estate values.

Meeting adjourned at 12:36 p.m.

FY 2018 GENERAL FUND RESERVE FOR CONTINGENCIES

	Reserve for Contingencies	City Manager's Discretionary Funding
BEGINNING BALANCE, JULY 1, 2017	$1,150,000	$50,000
Carryforward to FY 2018 Reserve for Contingencies - FY 2018 Adopted Budget	0	
BALANCE	**$1,150,000**	**$50,000**
APPROPRIATIONS (Second Reading)		
City Manager's Discretionary Fund - City-wide Compensation and Implementation Study		(50,000)
TOTAL APPROPRIATIONS	**$0**	**($50,000)**
REMAINING BALANCE	**$1,150,000**	**$0**
ITEMS INTRODUCED		
Real Estate Assessment Refund to News & Advance (101 Wyndale Drive)	($154,792)	
TOTAL INTRODUCED ITEMS	**($154,792)**	**$0**
REMAINING BALANCE	**$995,208**	**$0**
PENDING ITEMS		
~~2017 (FY 2018) Byrne/Justice Assistance Smart Policing Program Development Grant ($12,500)~~ - Not Approved	$0	
TOTAL PENDING ITEMS	**$0**	**$0**
PROJECTED BALANCE, JUNE 30, 2018	**$995,208**	**$0**

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **March 27, 2018** AGENDA ITEM #: **3**

CONSENT: REGULAR: **X** WORK SESSION: CLOSED SESSION:
ACTION: **X** INFORMATION: (Confidential)

ITEM TITLE: Real Estate Tax Refund for News & Advance Property

KEY ELEMENTS:
_X_ Economic Development ___Excellent Government _X_ Natural and Built Environment ___Safe Community ___Vibrant Community

RECOMMENDATION: Adopt a resolution to amend the FY 2018 General Fund budget and appropriate $154,792 with resources from the General Fund Reserve for Contingencies to refund an overpayment of real estate taxes by the News & Advance for the property at 101 Wyndale Drive for the tax years 2014, 2015, and 2016.

SUMMARY: The News & Advance filed an appeal with the Board of Equalization for the 2017 real estate values at their property located at 101 Wyndale Drive. A review of sales data, comparable income and expense data, as well as, a detailed fee appraisal provided by appellant lead the Assessor to conclude the 2017 Assessment was in error. The 2017 Assessment was lowered from $10,333,400 to $5,685,000 and the case was withdrawn from appeal. The News & Advance subsequently hired Wilks Artis, a D.C. Real Estate law firm, to petition for reduction in assessment for (3) prior years based on the 2017 erroneous real estate assessment as provided by State Code 58.1-3980. The assessor proposed to lower the (3) prior years real estate assessment(s) from $10,333,400 to $5,685,000; which was accepted by the News and Advance.

The settlement allows the City to avoid the uncertainty of litigation by: (i) saving attorney fees and expenses associated with a trial and possible appeals, and (ii) maintains a good working relationship with the News & Advance.

PRIOR ACTION(S): Finance Committee, March 27, 2018

FISCAL IMPACT: Appropriation of $154,792 from the General Fund Reserve for Contingencies.

CONTACT(S): Walter Erwin, City Attorney, 455-3973
Jeff Bandy, City Assessor, 455-3821

ATTACHMENT(S): Resolution

REVIEWED BY: bms

RESOLUTION:

BE IT RESOLVED that the FY 2018 General Fund budget is amended and $154,792 is appropriated with resources from the General Fund Reserve for Contingencies to refund an overpayment of real estate taxes by the News & Advance for the property at 101 Wyndale Drive for the tax years 2014, 2015, and 2016.

Introduced: March 27, 2018

Adopted: April 10, 2018

Certified: ____________________
Clerk of Council

As required by Section 58.1-3981 of the Code of Virginia, the proposed refund to the News & Advance for the overpayment of real estate taxes has been reviewed and approved by the City Attorney.

March 21, 2018
Date

Walter C. Erwin
City Attorney

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **March 27, 2018** AGENDA ITEM #: **4**

CONSENT: REGULAR: **X** WORK SESSION: CLOSED SESSION:
ACTION: **X** INFORMATION: (Confidential)

ITEM TITLE: Virginia Department of Health Donation - “We Got the Beet” Campaign

KEY ELEMENTS:
_X_ Economic Development __ Excellent Government __ Natural and Built Environment ___Safe Community _X_ Vibrant Community

RECOMMENDATION: Adopt a resolution to amend the FY 2018 General Fund Budget, appropriating $40,000 to the Parks and Recreation Fees budget with resources from the Virginia Department of Health to fund the second year of the “We Got the Beet” campaign at the Lynchburg Community Market.

SUMMARY: The Lynchburg Community Market (LCM), Virginia Department of Health/Central Virginia Health District (VDH/CVHD), and Virginia Cooperative Extension (VCE) continue to share the common goal of contributing to a healthy and educated community through providing more access to fresh and locally grown food and wellness programming. The synergetic relationship between these three entities has produced increased participation in the LCM’s Supplemental Nutrition Assistance Program (SNAP). This past year, the initial “We Got the Beet” campaign was introduced at the LCM providing service to nearly 400 youth and adults in our area.

Self-reported evaluations showed that 92% of WGTB participants said they were more physically active while 96% reported caring more about eating healthy as a result of participation in the WGBT program. Building upon the successes of last year, VDH/CVHD has agreed to contribute $40,000 to the City of Lynchburg to fund a second year of the “We Got the Beet” campaign. The goals of this campaign, which will be coordinated with the three agencies listed, continue to focus on educating the public on the benefits and accessibility of healthy and fresh food alternatives available and continuing to increase SNAP participation at the LCM.

The funds will be used to hire two temporary project managers (one each for adult and youth programming), campaign marketing and materials, fees paid to local chefs and instructors for programming to include food purchases from local farmers, wellness educational materials, and the general public promotion of the campaign, the LCM, and local food producers.

PRIOR ACTION(S): March 27, 2017 - Finance Committee

February 14, 2017 - City Council appropriated $49,686 for the first year of the “We Got the Beet” Campaign.

FISCAL IMPACT: None, no local match required.

CONTACT(S): Jennifer Kennedy, Lynchburg Community Market Manager, 455-4486
Jennifer Jones, Director of Parks and Recreation, 455-5868

ATTACHMENT(S): Resolution

REVIEWED BY: bms

RESOLUTION:

BE IT RESOLVED that the FY 2018 General Fund Budget is amended and $40,000 is appropriated to the Parks and Recreation Fees budget with resources from the Virginia Department of Health to fund the second year of the "We Got the Beet" campaign at the Lynchburg Community Market.

Introduced: March 27, 2018 Adopted:

Certified: ______________________________
Clerk of Council

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **March 27, 2018** AGENDA ITEM #: **5**

CONSENT:	REGULAR: **X**	WORK SESSION:	CLOSED SESSION:
ACTION**: X**	INFORMATION:		(Confidential)

ITEM TITLE: Reaffirm the City's Financial Management Policies

KEY ELEMENTS:
___Economic Development _X__Excellent Government ___Natural and Built Environment ___Safe Community __Vibrant Community

RECOMMENDATION: Adopt a Resolution reaffirming City Council's Financial Management Policies (Fund Balance, Debt, Budget, and Investments).

SUMMARY: The Government Finance Officers Association (GFOA) recommends that localities review their financial management policies on no less than a biennial basis. These policies were last reaffirmed by City Council in March 2016.

In consultation with the City's financial advisors, Davenport & Company, LLC (Davenport), staff has reviewed the Financial Management Policies and no changes are recommended. Staff asks City Council to reaffirm the Policies as attached.

PRIOR ACTION(S): The Financial Management Policies were originally adopted by Council on August 10, 1999 and have been periodically revised or reaffirmed

Finance Committee, March 27, 2018

FISCAL IMPACT: As indicated in the Financial Management Policies.

CONTACT(S): Donna Witt, Director of Financial Services, 455-3968

ATTACHMENT(S): Resolution
Proposed Financial Management Policies

REVIEWED BY: bms

RESOLUTION:

BE IT RESOLVED that City Council reaffirms the City's Financial Management Policies.

Adopted:

Certified: ____________________________________
Clerk of Council

FINANCIAL MANAGEMENT POLICIES

Policy I	***Fund Balance***	**Adopted August 10, 1999** **Reaffirmed November 14, 2000** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Reaffirmed December 12, 2006** **Reaffirmed December 9, 2008** **Reaffirmed November 23, 2010** **Revised May 10, 2011** **Revised February 26, 2013** **Revised March 22, 2016**
Policy II	***Debt Management***	**Adopted August 10, 1999** **Reaffirmed November 14, 2000** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Revised December 12, 2006** **Revised December 9, 2008** **Revised November 23, 2010** **Revised February 26, 2013** **Revised March 22, 2016**
Policy III	***Budget***	**Adopted November 14, 2000** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Revised December 12, 2006** **Revised December 9, 2008** **Reaffirmed November 23, 2010** **Revised February 26, 2013** **Revised March 22, 2016**
Policy IV	***Investment***	**Adopted September 25, 2001** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Revised December 12, 2006** **Revised December 9, 2008** **Reaffirmed November 23, 2010** **Revised February 26, 2013** **Reaffirmed March 22, 2016**

Basis for Sound Financial Management Policies

The primary objective of sound financial management policies is for the City Council to create a framework within which financial decisions can be made. These policies are a statement of the guidelines and goals that influence and guide the financial management practices of the City of Lynchburg. Financial management policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. Sound financial management policies:

- Contribute significantly to the City's ability to insulate itself from fiscal crisis and economic disruption.
- Enhance short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible.
- Promote long-term financial stability by establishing clear and consistent guidelines.
- Direct attention to the total financial picture of the City rather than single-issue areas.
- Promote the view of linking long-term financial planning with day-to-day operations.
- Provide the City Council and citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.
- Ensure that the organization has sufficient resources to perform mandated responsibilities.
- Provide a foundation for evaluating financial analysis and condition.

Financial Management Policies

The City intends to adhere to these polices. If there is any anticipated or unplanned variance from these policies, staff will advise City Council and establish a plan for recovery within three years.

Policy I - Fund Balance

General Fund

Unassigned Fund Balance

- The City of Lynchburg's Unassigned General Fund Balance will be maintained at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.
- The City shall not use the Unassigned General Fund Balance to finance recurring operating expenditures.
- The City will maintain an Unassigned General Fund Balance (UGFB) equal to 10% of General Fund revenues. In the event the UGFB is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the Unassigned General Fund Balance to the minimum of 10% within three years.
- Funds in excess of the targeted 10% fund balance may be considered to supplement "pay-as-you-go" capital outlay expenditures, other non-recurring expenditures or as additions to fund balance.

Committed Fund Balance

- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of City Council. These committed fund balance amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance

- Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Fund Balance may be assigned either through the encumbrance process as a result of normal purchasing activity (which includes the issuance of a purchase order), or by the City Manager or designee, in accordance with Council adopted fund balance policy.

Restricted Fund Balance

- Restricted fund balance includes amounts that have constraints placed on their use by external sources such as creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Non-Spendable Fund Balance

- Non-spendable Fund Balance includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaids or they are legally or contractually required to be maintained intact.

Policy on the order of spending resources

- The City considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unrestricted fund balance are available unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

<u>Enterprise Funds</u>

Water Fund

- Minimum ending fund balance shall not be less than 25% of total fund appropriations with a target balance of 40% of total fund appropriations. In the event the ending fund balance falls below the minimum of 25% of total fund appropriations, the City shall restore the fund balance to the minimum of 25% within three years. Funds in excess of the annual requirements may be considered for "pay-as-you-go" capital outlay expenditures, other non-recurring expenditures or funding of necessary reserves. Total appropriations include operating expenses, debt service and transfers.
- A rate review will be conducted at least every two years.

Sewer Fund

- In accordance with the Virginia Department of Environmental Quality Special Order, the City shall annually adjust sewer system reserve funds to no more than 40% of the subsequent fiscal years' budgeted operating expenses and debt service.
- Minimum ending fund balance shall not be less than 25% of total fund appropriations. In the event the ending fund balance falls below the minimum of 25% of total fund appropriations, the City shall restore the fund balance to the minimum of 25% within three years. Total appropriations include operating expenses, debt service and transfers.
- Ending fund balance in excess of 40% will be reallocated to "pay-as-you-go" capital outlay expenditures.
- A rate review will be conducted at least every two years.

Stormwater Fund

- Minimum ending fund balance shall not be less than 15% of total fund appropriations with a target balance of 20% of total fund appropriations. In the event the ending fund balance falls below the minimum of 15% of total fund appropriations, the City shall restore the fund balance to the minimum of 15% within three years. Total appropriations include operating expenses, debt service and transfers.
- Funds in excess of the annual requirements may be considered for "pay-as-you-go" capital outlay expenditures, other non-recurring expenditures or funding of necessary reserves.
- A rate review will be conducted at least every two years.

Policy II - Debt Management

<u>Tax-Supported Debt</u>

Tax-supported obligations are those that are expected to be repaid from the General Fund tax revenue of the City of Lynchburg. These include general obligation bonds (except self-supporting bonds) and capital leases. General obligation bonds issued for self-supporting enterprise funds are not included in calculations of tax-supported bonds.

- The City will not use long-term debt to fund current operations.
- The City will not use short-term borrowing to fund current operations.
- Whenever the City finds it necessary to issue tax-supported bonds, the following policy will be adhered to:
  1. The City will never borrow more than it has the capacity to repay.
  2. The term of any bond issue will not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.
  3. Annual debt service expenditures for tax-supported debt should not exceed 10% of total General Fund Expenditures plus School Component Unit Expenditures minus the General Fund Transfer to Schools.
  4. Total tax-supported debt will not exceed 4.50% of the net assessed valuation of taxable property in the City of Lynchburg.
  5. Total tax-supported debt per capita should be maintained at a reasonable level.
  6. The 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program for Tax-Supported General Obligation Indebtedness.

Revenue-Supported Debt

The Water, Sewer and Stormwater Funds may issue General Obligation or Revenue-Supported Debt.

Revenue-supported obligations are those for which the debt service is payable solely from the revenue generated from the operation of the project being financed or a category of facilities (i.e. water, sewer). These are not considered tax-supported debt of the City. Whenever the City finds it necessary to issue revenue-supported bonds, the following guidelines will be adhered to:

1. The term of any revenue-supported or general obligation bond issue will not exceed the useful life of the capital project/facility or equipment for which borrowing is intended.
2. Revenue-supported and general obligation bonds will be structured to allow equal or declining annual debt service payments over a term not to exceed the life of the project being financed. For those revenue-supported bonds issued through the Virginia Revolving Loan Fund, annual debt service payments shall not exceed thirty years.
3. The Water, Sewer and Stormwater Funds, net revenues available for debt service shall not be less than 1.2 times annual debt service for each fiscal year. For the Sewer Fund, in accordance with the Virginia Department of Environmental Quality Special Order, net revenues shall not exceed 1.5 times annual debt service computed on a three-year rolling average. Net revenues available for debt service will be calculated as operating income, plus depreciation and amortization, plus interest income, plus governmental grants, plus miscellaneous income, plus capital contributions of others who jointly share in ownership of an infrastructure or facility, and plus any capitalized costs. Debt service will include all debt service paid by the respective fund; however, the principal portion of any bond anticipation notes or other short-term financing should be excluded.
4. In the event net revenues available for debt service falls below 1.2 times annual debt service of any fiscal year, the City shall restore the net revenues available for debt service to the minimum of 1.2 within three years.

Refinancing of Debt

- The City shall issue refunding bonds to achieve debt service savings, eliminate onerous covenants or provisions in outstanding bond documents, or to respond to a financial emergency.
- The City shall continually monitor its outstanding debt to identify instances where the City may achieve savings through an advance refunding or current refunding transaction.
- The City shall receive a written refunding analysis indicating the amount of net present value savings from its financial advisor prior to selling bonds to refund any outstanding bonds.

- A refunding transaction to achieve debt service savings should only be undertaken when the net present value of the savings, net of issuance costs, will be at least 3% of the principal amount of the refunded bonds. Refunding transactions for revenue bonds can be structured so that savings are realized over the life of the refunding bonds or up-front, depending on the results of a cost-benefit analysis.

General Debt Policies

- The City will maintain communication with bond rating agencies to keep them abreast of its financial condition and will provide them with information on a timely basis including the City's *Comprehensive Annual Financial Report*, *Annual Adopted Budget* and *Capital Improvement Program*.
- The City shall comply with all of its undertakings in accordance with Securities and Exchange Commission Rule 15c2-12 and will follow the Government Finance Officers' Association and Securities and Exchange Commission requirements for continuing disclosure.
- The City may use the Virginia Public School Authority (VPSA) or State Literary Fund loans to finance school capital projects. City bonds sold to the VPSA and Literary Fund loans constitute general obligation debt of the City. City Council shall approve any application to the VPSA or the Department of Education for a Literary Fund loan. City Council shall approve the issuance of the bonds as required by the Public Finance Act. The School Board shall recommend such financings before a proposed financing is brought to City Council for approval.

Policy III - Budget

Principles

- Public participation in the budgetary process will be encouraged.
- The City will avoid dedicating revenue to a specific project or program because of the constraint this may place on flexibility in resource allocation except in instances where programs are expected to be self-sufficient or where revenue is dedicated to a program for statutory or policy reasons.
- The budget process will be coordinated in a way that major policy issues are identified for City Council several months prior to consideration of budget approval. This will allow adequate time for appropriate decisions and analysis of financial impacts.

Policies

- City Council shall adopt a balanced budget in accordance with all legal requirements.
- A structured budget preparation and formulation process shall be used for all departments and agencies receiving funding from the City.
- Departmental budgets shall be managed within the total appropriated budget for each fiscal year.
- All operating budget appropriations shall lapse at the end of the fiscal year to the extent that they are not expended or encumbered.
- The budget shall be adopted by the favorable vote of a majority of members of City Council.
- The Vision and priorities established by City Council as well as the *Comprehensive Plan* will serve as the framework for the budget proposed by the City Manager.
- The fiscal year for the City is July 1 through June 30 as defined by the *City Code*, Section 18-1.
- One-time revenues shall be used for one-time expenditures only.
- A General Fund Reserve for Contingencies of $1.2 million shall be used as a source of funding for unanticipated expenditures during the budget year. The Reserve for Contingencies is limited to one-time expenditures and shall not be considered a source for recurring financing.

Process

- The City Manager shall annually prepare a *Proposed Budget* for City Council review. The *Proposed Budget* shall serve as a financial plan for the upcoming fiscal year and shall contain the following information:
    1. A budget message that outlines the proposed revenue and expenditures for the upcoming fiscal year together with an explanation of any major changes from the previous fiscal year. The budget message should also include any proposals for major changes in financial policy.
    2. Charts indicating the major revenues and expenditures in each major fund (General, Water, Sewer, Stormwater, Airport) as well as changes in fund balance for all funds.
    3. Summaries of proposed expenditures by function, department and activity for all funds proposed to be expended in a fiscal year.
    4. A schedule of estimated requirements for the principal and interest of each bond issue.
    5. A three-year history of revenues and expenditures to include the prior year actual, current year adopted, revised and proposed budgets for each major fund.
    6. The proposed budget appropriation resolution, including the tax levy.
- The City Council shall hold a public hearing on the budget submitted by the City Manager and all interested citizens shall be given an opportunity to be heard on issues related to the proposed budget, including the *Capital Improvement Program*.
- Following the public hearing on the *Proposed Budget*, City Council may make adjustments. In instances where City Council increases the total proposed expenditures, it shall also identify a source of funding at least equal to the proposed expenditures.

Capital Improvement Program

- A five-year *Capital Improvement Program (CIP)* that serves as the basis for annual capital appropriations and debt financing requirements shall be prepared and updated annually.
- The *CIP* shall include descriptions, timeline, cost estimates, and a schedule of expected expenditures for each project.
- Debt service requirements and funding needs for schools and City government shall be determined based on the *Adopted CIP*.
- Long-term borrowing shall be confined to major capital improvements and equipment purchases.
- Short-term borrowing shall be limited to bond anticipation notes and equipment leasing, where feasible, with a life of less than 8 years.
- Capital project appropriations shall lapse upon project completion, allowing for an adequate warranty period. Lapsed appropriations shall remain in the Capital Fund for reallocation to other projects.
- Incremental operating costs associated with capital projects shall be funded in the operating budget after being identified and approved in the Capital Improvement Program.
- Pay-as-you-go funding, including State Highway Maintenance Funds, State Revenue Sharing Funds, State and federal grants, and other cash sources, shall not be less than 10%, with a goal of 15%, of the City's 5-Year CIP.

Quarterly Financial Reporting

The City Manager will present to the City Council's Finance Committee (with copies to the remainder of Council) quarterly financial reports identifying meaningful trends in revenues and expenditures for the General, Water, Sewer, Stormwater, Airport, Children's Services Act, Juvenile Detention, and Greater Lynchburg Transit Company Funds.

Third Quarter Review

In March, Budget staff will evaluate all expenditures and revenues as compared to budget and make recommendations to City Council regarding possible budget adjustments. Section 15.2-2507 of the *Code of Virginia* requires that a public hearing be held prior to City Council action when a proposed amendment of the budget exceeds one percent of the total expenditures shown in the currently adopted budget.

First Quarter Review

In September, Budget staff will evaluate requests for the carry forward of funds remaining from prior year appropriations and other possible budget adjustments. Section 15.2-2507 of the Code of Virginia requires that a public hearing be held prior to City Council action when a proposed budget amendment exceeds one percent of the total expenditures shown in the currently adopted budget.

Policy IV - Investment

I. Policy Statement

It is the policy of The City of Lynchburg, Virginia ("the City") that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this policy. The City shall be in complete compliance with all applicable federal, state and local laws, and other regulations and statutes governing the investment of public funds. Within those parameters, the goal of this policy is to achieve the highest rate of return that is reasonable. The City will establish an Investment Committee consisting of the City Manager, Deputy City Manager, and Director of Financial Services. This Committee will provide broad policy oversight over investments. This policy will be reviewed on an annual basis. Any changes must be approved by the Investment Committee and be reaffirmed by City Council. See Appendix 1 for a Glossary of Investment Terms.

II. Scope

This policy applies to the investment of all the financial assets and funds held by the City. Specific requirements or limitations imposed upon the investment of Bond Proceeds, Debt Service Funds and Debt Service Reserve Funds are located in Section X of this Policy. These Funds are accounted for in the City of Lynchburg's Comprehensive Annual Financial Report and include the General, Special Revenue, Capital Projects, and Proprietary Funds.

III. Objectives

Funds shall be invested in only those investments permitted by Federal, State and local law as it relates to public funds, as well as any contractual agreements entered into by the City.

All of the City's funds, regardless of term, shall be invested with the following objectives listed in the order of priority:

1. *Safety* - Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. Specifically, the City will:
    a. seek to avoid realizing any loss through the sale or disposal of an investment; and
    b. seek to mitigate the risk of unrealized losses due to a decline in value of investments held in the portfolio.
2. *Liquidity* - The investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. This shall be accomplished by structuring the portfolio in the following manner:
    a. The City will purchase investments scheduled to mature in accordance with its anticipated cash needs, in order to minimize the need to sell investments prior to maturity;
    b. A portion of City Funds will be maintained in cash equivalents, including money market funds, investment pools and overnight securities, which may be easily liquidated without a loss of principal should an unexpected need for cash arise; and
    c. The portfolio will consist largely of investments with active secondary markets.
3. *Yield* - The City's investment portfolio shall be designed with the objective of maximizing a fair rate of return consistent with the investment risk constraints and cash flow characteristics of the portfolio. The Investment Committee shall establish suitable benchmarks for the measurement of the portfolio's return.

IV. Delegation of Authority

Under the guidance of the Investment Committee, the City's Director of Financial Services is the official charged with collecting, safeguarding and disbursing City funds. In this capacity, and with consensus from the Investment Committee, the Director of Financial Services is responsible for establishing staff roles and responsibilities, considering the quality and capability of staff, selecting investment advisors and consultants involved in investment management, and developing and maintaining appropriate administrative procedures for the operation of the investment program. Examples of key staff roles and responsibilities include, but are not limited to, solicitation of investment offerings, placement of purchase and sell orders, confirmation of trades, and preparation of reports and other activities as required for the daily operations of the investment area. The Director of Financial Services is also charged with developing written standard Investment procedures and an asset allocation plan consistent with this policy. Such procedures shall be reviewed and approved by the Investment Committee. Subject to the approval of the Investment Committee and City Council, the Director of Financial Services may employ financial consultants on a contractual basis to assist in the development and implementation of investment procedures and policies, to monitor the effectiveness and continued compliance with such policies and procedures, and to provide guidance in investment matters.

V. Standards of Care

The standard of prudence to be used by investment personnel shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard states:

> "Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

The Director of Financial Services, and those delegated investment authority under this Policy, when acting in accordance with written procedures and this Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

VI. Ethics and Conflicts of Interest

Officers and employees of the City involved in the investment process shall refrain from personal business activities that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the Office of the Clerk of Council any material interests in financial institutions with which they conduct business and any personal investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. Officers and employees are required to abide by the provisions of the Virginia Conflict of Interests Act. The Act prohibits City officers and employees from seeking or accepting money or any other thing of value for the performance of their duties, using confidential information for their own benefit and having a personal interest in a company with which the City is doing business. "Officer" means any person appointed or elected to the City's government whether or not he/she receives compensation or other emolument of office. "Employee" means all persons employed by the City.

VII. Collateral and Safekeeping Arrangements

The City's investments shall be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by Virginia Code, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. The Code refers to a counterparty as the issuer or seller of the security and any repurchase agreement provider. All securities purchased or sold will be transferred when possible only under "delivery vs. payment method" to ensure that funds or securities are not released until all criteria relating to the specific transaction are met.

VIII. Competitive Selection of Investment Instruments

It is desirable to select investments on a competitive basis when possible to ensure that the City receives the best price available on a particular investment and avoids paying excessive fees, mark-ups or other compensation to the provider. A list will be maintained of approved financial institutions and security broker/dealers selected by creditworthiness (*e.g.*, a minimum capital requirement of $10,000,000 and at least five years of operations). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions will supply the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Certification of having read and understood and agreeing to comply with the City of Lynchburg Investment Policy

Under the guidance and oversight of the Investment Committee, the Director of Financial Services shall adhere to the following procedures, with assistance from the City's Investment Advisor where appropriate, when funds become available for investment to the extent practical:

1. The Director of Financial Services shall determine the class of investment and maturity range most appropriate for investment of the funds available, based upon the anticipated expenditure schedule of the City, the desired asset allocation of the City's portfolio and the City's Investment Plan.
2. Offers will be solicited for the selected investment from the list of pre-approved providers as noted above.
3. The Director of Financial Services will accept the offer (or bid, if the City is selling an investment) which provides the highest rate of return or which is otherwise deemed most suitable while complying with this Policy and any other criteria specified in the solicitation of offers.

The City shall retain a record of the offers received, the instruments chosen, and the rationale for making the decision.

From time to time, certain investment dealers may present the City with offers that are attractive for investment. Although the City should endeavor to verify (and document) that the price is "fair," it may occasionally purchase such a security without a competitive process if the investment is for $500,000 or less.

Additionally, a competitive process shall not be required for the investment of funds in money market funds, investment pools and overnight securities. However, it shall be the responsibility of the Director of Financial Services to be aware of the yields being offered by various highly liquid investments, and to invest the City's overnight funds in the vehicle(s) which provide a competitive return to the City while complying with this policy and any other criteria established by the Investment Committee or City Council.

IX. Suitable and Authorized Investments – Without Exception, Only the Following Investments Are Suitable and Authorized

1. Treasury Securities
Bonds, Notes and Bills issued by the United States Treasury or certificates representing ownership of treasury bond principal or coupons.

2. Agency Securities (FHLB, FNMA, FFCB, FHLMC, GNMA)
Obligations issued and guaranteed as to principal and interest by the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association, maturing within five years of the date of purchase.

3. **Prime Commercial Paper**
   Commercial Paper maturing within 270 days of the day of purchase rated P-1 or higher by Moody's and A-l or higher by Standard & Poor's, provided that the issuing domestic corporation has a net worth of $50 million and its long-term debt is rated A or better by Moody's and Standard & Poor's.

4. **Certificates of Deposit**
   Certificates of Deposit maturing within one year and issued by domestic banks rated P-l by Moody's and A-l by Standard & Poor's.

5. **Banker's Acceptances**
   Banker's Acceptances maturing within 180 days rated P-l or higher by Moody's and A-l or higher by Standard & Poor's, provided the issuer is a major domestic bank or the domestic office of an international bank rated AA category or higher by Moody's and Standard & Poor's.

6. **Commonwealth of Virginia and Virginia Local Government Obligations**
   General Obligations, Insured Obligations or Revenue Bonds secured by Debt Service Reserve Funds not subject to annual appropriation rated AA category or higher by Moody's or Standard & Poor's.

7. **Repurchase Agreements**
   Repurchase Agreements collateralized by securities approved for investment herein, provided that the counterparty is rate A or better by Moody's and Standard & Poor's and the collateral is held by an independent third party. All Repurchase Agreements are purchased with a Master Repurchase Agreement in place with a third-party custodian.

8. **Open-End Investment Funds**
   Open-end Investment Funds registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein.

9. **Virginia Local Government Investment Pool**

10. **Virginia State Non-Arbitrage Program or Other Authorized Arbitrage Investment Management Programs**

X. Suitable and Authorized Investments – Restricted Funds

Funds defined as sinking funds under the Virginia Code may be invested in items listed in Section IX.1 and IX.6 above, repurchase agreements collateralized by those investments, and in the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs.

XI. Internal Controls

Under the guidance of the Investment Committee, the Director of Financial Services will establish and maintain an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. The Internal Audit Department shall add this Policy and related Procedures to their Audit Universe for audit consideration. The internal control structure will address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

XII. Reporting

Under the guidance of the Investment Committee, the Director of Financial Services will ensure that a Management Report will be prepared on a quarterly basis. The information from this Report may be derived from the Investment Advisor and/or the Safekeeping Agent, or both, where appropriate. This Report will include information that provides an analysis of the status of the current investment portfolio and whether investment activities during the reporting period have conformed to the investment policy herein. The Report will be presented to City Council for information and comment. To the extent practical, the report detail may include such items as the following:

- Listing of securities held at the end of the reporting period
- Realized and unrealized gains or losses resulting from appreciation or depreciation
- Average weighted yield to maturity of portfolio on investments compared to benchmarks
- Listing of investment by maturity type
- Percentage of the total portfolio which each type of investment represents

XIII. Diversification

The City will endeavor to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity. Target asset allocation strategies shall be developed by the Investment Committee to provide guidance as to appropriate levels of diversification. With the exception of U. S. Treasury securities and authorized pools, no more than 50% of the City's total investment will be the obligations of a single financial institution.

XIV. Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase.

Appendix 1: Glossary of Investment Terms

Accrued Interest – The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency – A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization – The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Average Life – The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Basis Point – A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., “one-quarter” of 1 percent is equal to 25 basis points.

Bid – The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value – The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security’s current value in the market.

Call Price – The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond’s original issue price to compensate the holder for loss of income and ownership.

Call Risk – The risk to a bondholder that a bond may be redeemed prior to maturity.

Callable Bond – A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Cash Sale/Purchase – A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Collateralization – Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper – An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Convexity – A measure of a bond’s price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond’s price to interest rate changes.

Coupon Rate – The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the “interest rate.”

Credit Quality – The measurement of the financial strength of a bond issuer to help an investor to understand an issuer’s ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return) – A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) – A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Discount – The amount by which the par value of a security exceeds the price paid for the security.

Diversification – A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration – A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fair Value – The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Funds (Fed Funds) – Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate – Interest rate charged by one institution lending federal funds to the other.

Government Securities – An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market See "Treasury Bills, Notes, and Bonds."

Interest Rate – See "Coupon Rate."

Interest Rate Risk – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls – An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. Control of collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. Separation of transaction authority from accounting and record keeping - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. Clear delegation of authority to subordinate staff members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of transactions for investments and wire transfers -Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. Development of a wire transfer agreement with the lead bank and third-party custodian – The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Inverted Yield Curve – A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940 – Federal legislation which sets the standards by which investment such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy – A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Liquidity – An asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP) – An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-Market – The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk – The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value – Current market price of a security.

Maturity – The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See 'Weighted Average Maturity."

Money Market Mutual Fund – Mutual funds that invest, solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Fund – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

Mutual Fund Statistical Services – Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services, and Morningstar.

National Association of Securities Dealers (NASD) – A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value – The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.) [(Total assets) - (Liabilities)] / (Number of shares outstanding)

No Load Fund – A mutual fund which does not levy a sales charge on the purchase of its shares.

Nominal Yield – The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or 'interest rate."

Offer – An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Par – Face value or principal value of a bond, typically $1,000 per bond.

Positive Yield Curve – A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium – The amount by which the price paid for a security exceeds the security's par value.

Prime Rate – A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal – The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus – A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule – An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Regular Way Delivery – Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+l basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Reinvestment Risk – The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (repo or RP) – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) – An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act – Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

Safekeeping – Holding of assets (e.g., securities) by a financial institution.

Serial Bond – A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking Fund – Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Swap – Trading one asset for another.

Term Bond – Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Total Return – The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return.

Treasury Bills – Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Bonds – Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Treasury Notes – Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

Uniform Net Capital Rule – SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

Volatility – A degree of fluctuation in the price and valuation of securities.

"Volatility Risk" Rating – A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bonds funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("AAA" by S&P; "V- 1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("CCC"- S&P, "V-10" by Fitch).

Weighted Average Maturity (WAM) – The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

When Issued (WI) – A conditional transaction in which an authorized new security has not been issued. All "when issued' transactions are settled when the actual security is issued.

Yield – The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield Curve – A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-Call (YTC) – The rate of return an investor earns on a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield-to-Maturity – The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Zero-Coupon Securities – Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

FINANCE COMMITTEE
Agenda Item Summary

MEETING DATE: **March 27, 2018**			AGENDA ITEM #.: **6**
CONSENT:	REGULAR:	WORK SESSION:	CLOSED SESSION: (Confidential)
ACTION:		INFORMATION: **X**	
ITEM TITLE: **Revenue Update**			

RECOMMENDATION: Review the collections received from five of the City's largest revenue sources.

SUMMARY: Five of the City's major revenue sources are taxes collected on a monthly basis: Local Sales and Use Tax, Consumer Utility Tax – Electric, Communications Sales and Use Tax, Meals Tax, and Lodging Tax. Since the last Finance Committee meeting, revenue information through January 2018 has been posted for these five revenue streams.

PRIOR ACTION(S):
This information is provided monthly to the Finance Committee.

FISCAL IMPACT:
None

CONTACT(S):
Donna Witt, Director of Financial Services, 455-3968

ATTACHMENT(S):
Comparison of Collections Budget to Actual FY 2017 – FY 2018

REVIEWED BY:

Comparison of Collections
Budget to Actual FY 2017 - FY 2018

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Adopted FY 2018	Actual FY 2018	Actual FY 2018 to Adopted FY 2018	Actual FY 2018 to Actual FY 2017
SALES & USE TAX								
ADOPTED FY 2018 BUDGET - $15,465,700								
JULY	$1,075,816	$1,131,485	$1,207,589	$1,152,527	$1,161,098	$1,134,520	($26,578)	($18,007)
AUGUST [1]	1,098,342	1,299,763	1,198,772	1,267,330	1,276,755	1,248,275	(28,480)	($19,055)
SEPTEMBER	1,083,199	1,204,336	1,269,930	1,275,989	1,285,479	1,289,489	4,010	$13,500
OCTOBER	1,161,965	1,185,608	1,231,666	1,253,143	1,262,463	1,210,820	(51,643)	($42,323)
NOVEMBER	1,155,729	1,241,898	1,227,636	1,254,548	1,263,878	1,348,270	84,392	$93,722
DECEMBER	1,316,419	1,669,810	1,600,507	1,695,286	1,707,894	1,601,584	(106,310)	($93,702)
JANUARY	1,103,175	1,073,237	1,055,364	1,070,830	1,078,794	1,122,715	43,921	$51,885
TOTAL	**$7,994,645**	**$8,806,137**	**$8,791,464**	**$8,969,653**	**$9,036,361**	**$8,955,673**	**($80,688)**	**($13,980)**
CONSUMER UTILITY TAX - ELECTRIC								
ADOPTED FY 2018 BUDGET - $3,790,000								
JULY	$325,815	$321,596	$332,876	$328,501	$329,749	$335,326	$5,577	$6,825
AUGUST	318,738	305,012	333,953	355,434	356,785	327,959	($28,826)	($27,475)
SEPTEMBER	317,324	317,947	328,411	351,627	352,963	314,864	($38,099)	($36,763)
OCTOBER	273,646	273,264	281,514	294,038	295,155	297,177	$2,022	$3,139
NOVEMBER	280,945	273,353	270,434	274,145	275,187	284,069	$8,882	$9,924
DECEMBER	348,750	346,565	321,380	337,930	339,214	348,578	$9,364	$10,648
JANUARY	374,541	365,859	346,212	358,976	360,340	407,036	$46,696	$48,060
TOTAL	**$2,239,759**	**$2,203,596**	**$2,214,780**	**$2,300,651**	**$2,309,393**	**$2,315,009**	**$5,616**	**$14,358**
COMMUNICATIONS SALES & USE TAX								
ADOPTED FY 2018 BUDGET - $3,123,400								
JULY	$286,999	$283,594	$276,750	$265,192	$260,283	$255,279	(5,004)	($9,913)
AUGUST	284,691	281,957	270,038	269,212	260,283	263,011	2,728	($6,201)
SEPTEMBER	284,249	283,441	273,974	266,593	260,283	258,291	(1,992)	($8,302)
OCTOBER	288,830	287,702	277,686	274,702	260,283	273,952	13,669	($750)
NOVEMBER	284,176	279,441	271,470	270,909	260,283	259,546	(737)	($11,363)
DECEMBER	289,726	282,491	276,524	268,968	260,283	258,380	(1,903)	($10,588)
JANUARY	264,960	275,361	271,160	265,710	260,283	286,194	25,911	$20,484
TOTAL	**$1,983,631**	**$1,973,987**	**$1,917,602**	**$1,881,286**	**$1,821,981**	**$1,854,653**	**$32,672**	**($26,633)**

Comparison of Collections
Budget to Actual FY 2017 - FY 2018

MEALS TAX
ADOPTED FY 2018 BUDGET - $14,400,0

	Actual Collected FY 2015 [3]	Actual Collected FY 2016 [3]	Actual Collected FY 2017 [3]	Adopted FY 2018	Actual Assessed FY 2018	Actual Assessed FY 2018 to Adopted FY 2018	Actual Collected FY 2018 [3]	Actual Collected FY 2018 to Adopted FY 2018	Actual Collected FY 2018 to Assessed FY 2018
JULY [2]	$970,597	$1,046,770	$1,088,474	$1,122,617	$1,132,444	$9,827	$1,109,545	($13,072)	($22,899)
AUGUST	1,119,585	1,213,559	1,098,748	1,207,908	1,230,475	22,567	1,140,836	(67,072)	(89,639)
SEPTEMBER	1,159,391	1,167,356	1,243,540	1,222,863	1,252,868	30,005	1,295,882	73,019	43,014
OCTOBER	1,119,430	1,152,017	996,549	1,216,067	1,246,579	30,512	1,249,486	33,419	2,907
NOVEMBER	1,099,028	1,156,651	1,382,308	1,136,983	1,172,731	35,748	1,170,367	33,384	(2,364)
DECEMBER	1,117,510	1,224,108	1,238,056	1,261,720	1,275,027	13,307	1,261,816	96	(13,211)
JANUARY	963,288	908,712	1,112,427	1,037,362	1,099,194	61,832	1,088,584	51,222	(10,610)
TOTAL	**$7,548,829**	**$7,869,173**	**$8,160,102**	**$8,205,520**	**$8,409,318**	**$203,798**	**$8,316,516**	**$110,996**	**($92,802)**

LODGING TAX
ADOPTED FY 2018 BUDGET - $2,783,000

	Actual Collected FY 2015 [3]	Actual Collected FY 2016 [3]	Actual Collected FY 2017 [3]	Adopted FY 2018	Actual Assessed FY 2018	Actual Assessed FY 2018 to Adopted FY 2018	Actual Collected FY 2018 [3]	Actual Collected FY 2018 to Adopted FY 2018	Actual Collected FY 2018 to Assessed FY 2018
JULY [2]	$180,395	$180,808	$207,361	$231,917	$249,245	$17,328	$248,422	$16,505	($823)
AUGUST	185,402	202,217	167,929	$231,917	223,881	(8,036)	224,761	(7,156)	880
SEPTEMBER	173,875	206,009	215,545	$231,917	222,136	(9,781)	222,577	(9,340)	441
OCTOBER	209,788	160,131	214,418	$231,917	245,586	13,669	245,408	13,491	(178)
NOVEMBER	144,988	177,048	222,988	$231,917	207,729	(24,188)	206,772	(25,145)	(957)
DECEMBER	119,891	130,150	150,743	$231,917	144,933	(86,984)	144,969	(86,948)	36
JANUARY	108,523	109,217	116,370	$231,917	177,373	(54,544)	178,239	(53,678)	866
TOTAL	**$1,122,862**	**$1,165,580**	**$1,295,354**	**$1,623,419**	**$1,470,883**	**($152,536)**	**$1,471,148**	**($152,271)**	**$265**

[1] The August FY 2015 Sales & Use Tax Actual amount includes a one-time, $145,000 payment in taxes, which was redistributed to the City from another locality.

[2] Due to year end accounting activities, a portion of Meals and Lodging Tax revenues associated with May and June were posted in June and July.

[3] Meals and Lodging Tax data includes columns titled "Actual Collected ." The amounts in these columns include all revenue received per month regardless of whether the

Finance Committee Meeting – 11:00 a.m.

COUNCIL MEMBER DOLAN WILL GIVE THE INVOCATION

A G E N D A
City Council Meeting of March 27, 2018

4:00 P.M. – 6:45 P.M.
Work Session Agenda Items

1. Continue Review of FY 2019 Proposed Operating Budget

2. Department of Water Resources Budget Overview

3. Roll Call

7:30 P.M.
City Council Agenda Items

Visit our Internet Web Site @ http://www.lynchburgva.gov

GENERAL POLICY REGARDING PUBLIC PARTICIPATION AT CITY COUNCIL MEETINGS
Each speaker shall clearly state his or her name and locality of residence.
The City Council agenda is divided into three sections.
CONSENT AGENDA: This section includes routine items. All items may be approved by one vote.
PUBLIC HEARINGS: This section includes all public hearings as required by law or as Council may direct.
Procedure:

- Staff will make a presentation.
- For Zoning petitions, the applicant or his or her representative shall have ten (10) minutes to make a presentation.
- Comments will then be solicited from those in favor.
- Comments will then be solicited from those in opposition.

During the public hearing 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 that group at the beginning of his or her remarks. A group may have only one spokesperson. After public comments have been received, for zoning petitions 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. Upon the conclusion of public comments or the applicant's rebuttal the public hearing will be closed and the matter referred to Council for deliberation.
PUBLIC PRESENTATIONS: Public presentations shall be for the purpose of allowing members of the public to present any matter, which, in their opinion, deserves the attention of the Council. They shall not serve as a forum for debate with the Council. Individuals may speak up to 3 minutes; or group spokesperson up to 5 minutes. Once Council has heard a presentation from a citizen or organization on a particular subject, the citizen or organization may not make another presentation on the same subject within three (3) months of the first presentation, except by a majority vote of the members of Council present and voting.
GENERAL BUSINESS: This section includes items of a general nature to be considered by Council.
City Council may make exceptions to these rules at its discretion. Prior to a meeting, any questions which citizens may have regarding any item on the agenda may be addressed to City Council or the City Administration. The following numbers are provided for the convenience of the citizens:
CITY COUNCIL 455-3995   MAYOR 455-3995   CITY MANAGER 455-3990
A reasonable charge may be made for copying and other activities related to responding to long and involved inquiries.
CITIZENS OFTEN EXPRESS CONFLICTING AND DIVERSE POSITIONS REGARDING SPECIFIC ISSUES UNDER CONSIDERATION. TO ENCOURAGE CITIZEN PARTICIPATION AND TO AVOID INTIMIDATION TO PERSONS WHO MAY EXPRESS SOMETIMES UNPOPULAR OPINIONS, APPLAUSE, CHEERS, OR JEERS FROM THE AUDIENCE ARE NOT PERMITTED. WHEN APPEARING BEFORE CITY COUNCIL CITIZENS MAY NOT ENGAGE IN BEHAVIOR THAT INTIMIDATES OR INSULTS OTHERS, ENGAGE IN DISRUPTIVE BEHAVIOR, USE PROFANITY OR VULGAR LANGUAGE, PROMOTE PRIVATE BUSINESS VENTURES OR CAMPAIGN FOR PUBLIC OFFICE.

R E C O G N I T I O N S

- American Red Cross Virginia Region Month
- Lynchburg Police Department Hero Award - Chief Diaz will accept on behalf of Lynchburg Police Department.

PUBLIC HEARING

#4. Public hearing to adopt an Ordinance to amend and reenact Section 25-183.3 of the City Code, relating to the operation of Golf Carts and Utility Vehicles on the Public Streets.
(File: Public Works) O-18-______

#5. Public hearing regarding a request to grant a License Agreement to Level 3 Communications, LLC to install new fiber optic cable and conduit in City-owned rights-of-way along Atherholt Road and Langhorne Road and maintain and operate existing lines under License Agreements previously approved by City Council.
(File: Public Works) R-18-______

GENERAL BUSINESS

#6. Consideration of adopting a Resolution to approve the issuance of up to $47,000,000 in bonds for Lynchburg College through the Economic Development Authority of the City of Roanoke, Virginia.
(File: Economic Development) #R-18-_____

#7. Consideration of introducing a Resolution to amend the FY 2018 General Fund Budget appropriating $40,000 to the Parks and Recreation Fees budget with resources from the Virginia Department of Health to fund the second year of the “We Got the Beet” campaign at the Lynchburg Community Market.
(File: Parks and Recreation) #R-18-______

#8. Consideration of adopting a Resolution reaffirming City Council’s Financial Management Policies.
(File: Finance/Budget) #R-18-_____

#9. Consideration of introducing a Resolution to amend the FY 2018 General Fund budget and appropriate $154,792 with resources from the General Fund Reserve for Contingencies to refund an overpayment of real estate taxes by the News and Advance for the property at 101 Wyndale Drive for the tax years 2014, 2015, and 2016.
(File: City Code/Assessor) #R-18-_____

FY 2019 WATER RESOURCES BUDGET OVERVIEW

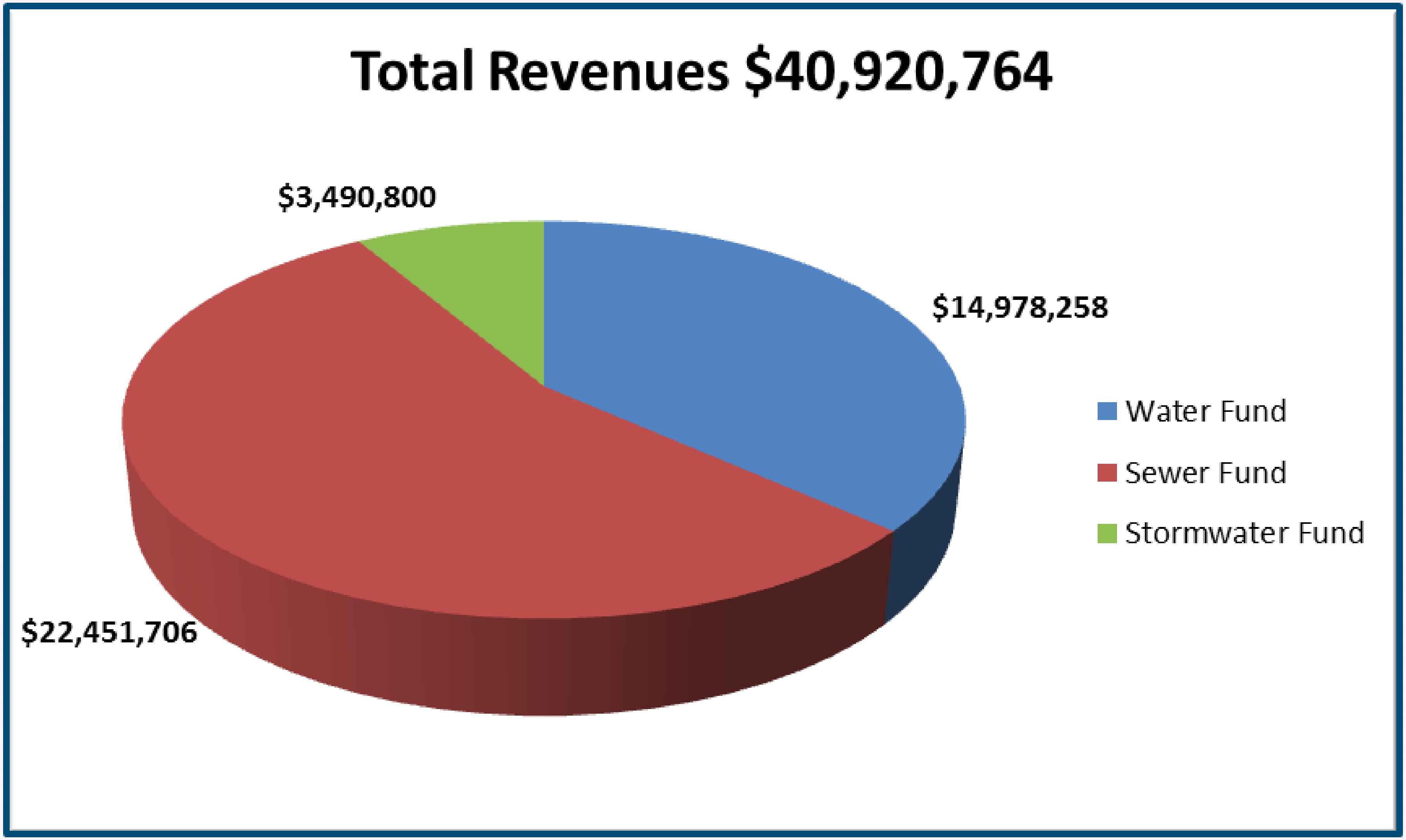
LYNCHBURG WATER RESOURCES

Our Job is Clear!

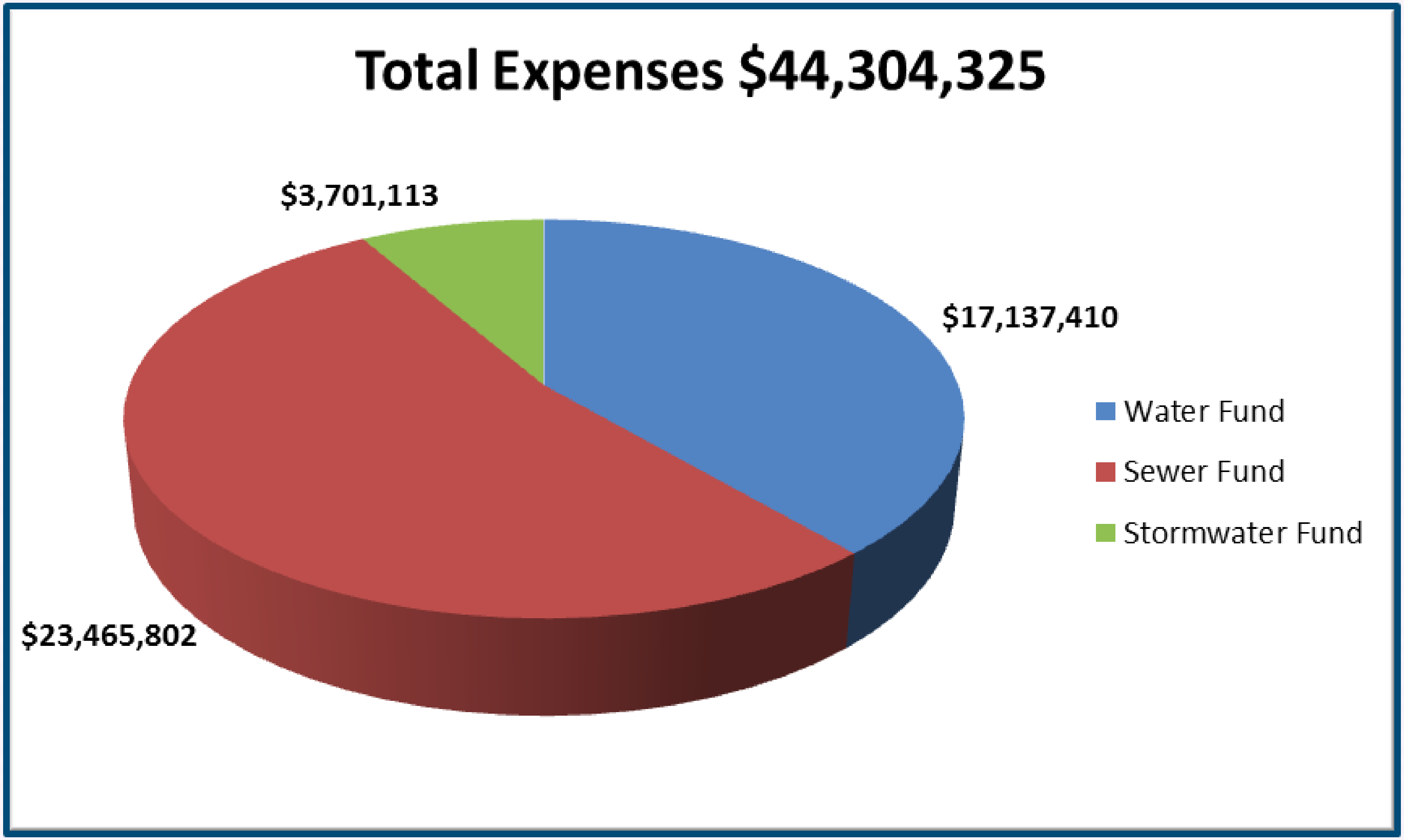
Overview

- Water Resources is a 24/7 Operation
- We provide one of, if not the most essential service in the City
- Our services are essential for life, economic vitality, fire protection, and environmental protection
- Every person and every business depends on our services every single day
- Failure to deliver these services continuously in a safe, affordable manner is not an option

FY 2019 Revenues



FY 2019 Expenses



Water Fund Revenues

	FY 2018 Adopted	FY 2019 Proposed	Change	% Change
Charges for Services	$ 12,726,131	$ 12,716,935	$ (9,196)	-0.1%
Water Contracts	1,892,470	1,971,330	78,860	4.2%
Interest and Other	280,737	289,993	9,256	3.3%
Total Revenues	$ 14,899,338	$ 14,978,258	$ 78,920	0.5%

Highlights

- Water sales flat
- $147,000 increase from industrial contracts
- $68,000 decrease from counties

Water Fund Expenses

	FY 2018 Adopted	FY 2019 Proposed	$ Change	% Change
Water Treatment	$ 3,324,429	$ 3,255,563	$ (68,866)	-2.1%
Water Line Maintenance	2,113,912	2,110,247	(3,665)	-0.2%
Meter Reading	835,692	785,470	(50,222)	-6.0%
Administration/Engineering	3,592,408	3,820,797	228,389	6.4%
Non-Departmental	325,585	435,055	109,470	33.6%
Debt Service	4,157,150	4,330,278	173,128	4.2%
Transfer - Capital	1,500,000	2,400,000	900,000	60.0%
Total Expenses	**$ 15,849,176**	**$ 17,137,410**	**$ 1,288,234**	**8.1%**

Beginning Fund Balance = $8,769,443 (61%)
Ending Fund Balance = $7,000,658 (49%)
Debt Coverage Ratio = 1.20, increases to1.22 in FY 2020

Water Fund Expense Summary

Expense Highlights

- **$58,000 Decrease** in Water Treatment chemicals due to historic trends
- **$110,540 Decrease** in Contractual Services primarily associated with utility line locating services
- **$113,000 Increase** in salaries and benefits: Realignment of a vacant Meter Reader to an Assistant Director over Field Operations and Safety (occurred in FY 2018), plus the addition of two Utility Line Maintenance positions (one Utility Line Technician, one Utility Line Locator)
- **$32,648 Increase** in Supplies and Materials associated with the two new positions
- **$77,729 Increase** in Indirect Cost transfer to General Fund
- **$109,470 Increase** in Non-departmental for potential compensation adjustments associated with market study
- **$173,128 Increase** in Debt Service
- **$900,000 Increase** in transfer to Water Capital for Pay-as-you-go

Note: Expenditures shown in previous slide reflect the net increase/decrease of the items listed here plus other less significant variances

Sewer Fund Revenues

	FY 2018 Adopted	FY 2019 Proposed	Change	% Change
Charges for Services	$ 18,501,475	$ 18,459,183	$ (42,292)	-0.2%
Sewer Contracts	3,748,343	3,859,965	111,622	3.0%
Interest and Other	117,372	132,558	15,186	12.9%
Total Revenues	$ 22,367,190	$ 22,451,706	$ 84,516	0.4%

Highlights

- Sewer use flat
- $118,750 increase from industrial contracts
- $7,128 decrease from counties

Sewer Fund Expenses

	FY 2018 Adopted	FY 2019 Proposed	$ Change	% Change
Wastewater Treatment	$ 8,895,651	$ 8,869,524	$ (26,127)	-0.3%
Sewer Line Maintenance	2,817,767	2,873,222	55,455	2.0%
Non-Departmental	353,874	526,650	172,776	48.8%
Debt Service	9,302,433	9,196,406	(106,027)	-1.1%
Transfer - Capital	1,100,000	2,000,000	900,000	81.8%
Total Expenses	**$ 22,469,725**	**$ 23,465,802**	**$ 996,077**	**4.4%**

Beginning Fund Balance = $7,747,404 (37%)
Ending Fund Balance = $6,766,940 (32%)
Debt Coverage Ratio = 1.18, slightly below Council's 1.20 but recovers to 1.28 in FY 2020

Sewer Fund Expense Summary

Expense Highlights

- **$126,000 Decrease** in Wastewater Treatment chemicals, utilities, natural gas, and sludge disposal based on historic trends
- **$100,000 Decrease** in Contractual Services associated with utility line locating services
- **$94,600 Increase** in salaries and benefits associated with the addition of two Utility Line Maintenance positions (one Utility Line Technician, one Utility Line Locator), and an additional Wastewater Treatment Plant Mechanic
- **$56,000 Increase** in Supplies and Materials based on historic trends
- **$54,000 Increase** in Indirect Cost transfer to General Fund
- **$172,776 Increase** in Non-departmental for potential compensation adjustments associated with market study
- **$106,027 decrease** in Debt Service
- **$900,000 Increase** in transfer to Sewer Capital for Pay-as-you-go

Note: Expenditures shown in previous slide reflect the net increase/decrease of the items listed here plus other less significant variances

Stormwater Fund Revenues

	FY 2018 Adopted	FY 2019 Proposed	Change	% Change
Charges for Services	$ 3,199,120	$ 3,205,800	$ 6,680	0.2%
State - Highway Maintenance	275,000	275,000	-	0.0%
Interest and Other	2,000	10,000	8,000	400.0%
Total Revenues	$ 3,476,120	$ 3,490,800	$ 14,680	0.4%

Highlights

- **Minor increase from new impervious area**

Stormwater Fund Expenses

	FY 2018 Adopted	FY 2019 Proposed	$ Change	% Change
Stormwater	$ 2,769,413	$ 2,822,112	$ 52,699	1.9%
Non-Departmental	51,168	60,838	9,670	18.9%
Capital Outlay	-	54,535	54,535	N/A
Debt Service	-	88,628	88,628	N/A
Transfer - Capital	850,000	675,000	(175,000)	-20.6%
Total Expenses	**$ 3,670,581**	**$ 3,701,113**	**$ 30,532**	**0.8%**

Beginning Fund Balance = $801,394 (28%)
Ending Fund Balance = $591,083 (20%)
Debt Coverage Ratio = 7.08

Stormwater Fund Expense Summary

Expense Highlights

- **$43,000 Increase** in salaries and benefits associated with the addition of one Utility Line Technician position
- **$54,000 Increase** in Capital Outlay for new vehicle and equipment
- **$28,000 Increase** in Indirect Cost transfer to General Fund
- **$26,000 Decrease** in Contractual Services reflecting a decrease in the need for outside engineering services
- **$88,628 Increase** in Debt Service associated with payment to the State revolving loan fund for stormwater projects associated with Chesapeake Bay requirements
- **$175,000 Decrease** in transfer to Stormwater Capital for Pay-as-you-go

Note: Expenditures shown in previous slide reflect the net increase/decrease of the items listed here plus other less significant variances

New Positions

Summary

- Two new Utility Line Locators (one in the Water Fund and one in the Sewer Fund)
- Three new Utility Line Technicians (one in each of the three funds)
- One new Wastewater Plant Mechanic (Sewer Fund)

Utility Line Locating

Current MISS Utility Program

- Regulatory Requirement – Must locate and mark all water and sewer lines and services for all excavations in the City
- Routine locates must be completed within 2 business days (48 hours)
- Emergency locates must be complete within 3 hours – 24/7/365
- Average 11,000+ location requests annually
- Approximately cost $300,000 this current year
- Contract expires in July – must rebid now
- Based on discussions with contractors we anticipate a 10% increase in cost ($330,000 annually)
- We can realize significant savings by bringing the program in house

Utility Line Locating

Proposed MISS Utility Program

- **Bring program in house**
- **Add 2 Line Locator positions plus vehicles and equipment**
- **$136,646 in recurring annual expenses (salaries, benefits, uniforms, vehicle depreciation, fuel) – split equally between the Water and Sewer Funds**
- **$93,000 in one time expenses (vehicles, locating equipment, laptops, software) – split equally between the Water and Sewer Funds**
- **$100,354 savings in the first year – split equally between the Water and Sewer Funds**
- **$193,354 in annual savings each year thereafter – split equally between the Water and Sewer Funds**

Utility Line Technicians

Workload Challenges

- Over 300 outstanding work orders and growing daily
- Typically one crew can complete one work order per day
- 5 – 3 person construction crews to maintain over 1,000 miles of pipe
- Any person out due to vacancy, sick leave, vacation – we are down to 4 crews
- We simply can not keep up with the workload - not fixing is not an option
- Field Operations is quickly becoming a 24/7 operation with emergency response, after hours scheduled maintenance to minimize disruption, traffic, etc.
- 59 water line breaks in December and January alone with overtime costs of over $60,000
- Crews routinely work 24 hours straight in harsh conditions

Main Break – Air Temperature 10°, Wind Chill below 0°

Utility Line Technicians

Workload Challenges

- The last couple of years only one contractor has bid on annual services – contractor also has a significant backlog of work
- Contractual Services also require management – our 5 engineers are currently managing over 75 active projects totaling over $90 million
- Sewer and storm system maintenance quickly becoming a major issue
- Recommend adding a crew with one position funded from each fund
- Purchase vehicles and equipment for sewer and stormwater pipe patch crew
- Crew members would “fill in” on construction crews when needed to keep all five construction crews active
- Comparing the cost of pipe patching, our average cost is $1,095 vs. $2,400 by a contractor. We calculate that with our workload adding the pipe patch crew will pay for itself in 3 years

Wastewater Plant Mechanic

New CSO Project

- New major CSO Project with many new facilities scheduled to begin construction in July
- Current Maintenance staff can not add handle the additional maintenance workload associated with new facilities
- Beneficial for new mechanic to be involved during construction
- Potential retirements may result in loss of nearly 75 years of experience in maintenance

Pay Challenges

- **We included an equivalent of a 2% pay increase in our budgets for compensation adjustments pending the outcome of the salary study**
- **We have a number of very unique positions that are hard to fill and requires years of training to achieve the proper certification**
- **Neighboring Utilities in Amherst, Bedford, and Campbell Counties are including a 3% pay increase in their proposed budgets**
- **Our Wastewater Operators are already significantly lower than those working for the Bedford Regional Water Authority (BRWA) at a far less complex treatment plant**
- **One of our Industrial Monitoring Coordinators recently accepted an offer from BRWA with a 25% pay increase**
- **Water Resources was not included in recent pay adjustments in other departments even with similar positions**
- **Over the last 2 years our Field, Water Plant, and Wastewater Plant Operations has experienced 23%, 12.5%, and 13% turnover respectively.**

Pay Challenges

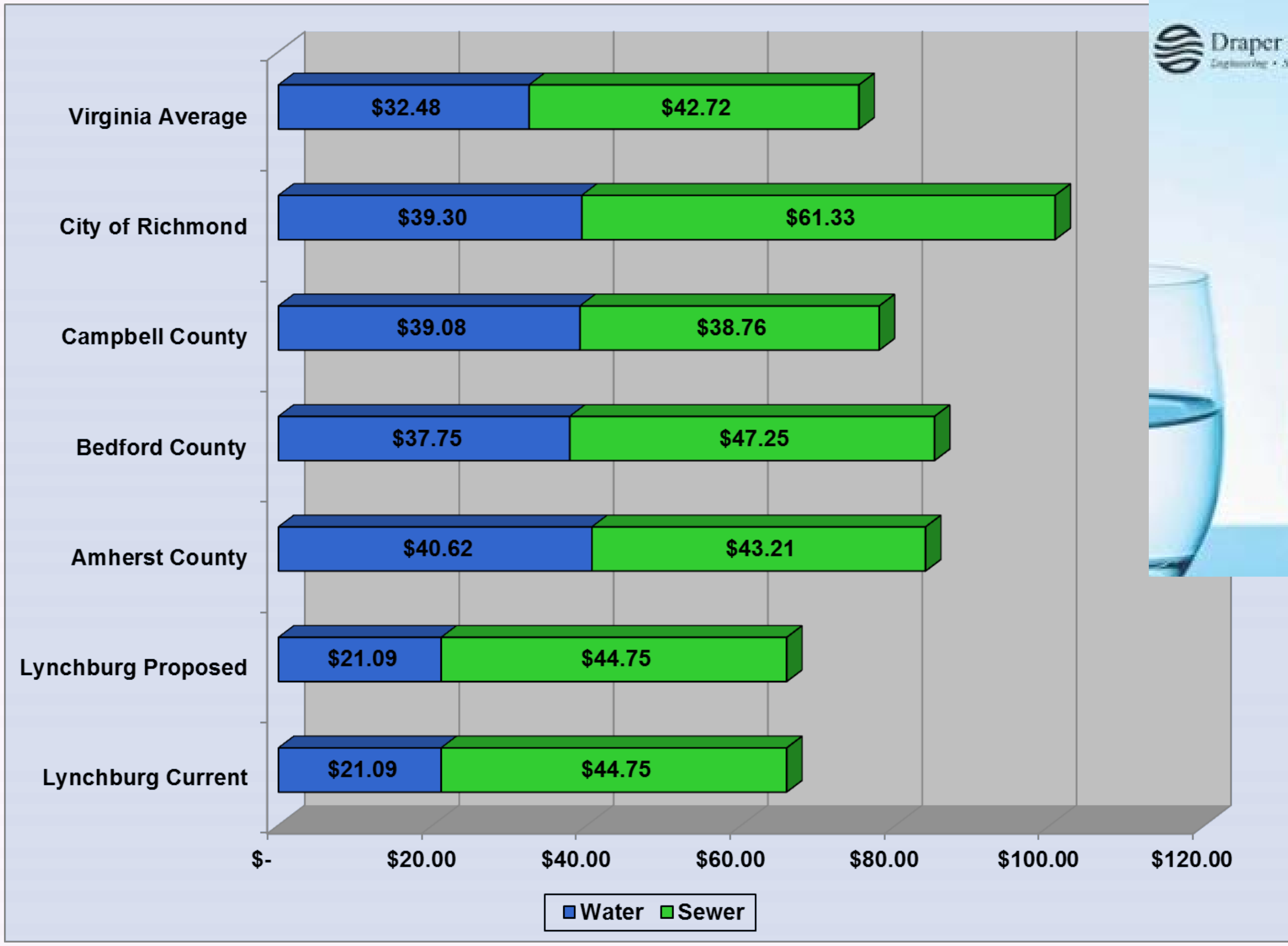
Wastewater Operators Salary Comparison

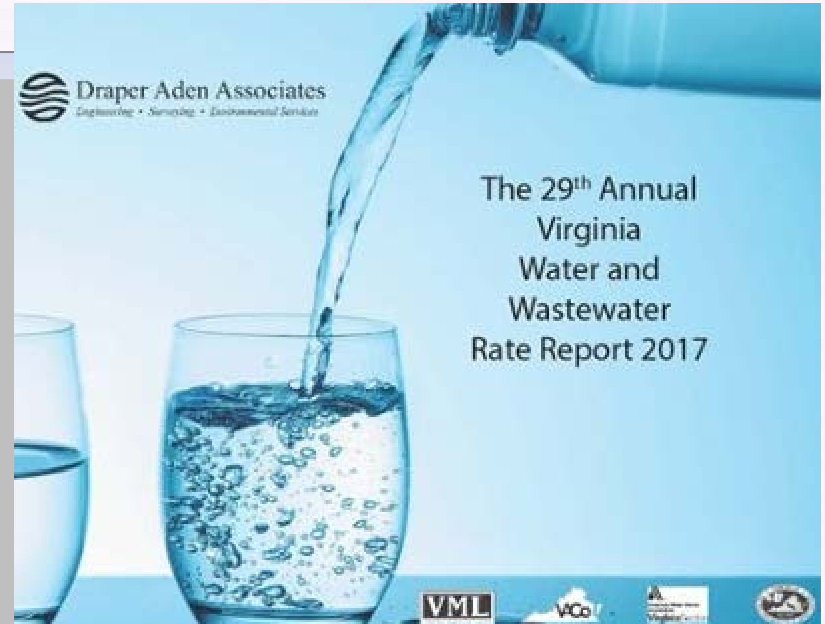
Position	Lynchburg	BRWA	% Difference
Operator Trainee	$ 24,981	$ 25,914	4%
Class 4 Operator	$ 26,229	$ 28,872	10%
Class 3 Operator	$ 27,539	$ 33,005	20%
Class 2 Operator	$ 30,306	$ 38,174	26%
Class 1 Operator	$ 34,840	$ 47,959	38%
Assistant Shift Supervisor	$ 38,314	N/A	
Shift Supervisor	$ 42,162	N/A	

It takes an average of 4 years to obtain a Class I License with extensive training and preparation. Recent exam change has made it even more difficult.

Rates

Rate Comparisons



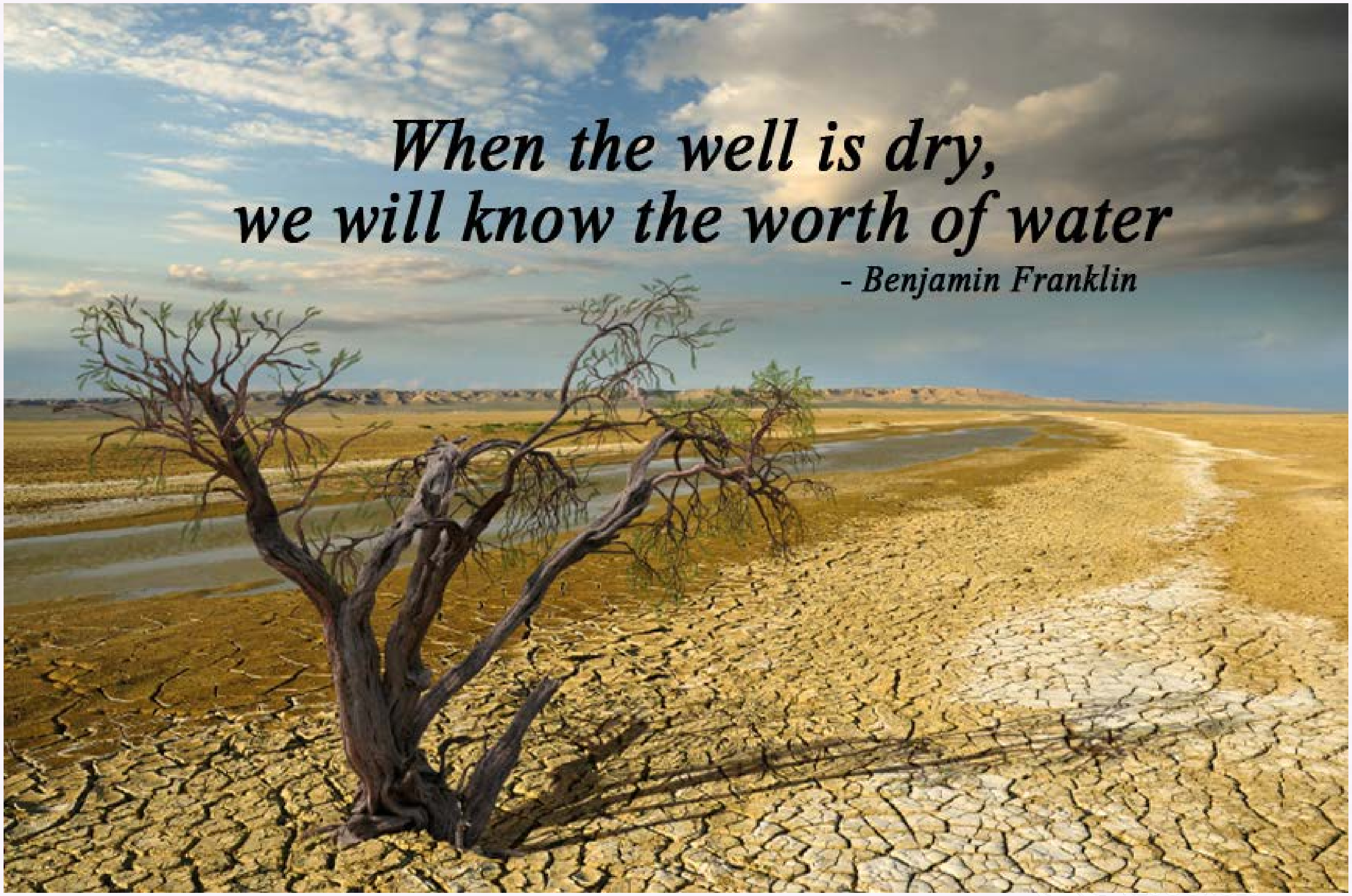


No Proposed Rate Increases!

Summary

- **Water, Sewer, and Stormwater Budgets developed with <u>no rate increases</u>**
- **Workload, failing infrastructure, employee pay and retention are our most significant challenges**
- **Budgets primarily increase due to capital transfers – needed to bring fund balances within Council's Financial Policies**
- **All financial targets met except Debt Coverage ratio in the Sewer Fund at 1.18 but recovers to 1.28 the following year**
- **Six new positions proposed,**
    - Two will result in a $100,000 savings the first year and $200,000 each year thereafter.
    - Three will pay for themselves within three years.
    - One is needed because of new facilities.

Questions?


When the well is dry,
we will know the worth of water
- Benjamin Franklin

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **March 27, 2018** AGENDA ITEM #: **4**

CONSENT: REGULAR: **X** WORK SESSION: CLOSED SESSION:
ACTION: **X** INFORMATION: (Confidential)

ITEM TITLE: Proposed Utility Vehicle Code changes requested by Liberty University

KEY ELEMENTS:
___Economic Development _**X**_ Excellent Government ___Natural and Built Environment _**X**_ Safe Community ___Vibrant Community

RECOMMENDATION: Approve changes to City Code sections 25-188.3 shown below and require this Code be revisited once the road connection is completed from Liberty Mountain Drive to Oddfellows Road.

SUMMARY: Liberty University requested revisions and additions to Section 25-188.3 (3) as follows:

(3) In the area of Liberty University, as follows:

a. Candlers Mountain Road (sidewalk only; must yield to pedestrians), from ~~Regents Parkway~~ **Hershey-Esbenshade** to University Boulevard.
b. The signalized crossing at ~~Regents Parkway~~ **Hershey-Esbenshade** and Candlers Mountain Road.
c. The signalized crossing at Candlers Mountain Road and University Boulevard.
d. University Boulevard, from Candlers Mountain Road to Liberty Mountain Drive.
e. Liberty Mountain Drive, from Candlers Mountain Road to the City boundary with Campbell County.
f. Liberty Mountain Drive East from Candlers Mountain Road to the end of the existing pavement (4800') to the north and east.
g. A crossing of Candlers Mountain Road at the intersection with Liberty Mountain Drive and the hotel driveway.
h. Regents Parkway from Liberty Mountain Drive to University Boulevard

PRIOR ACTION(S): March 13, 2018 Physical Development Committee

April 12, 2016 City Council; Ord. No. O-16-035, § 1, 4-12-16

FISCAL IMPACT: None

CONTACT(S): Don DeBerry, City Transportation Engineer – 455-3935
Lee Newland, City Engineer – 455-3947
Gaynelle Hart, Director Public Works – 455-4406

ATTACHMENT(S): Ordinance
Map

REVIEWED BY: bms

ORDINANCE

AN ORDINANCE TO AMEND AND REENACT SECTION 25-188.3 OF THE CODE OF THE CITY OF LYNCHBURG, 1981, THE AMENDED SECTION RELATING TO THE OPERATION OF GOLF CARTS AND UTILITY VEHICLES ON THE PUBLIC STREETS.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF LYNCHBURG:

1. That Section 25-188.3 of the Code of the City of Lynchburg, 1981, be and the same is hereby amended and reenacted as follows:

Sec. 25-188.3. - Public highways designated for golf cart and utility vehicle operations.

(a)The city council hereby designates the following public highways within the city upon which golf carts and utility vehicles may be operated in accordance with the provisions of this article.

(1) In the area of Randolph College, as follows:

a. Rivermont Avenue (sidewalk only; must yield to pedestrians), from North Princeton Circle to 2470 Rivermont Avenue.
b. The signalized crossing at Rivermont Avenue and North Princeton Circle.
c. The crosswalk at the intersection of Rivermont Avenue and Norfolk Avenue.
d. South Princeton Circle, from Rivermont Avenue to 220 South Princeton Circle.
e. North Princeton Circle, from Rivermont Avenue to 80 North Princeton Circle.
f. Norfolk Avenue, from the rear driveway at 2601 Rivermont Avenue to Cedar Drive.
g. Westmoreland Street, from Rivermont Avenue to 227 Westmoreland Street.
h. Arlington Street, from Rivermont Avenue to the driveway serving 2615 Rivermont Avenue.

(2) In the area of Lynchburg College, as follows:

a. Faculty Drive, from Lakeside Drive to its end.
b. Hood Street, from Lakeside Drive to Bristol Street.
c. Bristol Street, from Hood Street to Monticello Avenue.
d. Monticello Avenue, from Bristol Street to Lakeside Drive.
e. The signalized crossing at the intersection of Monticello Avenue, Oakley Avenue and Lakeside Drive.
f. Jubal Street, from Oakley Avenue to College Street.
g. Hood Street, from Jubal Street to Lakeside Drive.
h. Blue Ridge Street, from Jubal Street to Lakeside Drive.
i. College Drive, from Lakeside Drive to Vernon Street.
j. Vernon Street, from College Street to Richmond Street.
k. Brevard Street, from College Street to Thomas Road.
l. Westwood Avenue, from College Street to Thomas Road.
m. College Street, from Vernon Street to its end.
n. McCausland Street, from College Street to Thomas Road.
o. Lakewood Street, from McCausland Street to Thomas Road.

(3) In the area of Liberty University, as follows:

a. Candlers Mountain Road (sidewalk only; must yield to pedestrians), from ~~Regents Parkway~~ Hershey-Esbenshade to University Boulevard
b. The signalized crossing at ~~Regents Parkway~~ Hershey-Esbenshade and Candlers Mountain Road.
c. The signalized crossing at Candlers Mountain Road and University Boulevard.
d. University Boulevard, from Candlers Mountain Road to Liberty Mountain Drive.
e. Liberty Mountain Drive, from Candlers Mountain Road to the City boundary with Campbell County.
f. Liberty Mountain Drive, from Candlers Mountain Road to the north at the end of the City right of way.
g. A crossing of Candlers Mountain Road at the intersection with Liberty Mountain Drive and the hotel driveway.
h. Regents Parkway from Liberty Mountain Drive to University Boulevard

(4) In the area of Central Virginia Community College, as follows:

a. Harvard Street (State Route 368), from Wards Road to Wards Ferry Road.

Even if the city council has approved the operation of a golf cart or utility vehicle on a designated public highway, if the designated public highway is maintained by the Virginia Department of Transportation, no person shall operate any golf cart or utility vehicle on such public highway until the Virginia Department of Transportation also approves the operation of golf carts and utility vehicles on such public highway.

(b) With regard to each of the public highways listed in subsection (a) above, the city council has considered the factors set forth in subsection 25-188.2(b) above, as required by Section 46.2-916.2 of the Code of Virginia.

2. That this ordinance shall become effective upon its adoption.

Adopted:

Certified: ______________________________
Clerk of Council

035K

AMENDMENT 1
PROPOSED UTILITY VEHICLE ROUTES
LIBERTY UNIVERSITY CAMPUS
02/08/2018

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **March 27, 2018** AGENDA ITEM #: **5**

CONSENT:	REGULAR: **X**	WORK SESSION:	CLOSED SESSION:
ACTION: **X**	INFORMATION:		(Confidential)

ITEM TITLE: Updated License Agreement to Install Aerial and Underground Fiber Optic Cable on Atherholt Road and Langhorne Road.

KEY ELEMENTS:
___Economic Development _X_ Excellent Government _X_ Natural and Built Environment ___Safe Community _X_ Vibrant Community

RECOMMENDATION: After a public hearing, adopt a resolution granting Level 3 Communications, LLC an updated License Agreement to install new fiber optic cable and conduit in City owned rights-of-way and maintain and operate existing lines under License Agreements previously approved by City Council.

SUMMARY: Level 3 Communications, LLC has submitted a request to install approximately 1500 feet of aerial fiber optic cable and 400 feet of underground conduit in City owned rights-of-way from 1920 Atherholt Road, across Langhorne Road, then along Langhorne Road to American Electric Power (AEP) Pole 104-5008 just beyond Lansdown Place. Level 3 wants to provide improved internet service to Centra Health.

PRIOR ACTION(S): February 6, 2018 Technical Review Committee (TRC)

March 13, 2018 Physical Development Committee (PDC)

FISCAL IMPACT: None

CONTACT(S): Lee Newland, City Engineer 455-3947
Gaynelle Hart, Director of Public Works 455-4406

ATTACHMENT(S): Resolution
Route Map

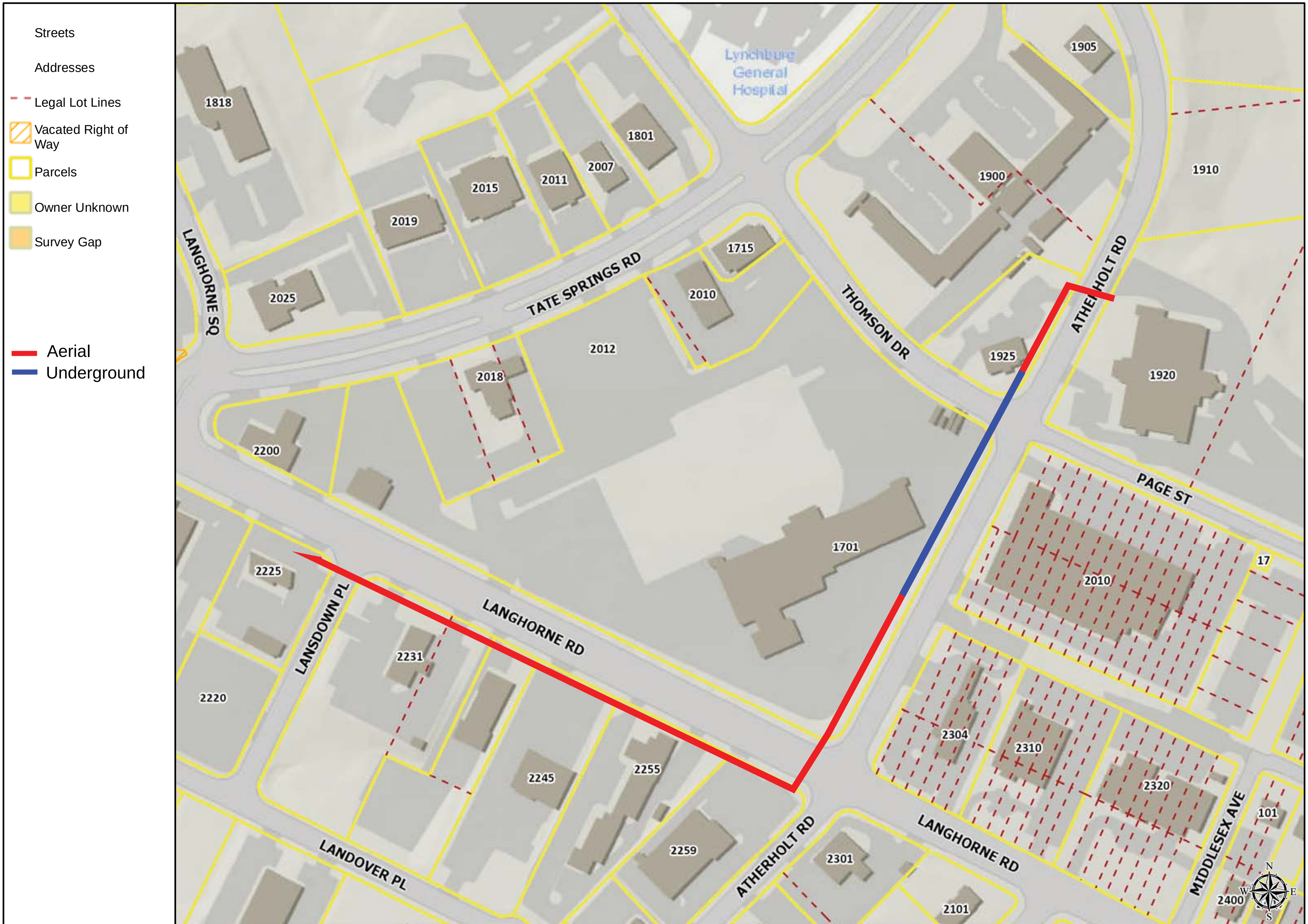
REVIEWED BY: bms

Resolution

BE IT RESOLVED That the City Manager is hereby authorized to execute a nonexclusive license agreement with Level 3 Communications, LLC for the installation, maintenance, and operation of approximately 1500 feet of new aerial fiber optic cable and 400 feet of underground conduit in the City right-of-way from 1920 Atherholt Road to AEP pole 104-508 on Langhorne Road near its intersection with Lansdown Place and to include previous installations under license agreements approved by City Council. Level 3 Communications, LLC's authority to install, maintain, and operate fiber optic cable in the City's public right-of-way is subject to applicable law.

Adopted:

Certified: ______________________________
Clerk of Council



DISCLAIMER: THIS MAP IS NEITHER A LEGALLY RECORDED MAP NOR A SURVEY AND IS NOT INTENDED TO BE USED AS SUCH. THE INFORMATION DISPLAYED IS A COMPILATION OF RECORDS, INFORMATION, AND DATA OBTAINED FROM VARIOUS SOURCES. THE CITY OF LYNCHBURG IS NOT RESPONSIBLE FOR ITS ACCURACY OR HOW CURRENT IT MAY BE.

0 200 400 ft

1 inch = 200 feet 1:2,400

PRINTED ON
March 7, 2018

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **March 27, 2018** AGENDA ITEM #: **6**

CONSENT: REGULAR: **X** WORK SESSION: CLOSED SESSION:
ACTION: **X** INFORMATION: (Confidential)

ITEM TITLE: Lynchburg College Financing Through the Economic Development Authority of the City of Roanoke, Virginia

KEY ELEMENTS:
_X_ Economic Development ___Excellent Government ___Natural and Built Environment ___Safe Community ___Vibrant Community

RECOMMENDATION: Adopt the attached resolution approving the issuance of up to $47,000,000 in bonds for Lynchburg College through the Economic Development Authority of the City of Roanoke, Virginia.

SUMMARY: Lynchburg College (borrower) has requested that Lynchburg City Council approve the issuance by the Economic Development Authority of the City of Roanoke, Virginia of up to $47,000,000 of the Roanoke Authority's revenue bonds or notes, in one or more series, to assist the borrower in (a) financing the acquisition, construction, expansion, renovation and equipping of academic, student housing, athletic, utility and other facilities on or near the borrower's 214-acre campus at 1501 Lakeside Drive which may include improved theater lighting, refurbished dormitory bathrooms and a dormitory that will be largely financed by the Lynchburg Bond (b) refunding the outstanding principal balance of one or more of the following: (i) the $8,837,932.12 Educational Facilities Revenue Bond issued by the Virginia College Building Authority (VCBA), (ii) the $8,500,000.00 Educational Facilities Revenue Bond (Lynchburg College), Series 2017, issued by the Industrial Development Authority (IDA) of the County of Campbell, Virginia, and (iii) the $23,625,000.00 Educational Facilities Revenue Bond, Series 2017A, issued by the Economic Development Authority (EDA) of the City of Lynchburg, Virginia.

The prior bonds were issued for the purpose of financing or refinancing the acquisition, construction, expansion, renovation and equipping of facilities located on or near the Campus, including the borrower's health sciences facility located at 300 Monticello Avenue, Centennial Hall, the borrower's dining hall and ballroom, enterprise resources planning software, and a new dormitory. The approximate outstanding principal amounts of the prior bonds are (a) $5,660,000 for the VCBA Bond; (b) $8,442,000 for the IDA of Campbell County Bond, and (c) $23,625,000 for the EDA of the City of Lynchburg Bond. The prior projects are all located entirely in the City of Lynchburg.

Although the bonds will be issued through the Economic Development Authority of the City of Roanoke, Virginia, regulations require Lynchburg City Council adopt a resolution supporting the transaction.

PRIOR ACTION(S): Council authorized a bond issue for Lynchburg College through the Economic Development Authority of the City of Lynchburg, Virginia on December 12, 2017 for up to $25,000,000.

Council authorized a bond issue for Lynchburg College through the Industrial Development Authority of the County of Campbell, Virginia on October 10, 2017 for up to $8,500,000.

FISCAL IMPACT: There is no financial obligation placed on the City of Lynchburg.

CONTACT(S): Marjette Upshur, 455-4492
Steve Bright, Lynchburg College, 544-8428

ATTACHMENT(S): Resolution
Bond Application

REVIEWED BY: bms

RESOLUTION
OF THE CITY COUNCIL OF
THE CITY OF LYNCHBURG, VIRGINIA

WHEREAS, the Economic Development Authority of the City of Roanoke, Virginia (the "Authority") has considered the application of Lynchburg College (the "Borrower") requesting the issuance of one or more of the Authority's revenue bonds or notes in an amount not to exceed $47,000,000 (the "Bonds") in one or more series, from time to time, to assist the Borrower in (a) financing the acquisition, construction, expansion, renovation and equipping of academic, student housing, athletic, utility and other facilities (collectively, the "Project") on or near the Borrower's 214-acre campus at 1501 Lakeside Drive, located between Lakeside Drive and College Street, in the City of Lynchburg, Virginia (the "City"), which may include improved theater lighting, refurbished dormitory bathrooms and a dormitory that will be largely financed by the Lynchburg Bond (as hereinafter defined), (b) refunding the outstanding principal balance of one or more of the following (collectively, the "Prior Bonds"): (i) the $8,837,932.12 Educational Facilities Revenue Bond (Lynchburg College, 2010A) issued by the Virginia College Building Authority (the "VCBA Bond"), (ii) the $8,500,000.00 Educational Facilities Revenue Bond (Lynchburg College), Series 2017, issued by the Industrial Development Authority of the County of Campbell, Virginia (the "Campbell Bond"), and (iii) the $23,625,000.00 Educational Facilities Revenue Bond (Lynchburg College), Series 2017A, issued by the Economic Development Authority of the City of Lynchburg, Virginia (the "Lynchburg Bond"), and paying accrued interest on the Prior Bonds, (c) paying interest on the Bonds, and (d) paying the costs of issuing the Bonds, and which Project will be located entirely in the City and will be owned and operated by the Borrower; and

WHEREAS, the Prior Bonds were issued for the purpose of financing or refinancing the acquisition, construction, expansion, renovation and equipping of facilities (collectively, the "Prior Projects") located on or near the Campus, including the Borrower's health sciences facility located at 300 Monticello Avenue, Centennial Hall, the Borrower's dining hall and ballroom, enterprise resources planning software and a new dormitory; the approximate outstanding principal amounts of the Prior Bonds are (a) $5,660,000, in the case of the VCBA Bond, (b) $8,442,000, in the case of the Campbell Bond, and (c) $23,625,000, in the case of the Lynchburg Bond; and the Prior Projects are all located entirely in the City and are owned and operated by the Borrower; and

WHEREAS, the Authority has held a public hearing with respect to the Bonds; and

WHEREAS, it has been requested that the City Council of the City (the "Council") approve the financing of the Project, the refunding of some or all of the Prior Bonds and the issuance of the Bonds, and such approval is required for compliance with Section 147(f) of the Internal Revenue Code of 1986, as amended;

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LYNCHBURG, VIRGINIA:

1. The Council approves the financing of the Project, the refunding of any or all of the Prior Bonds and the issuance of the Bonds by the Authority for the benefit of the Borrower, as required by said Section 147(f), to permit the Authority to assist in the financing of the Project and the refunding of the Prior Bonds. The Council concurs with the resolution adopted by the Authority on March 21, 2018 with respect to the Bonds, the Project and the Prior Bonds.

2. The approval of the issuance of the Bonds, as required by said Section 147(f), does not constitute an endorsement of the Bonds, the creditworthiness of the Borrower or the economic viability of the Project or the Prior Projects. The Bonds shall provide that neither the Commonwealth of Virginia (the "Commonwealth") nor any political subdivision thereof, including the City, the City of Roanoke (the "Locality") and the Authority, shall be obligated to pay the principal of or interest on the Bonds or other costs incident thereto except from the revenues and receipts pledged therefor and that neither the faith or credit nor the taxing power of the Commonwealth or any political subdivision thereof, including the City, the Locality and the Authority, shall be pledged thereto.

3. The Council recognizes that, in addition to issuing the Bonds, the Authority may also issue one or more of its obligations (the "Taxable Bonds"), the interest on which will be subject to federal income taxation, for the benefit of the Borrower. The Council is not hereby approving the issuance of the Taxable Bonds, as such approval is not required under applicable law.

4. This Resolution shall take effect immediately upon its adoption.

Adopted: March 27, 2018

Certified: ______________________________
Clerk of Council

036K

ECONOMIC DEVELOPMENT AUTHORITY OF THE
CITY OF ROANOKE, VIRGINIA
City of Roanoke
C/o Office of Economic Development
117 Church Avenue, S.W.
Roanoke, Virginia 24011

APPLICATION STATEMENT

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1. Applicant

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a. Legal name of applicant, state in which registered and organizational identification number, as applicable:
Lynchburg College
Lynchburg, VA

b. Address of principal office:
1501 Lakeside Drive
Lynchburg, VA 24501

c. Telephone number:
434-544-8428

d. Names and address of officers, directors, major stockholders and equity owners or partners, as applicable:
Refer to Attachment A.

e. To whom correspondence should be directed:
Mr. Stephen E. Bright
VP for Business & Finance

f. Name and address of counsel for applicant:
Woods Rogers
Alton L. Knighton, Jr.
10 South Jefferson Street, Suite 1400
Roanoke, VA 24011

f. Identify related parties or entities.
N/A

h. The Authority's $1,750 application fee is submitted with this Application along with $500 to cover the necessary public advertisement costs. In the event the publication costs exceed this figure the Applicant agrees to promptly pay the excess, and, should the publication costs be less than $500 the Authority will refund the overpayment. (See paragraph 5.aa beginning on page 7.) **WAIVED FOR LYNCHBURG COLLEGE 02-22-2018**

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2. Statement of benefits to the City of Roanoke from the project.

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a. State what new employment opportunities will be created as a result of this project, including number, types of jobs and estimated payroll.
The project will not create any new employment opportunities at Lynchburg College.

b. Estimate all taxes by type and amount projected to be paid to the City of Roanoke as a result of this project.
$-0-

b. Specifically state other potential benefits which will accrue to the inhabitants of the City of Roanoke and the State of Virginia.
Lynchburg College employs over 490 people, and approximately 1% are residents in the City of Roanoke. The projects included in this Bond Issue allows the College to provide better and more efficient facilities for our students, faculty/staff, and community. In addition, our new Customer Relationship Management system will provide our students and faculty/staff with a reporting system that will provide many efficiencies.

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3. Identification and description of proposed project

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a. Location of proposed project in the City or Commonwealth of Virginia. Please attach a map or site plan showing specific location.
The project will be located entirely in the City of Lynchburg on Lynchburg College's campus, which is part of the Commonwealth of Virginia.
Refer to Attachment B.

b. Describe the type of facility.
Project will include financing the acquisition, construction, expansion, renovation and equipping of academic, student housing, athletic, utility and other facilities which may include improved theater lighting, refurbished residence hall bathrooms and a new residence hall. It may also include refunding the outstanding principal balance of one or more prior bonds.

c. Describe the proposed arrangement to finance the cost of construction or acquisition of the project. Briefly detail a projected time schedule.
The new projects will be funded through proceeds from the public bond issue. The projects will begin after the May 2018 graduation and continue through the summer of 2019.

d. If the Applicant now owns the project site, indicate: **Project site (currently McWane Hall) for new residence hall is owned by the College. Montgomery Hall is the project site for the refurbished bathrooms. The Montgomery 69 Dorm bond will be paid off in May 2018.**
(1) date of purchase.
(2) purchase price.
(3) balance of existing mortgage.
(4) holder of mortgage.

g. If the Applicant is not now the owner of the project site, does the Applicant have an option or contract to purchase the site and any buildings on the site? If yes, indicate: **N/A**
(1) date option agreement signed with owner.
(2) purchase price.
(3) expiration date of option.
(4) settlement date.

h. Present owner of the site of the project, and the relationship between the present legal owner and the applicant:
The legal owner and applicant are the same.

i. Status of Plans for the Project. Please indicate architect, engineer, general contractor and major subcontractors.
<u>Architect</u>
Dominion Seven Architects
1000 Jefferson Street
Suite 2A
Lynchburg, VA 24504

<u>General Contractor</u>
Jamerson-Lewis Construction
1306 Stephenson Avenue
Lynchburg, VA 24501

h. List principal items or categories of equipment to be acquired as part of the project: **Refer to Attachments C, D, E**

i. Has any of the above equipment been ordered or purchased? If yes, indicate: **No**

Item	Date Ordered	Delivery Date	Price

j. State the proposed uses of bond proceeds:

Description of Cost		Amount
Land and Buildings	**Refer to Attachments C, D, E**	
Equipment		
Cost of financing		
Contingency		

Face amount of issue - **Not to exceed $47,000,000**

k. Have any of the above expenditures already been made by the Applicant? If yes, indicate particulars: **No**

l. Have any of the above expenditures been incurred but not paid by the Applicant? If yes, indicate particulars:
No

m. Are costs of working capital, moving expenses, work in process, or stock in trade included in the proposed uses of bond proceeds?
No

n. Will any of the funds to be borrowed through the Authority be used to repay or refinance an existing mortgage or outstanding loan?
Yes

o. If any space in the project is to be leased to or occupied by third parties, indicate total square footage of the project, the identity of each tenant, amount to be leased to each tenant, and proposed use by each tenant.
N/A

p. Type and amount of outstanding bonds. State the type and amount of outstanding bonds or other obligations, if any, on the present facilities or any other facilities of the Applicant.
Refer to Attachment F

q. Brief description of existing facilities:

(1) Describe the location and type of existing facilities (including, if applicable pollution abatement equipment now provided, its design, capacity, and year constructed). Indicate if the existing facilities are to be abandoned or will continue in use as part of the proposed new facility.
Refer to Attachment G for a list of Buildings and Facilities at Lynchburg College. McWane Hall, an existing older residence hall, will be demolished and a new residence hall will be constructed. The Westover Honors College will be part of the new residence hall.

(2) Age and condition of existing buildings, if any improvements included within this project are to be made thereto, and whether owned in fee or leased.
Refer to Attachment G.

r. Will the construction, occupation, operation or use of the project involve the creation of any pollutants or other emissions, or the use or manufacture of any toxic or hazardous substances? **No** Will operation of the project involve consumption or use of large amounts of electricity, water, gas or other services or products customarily furnished by utilities? **No** Will construction or operation of the project have any impact upon local businesses or residents, such as emission of odors, traffic in and out of the project, or storage of large amounts of materials at the project site? **No** Please provide particulars. **N/A**

4. Financial

a. Future financing plans other than this project:
As outlined in the College's Vision 2020 plan, the College will redevelop and reimagine the science and research spaces in Hobbs-Sigler, Nursing and Psychology to enhance student learning and community engagement. In addition, the College would like to modernize and enhance athletic facilities to attract, enroll, and retain exceptional student-athletes. These two initiatives will be included in the College's next Capital Campaign.

b. Description of present debt, guaranty, long term contracts, prior liens, and other contingent liabilities:
Refer to Attachment F.
Description of Lynchburg College's debt as of 12-31-17.

c. Proposed immediate and long term capital expenditures:
Refer to Attachments C, D, E.

c. Commercial banking connections and for how long a period.
SunTrust Bank – Long term relationship
Union Bank & Trust – New relationship

d. Attach to Application the following financial statements for each of the preceding three (3) years.
Refer to Attachments H, I, J.

(1) Statement of financial condition.

(2) Profit and loss statement.

(3) Statement of surplus.

If the Applicant is a new or recently formed business entity, without recent financial statements, the Applicant should furnish the financial information required by the Application for each principal shareholder, general or limited partner or other principal of the Applicant. If the Applicant is a subsidiary corporation without its own financial statements, financial statements of the parent corporation or consolidated financial statements may be submitted in lieu of financial statements for the Applicant. If the obligations of the Applicant will be guaranteed by any person or business entity, then financial statements of such guarantor should also be included with the Application. Pro forma financial statements, if available, should be submitted with the Application. Since this Application will become a part of the public records of the Authority, in the event the Applicant does not desire financial records not otherwise available to the public to be included in the public record please so indicate so such records may be returned to the Applicant.

e. Has the Applicant, any proposed guarantor, or any partner or major shareholder ever (1) declared bankruptcy or been involved in any bankruptcy or insolvency proceeding, whether voluntary or involuntary; or (2) entered into any arrangement or compromise with creditors involving a reduction, postponement or restructuring of any indebtedness or other obligations? If so, describe particulars.
No

f. Has any underwriter, broker or investment banker been retained by Applicant in connection with this proposed bond issue? If so, who?
Yes

<u>Senior Managing Underwriter</u>
Bank of America
Merrill Lynch, Pierce, Fenner & Smith Inc.
1818 Market Street, 18th Floor
Philadelphia, PA 19103

<u>Co-Managing Underwriter</u>
Davenport & Company, LLC
901 East Cary Street, 11th Floor
Richmond, VA 23219

g. Please indicate the person or institution to whom the bonds will be sold or any persons or institutions which have indicated an interest in purchasing the bonds.
N/A; Public Bond Issue

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5. Miscellaneous

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a. Is the Applicant or any major shareholder or partner presently involved in any litigation, investigation or proceeding? If so, please describe.
No

b. Is the Applicant or any major shareholder or partner of the Applicant, or any other person working for the Applicant in this proposed financing subject to any order, decree or judgment of any court or administrative or other governmental agency or body? If so, please describe.
No

c. Is the Applicant, or any of its shareholders or partners, or any guarantor, or any other person representing Applicant in connection with this proposed financing, involved in any investigation, litigation or proceeding relating to the issuance or sale of securities or any applicable banking laws or regulations? Have any of the foregoing persons ever been involved in any such investigation, litigation or proceeding? If so, please describe in full.
No

d. Is the Applicant subject to regulation (other than in the ordinary course of business) by any Federal agency?
Yes, U.S. Department of Education

e. Please provide Applicant's Federal Employer Identification Number.
54-0505922

f. Name(s) of Principal User(s) of facility — Mailing Address, if Different from Applicant:
Lynchburg College community

h. Does the site of the proposed facility require governmental expenditure for roads, utilities, etc.? Describe:
N/A

i. Are funds from other government-sponsored programs involved in this project? Describe:
N/A

j. Estimated number of regular employees to be employed on year-round basis after acquisition or completion of facility:
The College employs approximately 490 regular employees on a year-round basis. The project will not create new positions at the College.

k. Average annual salary per such employee:
$57,540

l. Estimate the annual payroll after completion of the facility:
The project will not impact the annual payroll at the College.

m. State the growth potential for the facility, employees and proposed wage scale:
N/A

n. State the growth potential for the facility in terms of sales, employment, and plant expansion:
The project will provide better and more efficient facilities for our students, faculty/staff, and the community.

n. If the Authority approves application, when would applicant anticipate issuance of bonds and work on the facility to begin?
May 2018

o. If financing is approved, does applicant expect the Authority bonds to be sold by (a) private placement __________; or (b) public offering __________?
Public Offering

o. If by private placement, has applicant received a commitment or other assurance from a bank or others with respect to the sale of the bond? ____________ Elaborate:
N/A

p. Current yearly real property tax on the proposed site:
-0-

q. Estimated taxable value of the facility's real property (buildings and improvements) to be constructed:
-0-

r. Estimated real property tax per year with respect to the facility when completed on real property to be constructed (buildings and improvements) using present City of Roanoke tax rates:
-0-

s. Estimated value of machinery and tools to be located at facility (please attach list describing in detail):
-0-

u. Estimated personal property tax per year with respect to the facility when completed, using present ax rates:
-0-

v. Estimated merchants' capital tax per year with respect to the facility when completed, using present tax rates:
-0-

w. Estimated dollar value per year of goods that will be purchased from Virginia companies within the locality.
$223,200

x. Estimated dollar value per year of goods that will be purchased from non-Virginia companies within the locality.
$-0-

y. Estimated dollar value per year of services that will be purchased from Virginia companies within the locality.
$175,600

z. Estimated dollar value per year of services that will be purchased from non-Virginia companies within the locality.
$-0-

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aa. It is understood and agreed by the Applicant that Applicant (a) will, upon the filing of this application, pay the Authority's application fee in the amount of $1,750 and prepay the cost of necessary advertisement of any public hearing required to be held with respect to this application, and (b) will pay, when billed, the Authority's closing fee of 1 mill (.001) of the face amount of the Bond issue with a minimum of $1,000 and a maximum of $30,000, (c) on or before June 30 of each year while the bonds are outstanding, an annual administrative fee of $1/16^{th}$ of 1% (i) on multijurisdictional issues, of the face amount of all outstanding bonds issued to provide facilities within the city limits of the City of Roanoke, Virginia and (ii) for extrajurisdictional issues, of the face amount of all outstanding bonds with a limit of any combination of fees in any calendar year to 1/8th of 1% of the applicable bond issue, and (d) all other costs and expenses, including reasonable fees of the Authority's counsel and bond counsel, with respect to this application and any Authority or City Council of City of Roanoke meetings held in connection therewith. In addition, Applicant understands and agrees that in the event the Authority approves the application and adopts an inducement resolution with respect thereto and thereafter authorizes the issuance of its bonds or notes to finance a facility on behalf of the Applicant, all costs of the Authority in connection with any such issue, including the reasonable fees of the Authority's counsel and bond counsel, will be paid either from the proceeds of the issue or directly by the Applicant, or if such bonds or notes are not issued for any reasons, then directly by the Applicant. It is further agreed that the Authority and the City of Roanoke have not, nor will they, endorse the creditworthiness of the Applicant, or the ability of the Applicant to repay and bonds or notes issued in connection with the facility, and that any purchaser of such bonds or notes shall purchase such at their sole risk, with the Authority and the City of Roanoke having no knowledge of nor interest in the likelihood of the successful operation of the facility or repayment of such bonds or notes. Any purchaser of such bonds or notes must agree to the before-mentioned statement and to the fact that no representations of any kind have been made by the Authority or the City of Roanoke regarding the Applicant or the facility.

bb. The Applicant understands that the approval or disapproval of this application is within the discretion of the Authority and that if approved by the Authority the requested financing must also be approved by the City Council of City of Roanoke, Virginia; that the Authority and/or the City Council may require additional financial and other information from the Applicant; that if this application is approved and Authority, its legal counsel and bond counsel, and shall include provisions satisfactory to the Authority, with respect to indemnifying the Authority and payment by Applicant to the Authority of additional funds as may be necessary on an annual basis to be applied to the Authority's general operating and audit expense while such bonds or notes are outstanding and that if the Authority adopts an inducement resolution with respect to the issuance of bonds or notes on behalf of Applicant and thereafter before the issuance of its bonds or notes determines (1) that any material information furnished to the Authority or the City Council by or on behalf of the Applicant is false or misleading, (2) that the Applicant has failed to abide by any rules, procedures, requirements or agreements arising from or related to this Application Statement, (3) if after the adoption of such resolution the proposed financing is not thereafter approved by the City Council of City Council of City of Roanoke, or (4) if the Authority deems the Applicant to have taken insufficient action toward closing the requested financing, the Authority, in any such event, reserves and shall have the right to revoke or rescind such inducement resolution which the Authority has entered into with Applicant, after not less than ten (10) days written notice of the Authority's intention so to do, addressed and mailed to the Applicant at its address given in this Application.

Dated this _**5th**___ day of _**March**________________, 20**18**.

Applicant:

By: [signature]

Its: **Vice President for Business and Finance**

Address **1501 Lakeside Drive**

Lynchburg, VA 24501

Attachment A
Lynchburg College

Officers and Trustees

The College is governed by a self-perpetuating Board of Trustees (the "Board"), its Chair and other officers. The College's by-laws provide that the Board consists of not less than 30 nor more than 39 members. The Board is elected for staggered, 3-year terms by the incumbent trustees. The current officers and trustees (including the expiration of their term) are as follows:

Corporate Officers

Nathaniel X. Marshall '83	Chair
Charles P. Collings '73	First Vice Chair
Melanie Biermann '71	Second Vice Chair
Kathryn M. Pumphrey '75, '85 MEd	Secretary
Kenneth R. Garren	President of the College

Board of Trustees

Name	Occupation	Term Expires
Hannah Besanceney '96	Rogers, Arkansas	2019
Melanie Biermann '71 *Second Vice Chair*	Educator (Retired) Free Union, Virginia	2018
Christopher L. Boyd '97	Executive Pastor Word of Faith Family Worship Cathedral Jonesboro, Georgia	2019
David C. Boyle '91	Principal Strategic Tech. Adv. Services Ernst & Young LLP Philadelphia, Pennsylvania	2018
Howard M. Butler '90	Butler Insurance Agency (Retired) Lynchburg, Virginia	2018
Carol C. Calandra '84	Group CFO Markets Ernst & Young Global Limited New York, New York	2018
E. Stewart Coleman '86	Realtor Coldwell Banker Georgetown Washington, DC	2019
Charles P. Collings '73 *First Vice Chair*	Senior Vice President/Investments Janney Montgomery Scott, LLC Bryn Mawr, Pennsylvania	2019
Stephen L. Crank '73, '74 MBA	Senior Vice President/Financial Advisor CAPTRUST Financial Advisors Lynchburg, Virginia	2020

Attachment A
Lynchburg College

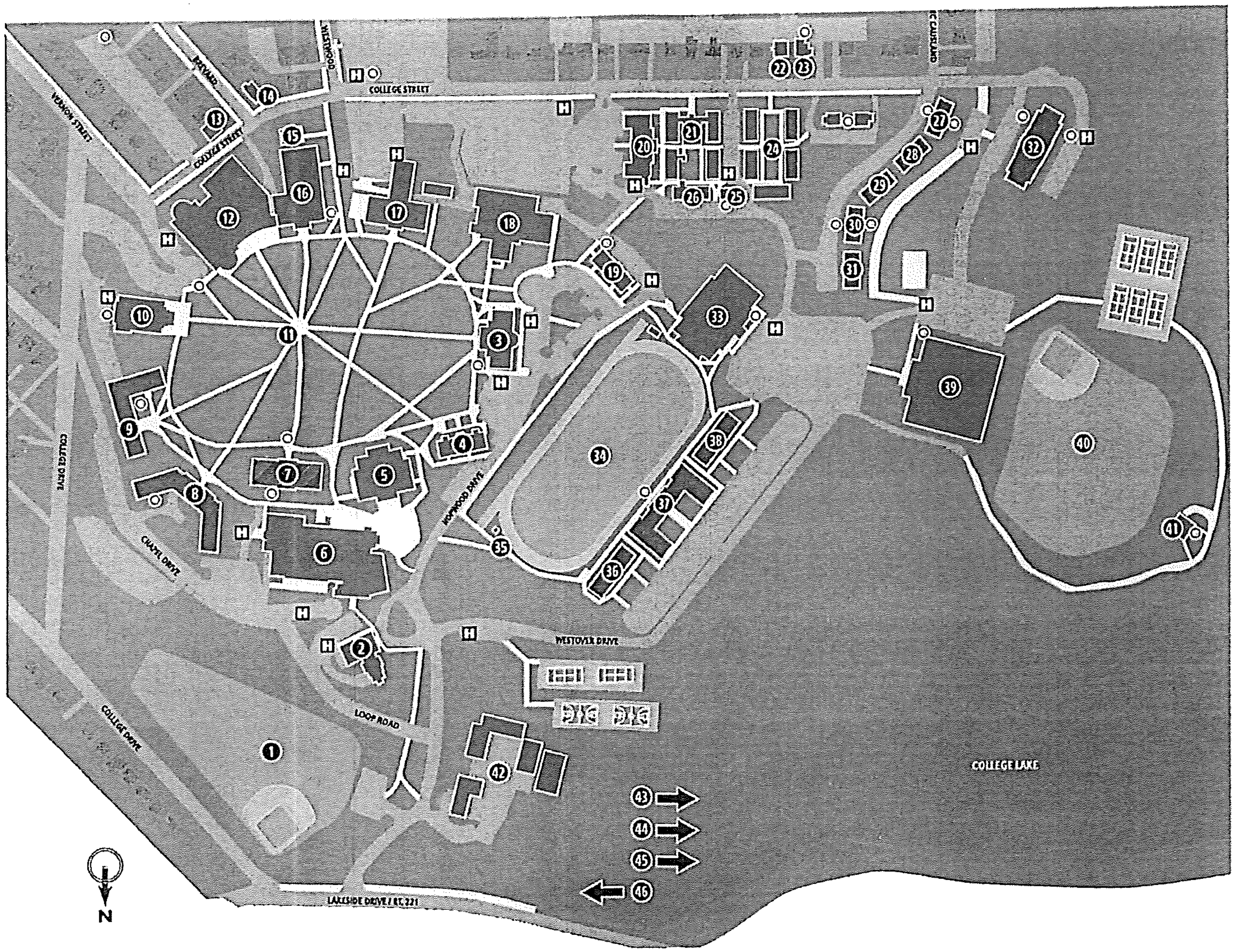
Name	Occupation	Term Expires
Warren Cross, Jr.	President/CEO Cross Services Group, Inc. Natick, Massachusetts	2018
Beverly E. Dalton	Owner English Construction Lynchburg, Virginia	2018
Richard O. Danker	Co-Founder Glory Days Restaurant Middleburg, Virginia	2018
MaryJane Dolan	Lynchburg City Council Lynchburg, Virginia	2019
Julie P. Doyle	President The Education and Research Foundation, Inc. Lynchburg, Virginia	2019
Rebecca DuFour '82	Author/Educational Consultant DuFour Consulting/Professional Learning Communities Forest, Virginia	2019
Darla D. Edwards '95	President and Co-Founder Successful Innovations Inc. Williamsburg, Virginia	2020
Polly B. Flint '71, '73 MEd	Real Estate Agent Flint Property Group Lynchburg, Virginia	2019
Suzanne F. Flynn '80	Information Technology Madison, New Jersey	2018
Michael A. Gillette	President Bioethical Services of Virginia, Inc. Lynchburg, Virginia	2020
William K. Grogan '68	Attorney at Law Grogan and Associates Richmond, Virginia	2020
Jay E. Hopkins	President (Retired) Blue Ridge Orthopedics Lynchburg, Virginia	2020
Terry Hall Jamerson	Publisher The Roanoke Times Roanoke, Virginia	2020

Attachment A
Lynchburg College

The Board of Trustees meets three times per year and delegates the oversight of the College to the Executive Committee, which is composed of committee chairs, board chairs or officers, and at-large members. In addition to the Executive Committee, the Board has standing committees in the following areas.

- Audit Committee
- Enrollment Committee
- Student Life Committee
- Educational Program Committee
- Investment Committee
- Buildings and Grounds Committee
- Budget and Finance Committee
- Committee on Trusteeship
- Advancement Committee

Attachment B
Lynchburg College



Campus Map

1. Moon Field
2. Alumni House
3. Hopwood Hall
4. Carnegie Hall
5. Hall Campus Center
6. Drysdale Student Center
7. Hundley Hall
8. Tate Hall
9. Montgomery Hall
10. Snidow Chapel/Hebb Music Center
11. Friendship Circle
12. Schewel Hall
13. Spiritual Life Center
14. History House
15. Davis House
16. Knight-Capron Library
17. Hobbs Hall
18. Dillard Fine Arts Center
19. Psychology
20. Thompson Hall (education)
21. McMillan Building (nursing)
22. Education faculty offices
23. Health Sciences faculty offices
24. Crews and Reynolds Courts
25. Graduate Studies
26. Warren Counseling Center
27. Bullard House
28. Huston House
29. Warren House
30. Rainsford House
31. Brewer House
32. Peaksview Hall
33. Turner Gymnasium
34. Shellenberger Field
35. Victory Bell Tower
36. Shackelford Hall
37. McWane Hall
38. Freer Hall
39. Wake Field House
40. Fox Field
41. Beaver Point Clubhouse
42. Physical Plant/Print Shop
43. Practice Fields
44. Adventure Course
45. Claytor Nature Study Center (Bedford County)
46. Graduate Health Sciences Building

H Handicap Parking
Emergency Phone

Attachment C
Lynchburg College

DESIGN DEVELOPMENT PROJECT BUDGET - FEBRUARY 23, 2018

LYNCHBURG COLLEGE NEW RESIDENCE HALL

CONSTRUCTION COSTS						
New Residence Hall						$23,056,259
Construction Costs Subtotal		94,350	SF @	$244	/SF	$23,056,259
OTHER COSTS						
Professional Services:						
	Architectural/Engineering/Interior Design Services (6.16% of cost of construction)					$1,493,000
	Early Foundation Package					$9,700
	Landscape Design					$32,500
	Water Flow Test					$700
	Geotechnical (soil borings)					$12,400
	Seismic testing (additional geotechnical investigation)					$3,350
	Timmons - 3D images					$3,300
	Timmons - Parking analysis on the lower courts					$550
	Timmons - Stormwater outfall improvements					$2,750
	Cooper Carry - fly around					$1,350
	Public Area Furniture Selection (Curcio) allowance					$35,000
Project Allowances						
	Underground Utility Exploration					$31,372
	Hazardous Material Survey and Monitoring					$17,370
	Building Commissioning (allowance)					$90,000
	As Built Record Documents (allowance)					$10,000
	Special Inspections (allowance)					$85,000
Furniture, Fixture and Equipment						
	Furnishings Allowance					$600,000
	Residence room furniture (bed, desk, chair, dresser, etc.					$793,000
	Network and coaxial cabling and classroom technology					$500,000
	Security Allowance					$200,000
Other Expenses						
	Environmental Permitting					Not included
	Detailed Wetlands Delineation					Not included
	Legal Expenses					Not included
	Financing Expenses					Not included
	Fundraising Expenses					Not included

Attachment C
Lynchburg College

Other Costs Subtotal						$4,121,342
Sub-Total						$27,187,601
Recommanded Budget Contingency						$250,000
Total Project Budget						$27,437,601

Attachment C
Lynchburg College

LC NEW RESIDENCE HALL

CONSTRUCTION BUDGET COST BREAKDOWN

February 21st, 2018

DIVISION OF WORK	ESTIMATED COST	
GENERAL REQUIREMENTS	$	600,876
SITE WORK	$	1,802,402
STRUCTURE	$	4,947,223
BUILDING ENVELOPE	$	2,543,608
FINISHES	$	4,610,937
MECH, ELEC, PLUMB & SPRINKLER	$	6,569,811
GC PERMITS, FEES, BOND	$	225,505
GC OH&P	$	450,000
TOTAL ESTIMATED COSTS *Sum of the Breakout Costs Above*	$	21,750,362
CONSTRUCTION CONTINGENCY - 1%	$	217,504
DESIGN CONTINGENCY - 5%	$	1,098,393
OWNER CONTINGENCY - BY OWNER	$	-
Total Construction Costs =	**$**	**23,066,259**

SPECIFIC INCLUSIONS

Topping Slab on Roof, Aggregate Piers, NFPA 13R Sprinkler System, Access Control System

SPECIFIC EXCLUSIONS

Asbestos Abatement, Undercut of Footings, Window Treatments, Residential Appliances, Owner FFE

Attachment D
Lynchburg College

LYNCHBURG COLLEGE: MONTGOMERY HALL TOILET RENOVATION

February 19, 2018

PROJECT BUDGET FOR COMPLETING THE WORK IN ONE PHASE

CONSTRUCTION COSTS				
Renovation of 1st through 5th Floors		SF @		$1,792,092
Construction Costs Subtotal	0	SF @ #### /SF		**$1,792,092**

OTHER COSTS		
Professional Services:		
Architectural/Engineering/Interior Design Services		$71,684
OWNER Provided Services		
Asbestos Testing Budget		$10,000
Asbestos Monitoring Budget		$15,000
Other Costs Subtotal		$96,684
Sub-Total		$1,888,776
Budget Contingency Included in construction cost ($74,228)	0%	$0
Total Project Budget		**$1,888,776**

Attachment D
Lynchburg College

LC MONTGOMERY HALL BATHROOM

CONSTRUCTION BUDGET COST BREAKDOWN

February 19th, 2018

	DIVISION OF WORK	COMBINED PHASES		PHASE 1		PHASE 2	
010 000	GENERAL CONDITIONS	$	59,655	$	56,202	$	48,400
	GENERAL REQUIREMENTS	$	29,600	$	28,100	$	12,000
020 000	EXISTING CONDITIONS	$	107,918	$	74,641	$	33,277
	ASBESTOS ABATEMENT	$	100,000	$	68,000	$	32,000
030 000	CONCRETE	$	11,815	$	6,737	$	5,078
040 000	MASONRY	$	95,480	$	66,000	$	29,480
050 000	METALS	$	24,650	$	18,850	$	5,800
060 000	WOOD, PLASTICS & COMPOSITES	$	67,970	$	53,720	$	14,250
070 000	THERMAL & MOISTURE PROTECTION	$	12,000	$	9,500	$	2,500
080 000	OPENINGS	$	14,507	$	11,234	$	3,273
090 000	FINISHES	$	142,435	$	90,787	$	51,648
100 000	SPECIALTIES	$	87,867	$	58,643	$	29,224
110 000	EQUIPMENT	$	-	$	-	$	-
120 000	FURNISHINGS	$	-	$	-	$	-
130 000	SPECIAL CONSTRUCTION	$	-	$	-	$	-
140 000	CONVEYING EQUIPMENT	$	-	$	-	$	-
210 000	FIRE SUPPRESSION	$	-	$	-	$	-
220 000	PLUMBING	$	727,500	$	462,500	$	236,500
230 000	MECHANICAL	$	45,100	$	38,900	$	6,200
260 000	ELECTRICAL	$	104,859	$	66,558	$	32,844
310 000	EARTHWORK	$	-	$	-	$	-
320 000	EXTERIOR IMPROVEMENTS	$	1,500	$	1,500	$	1,500
330 000	UTILITIES	$	-	$	-	$	-
Permit		$	4,292	$	3,197	$	2,050
License Tax / Insurances		$	3,811	$	2,636	$	1,743
Bond		$	10,888	$	7,619	$	4,831
Design / PreConstruction Fees		$	-	$	-	$	-
Cost Adjustment - 2.5%		$	-	$	-	$	13,599
Construction Contingency - 5%		$	74,228	$	50,404	$	28,310
GC Overhead and Profit - 4%		$	65,717	$	44,760	$	23,780
Total Construction Costs =		$	1,792,092	$	1,220,488	$	618,288

SPECIFIC INCLUSIONS

Selective demolition, Cutting & Patching, New ACT ceilings in Bathrooms, New Finishes, New MEP work, Access Doors, Access for Demolition Debris in and out of building, New Specialties, Replacing floor finishes at floor cutting, etc

SPECIFIC EXCLUSIONS

Hazardous Material Abatement, Fire Suppression System, Any work to Stormwater, Domestic Water piping & equipment in Mech Room, New Site Finishes, Laundry Equipment

Attachment E
Lynchburg College

Andy Smoot
City Electric Supply
141B Bradley Drive
Lynchburg, VA. 24501

CITY ELECTRIC SUPPLY

Cell: 434-282-4624
Phone: 434-485-0146
Fax: 434-439-2100
Email: asmoot@ces-us.net

Quotation

Job Name:	LC DILLARD THEATER LTG UPGRADE	*Date:*	February 21, 2018
Customer:	LYNCHBURG COLLEGE	*Revision:*	0
		Quote No.:	022118-1
Attention:	BOYCE HAMLET		

Per your request, City Electric Supply is pleased to offer the following Bill of Material for the above mentioned project. Unless other wise noted, Bill of Material is per our interpretation of plans and specifications provided. Should you have any questions or require additional information for this project, please contact me.

1 LOT OF EQUIPMENT, MATERIALS, AND LABOR DESCRIBED AS FOLLOWS TO ACHIEVE UPGRADES AS LISTED BELOW FROM SITE VISITS AND REVIEWS WITH LYNCHBURG COLLEGE. WE HAVE WORKED TO COVER ALL ITEMS REQUESTED UP THROUGH OUR LAST SITE VISIT ON 2/20/18. AT THIS TIME WE ARE OFFERING THIS QUOTATION AS A BUDGET PRICE SINCE WE BELIEVE WE HAVE EXCEEDED WHAT WILL BE THE ACTUAL REQUIREMENTS FOR THE PROJECT, BUT WANTED TO ASSURE THAT ANY NEEDS ARE BEING MET. UPON ACCEPTANCE OF CITY ELECTRIC SUPPLY'S PROPOSAL, WE WILL WORK WITH LYNCHBURG COLLEGE TO REFINE AND TRIM OUR PROPOSAL AND PRICE IN REGARDS TO EQUIPMENT, MATERIALS, AND LABOR TO REFLECTS THE ACTUAL FIRM REQUIREMENTS LYNCHBURG COLLEGE DESIRES.
IN ADDITION WE ARE USING ONLY LOCAL EXPERIENCED PROFESSIONAL CONTRACTORS AND INSTALLATION PROFESSIONALS TO ASSURE PRESENT SUPPORT AND EASY ACCESS TO FUTURE SUPPORT.

Total Lot Budget Price Based Off Estimates & Allowances: $439,000.00

THEATRICAL LIGHTING & EQUIPMENT:

46 - SOURCE FOUR LED LUSTR+ COLOR LIGHT ENGINE SERIES-2 WITH TUBE

24 - OVATION F915FC FULL COLOR LED FRESNELS

8 - SOURCE FOUR LED LUSTR+ COLOR LIGHT ENGINE SERIES-2 w/ CYC ATTACHMENT

3 - LYCIAN 1250KB 1200WATT FOLLOWSPOT

1 - ETC SENSOR DIMMER RACK WITH 48X20 AMP DIMMERS

1 - UPGRADED THEATRICAL CONTROL BOARD (ALLOWANCE)

Attachment E
Lynchburg College

CITY ELECTRIC SUPPLY

Andy Smoot
City Electric Supply
141B Bradley Drive
Lynchburg, VA. 24501

Cell: 434-282-4624
Phone: 434-485-0146
Fax: 434-439-2100
Email: asmoot@ces-us.net

Quotation

Job Name:	LC DILLARD THEATER LTG UPGRADE	*Revision:*	*0*
		Quote No.	*022118-1*

1 LOT - CONNECTOR STRIPS AND FLOOR BOXES

1 LOT - DMX CABLE, CONNECTORS, DISTRIBUTION HUBS, MISC.

1 LOT - CLAMPS, SAFETY CABLES, MISC HARDWARE

1 LOT - MISCELLANIOUS MATERIALS

1 LOT - LABOR TO INSTALL, PROGRAM AND FOCUS FIXTURES, PROGRAM DIMMERS, INSTALL DMX CONTROL WIRING, ASSIST WITH SYSTEM COMMISIONING, PROVIDE TRAINING AND START UP SUPPORT, INSTALL INTERCOM STATIONS (PROVIDED BY LC). ADD VERTICLE PIPING ON HOUSE WALL FOR ADDITIONAL LIGHT POSITIONS.

THEATRICAL LIGHTING & EQUIPMENT CLARIFICATIONS:
1. RIGGING INSPECTION OR REPAIR IS NOT INCLUDED
2. DRAWINGS ARE NOT INCLUDED
3. SPECIAL MANLIFT EQUIPMENT OR SCAFFOLDING IS NOT INCLUDED SINCE THEATRICAL LIGHTING BARS ARE LOWERABLE AND THE REST IS ACCESSABLE FROM CATWALKS.

<u>ELECTRICAL EQUIPMENT LIGHTING & EQUIPMENT:</u>

DEMO OF EXISTING DIIMMING CABINET

1 - NEW LIGHTING BREAKER PANELBOARD ADEQUATE FOR EXISTING AND NEW CIRCUITS, PLUS SPACES FOR FUTURE CIRCUITS (ALLOWANCE)

1 - LIGHTING CONTACTOR / TERMINAL CONNECTION CABINET

19 - LED RETROFITS FOR HOUSE LIGHTING WITH REMOTE MOUNT 0-10V CONTROL DRIVER, 0-100% DIMMING RANGE, 2700K WARM

2 - ADDITIONAL LED FIXTURES FOR ABOVE CONTROL BOOTH (ALLOWANCE)

40 - RETROFITS OF HOUSE SEAT LIGHTS (ALLOWANCE)

Attachment E
Lynchburg College

CITY ELECTRIC SUPPLY

Andy Smoot
City Electric Supply
141B Bradley Drive
Lynchburg, VA. 24501

Cell: *434-282-4624*
Phone: *434-485-0146*
Fax: *434-439-2100*
Email: asmoot@ces-us.net

Quotation

Job Name: LC DILLARD THEATER LTG UPGRADE

Revision: *0*

Quote No. *022118-1*

1 LOT - LABOR TO DEMO THE NECESSARY ELECTRICAL SYSTEMS, LABOR TO INSTALL NEW ELECTRICAL SYSTEMS AS DESCIBED ABOVE, AND MISC. ELECTRICAL MATERIALS.

NOTES:
*FIGURES PROVIDED ARE ESTIMATES / ALLOWANCES.
*MANY ITEMS ARE CUSTOM AND WILL HAVE TO BE QUOTED BY MANUFACTURERS FOR ACCURATE PRICING.
*QUOTED LESS SPECS / SUBJECT TO APPROVAL
*QUOTE IS GOOD FOR 30 DAYS (STANDARD NOTE DUE TO COMODITY ITEMS)

Attachment F

LYNCHBURG COLLEGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 6 - Debt

The College's debt at December 31, 2017 and 2016, consisted of the following:

Description and Payee	Principal Maturities by Fiscal Year	2017	2016
3% dormitory bonds of 1969, payable to U.S. Secretary of Housing and Urban Development	From $30,000 in 2018 to $0 in 2019	30,000	75,000
Educational Facilities Revenue Bond issued by the Virginia College Building Authority to prepay prior obligations and to pay certain expenses of issuing the bond, interest cost of 67% of 1-month LIBOR and 2% payable on the first day of each month	From $363,671 in 2018 to $528,576 in 2035	5,721,230	6,077,804
Bond issued by the Economic Development Authority of the City of Lynchburg, overall true interest cost of 4.44% annum payable annually on September 1.	From $1,095,000 in 2018 to $1,185,000 in 2044	19,660,940	20,759,881
Bond issued by the Economic Development Authority of Amherst County, variable interest rate equal to 65% of the sum of (30-Day LIBOR plus 2%). Structured as a "draw down" bond, so that the Bank will advance funds up to $7,571,000 as needed by the College for the Health Science Center project costs **Paid off with proceeds of Series 2017 Tax Exempt financing**		-	5,289,007
Taxable term note payable to a bank for purchasing and renovating certain student housing, interest is due monthly at a rate of 30-day LIBOR plus 1.5%	From $84,555 in 2018 to $126,954 in 2026	805,442	887,578
Note payable to a bank for purchasing a VOIP telephone system with monthly principal payments of $9,167 plus accrued interest thru July 1, 2020. Interest is 1-month LIBOR plus 1.50% per annum. The note is secured by all deposits and investments maintained by the bank for the College **Paid off with proceeds of 2017 taxable loan**		-	394,167
Note payable to a bank for purchasing technology equipment upgrades with monthly principal payments of $6,667 plus accrued interest thru August 1, 2021. Interest is 1-month LIBOR plus 1.75% per annum. The note is secured by all deposits and investments maintained by the bank for the College. **Paid off with proceeds of 2017 taxable loan**		-	373,334
2017 Taxable Loan issued through Union Bank on September 12, 2017 to pay off VOIP and Tech Upgrade Loans with SunTrust Bank, and reimburse College for local properties previously purchased. $2,229,435 was borrowed to be paid quarterly at an annual rate of one-month LIBOR plus 1.282%.	From $340,023 in 2018 to $460,400 in 2023	2,113,206	-
2017 Tax-Exempt Bond Issued through Campbell County IDA and Union Bank on October 17, 2017. $8,500,000 proceeds used to payoff existing 2013BQ Loan for the Health Sciences Building, with remaining funds available for campus improvements and a new ERP system. To be repaid quarterly at 65% of one-month LIBOR plus 0.657%.	From $88,000 in 2018 to $478,628 in 2043	8,472,000	-
2017A Tax-Exempt Bond issued through the City of Lynchburg EDA and Union Bank. $23,625,000 proceeds to be used for a new dormitory. To be repaid at 65% of one-month LIBOR + 1.461%.	From $33,750 in 2019 to $1,361,250 in 2048	23,625,000	-
	Totals	60,427,818	33,856,771

At December 31, 2017, the swap agreement was a liability for an estimated amount of $1,238,957.

statements dec17_final as of 2.13.18
Notes (6) table
prepared 2/13/17.lg

Attachment G
Lynchburg College

Mr. George P. Coler (Acting, 1914-1915)
Dr. John T. Hundley (1915-1936)
Dr. Riley B. Montgomery (1936-1949)
Dr. Orville W. Wake '32 (1949-1964)
Dr. M. Carey Brewer '49 (1964-1983)
Dr. George N. Rainsford (1983-1993)
Dr. Charles O. Warren (1993-2001)
Dr. Kenneth R. Garren (2001-present)

The Campus

Located in the heart of Lynchburg on 264 acres, LC's beautifully landscaped campus is a showplace. More than 40 buildings, many of Georgian style architecture, grace the campus with the Blue Ridge Mountains forming the western skyline. Nearby are newly renovated athletic fields and tennis courts.

The Health Sciences Building on Monticello Avenue is a 10 minute walk from the main campus and houses the Doctor of Physical Therapy and Masters of Physician Assistant Medicine programs.

A small lake is bordered by wooded hills and part of an original forest of oak, hickory, poplar, pine, and dogwood.

The 470-acre Claytor Nature Study Center in Bedford County sits at the foot of the Blue Ridge with a spectacular view of the Peaks of Otter.

Buildings and Facilities

Hopwood Hall 1909 (formerly Main Hall)
Carnegie Hall 1909
Hall Campus Center (formerly Memorial Gymnasium) 1923, renovated 1980
Hundley Hall 1954
Knight-Capron Library 1954; Capron addition, 1969
Hobbs Hall 1959; laboratory wing 1993; renovated 1995
Shackelford Hall 1963
Freer Hall 1963
Crews and Reynolds Courts 1964
McWane Hall 1966
Snidow Chapel-Hebb Music Center 1966
Tate Hall 1967
Burton Student Center 1968
Turner Gymnasium 1969, renovated 2000
Wake Field House 1969
Montgomery Hall 1970
Dillard Fine Arts Center 1974
Alumni House 1985
McMillan Nursing Building 1987
Thompson Education building 1987; renovated 2009
Daura Art Gallery 1990; addition 1995
Beaver Point Clubhouse 1990
Bell Tower 1993
A. Boyd Claytor III Education and Research Facility 2003
Brewer, Rainsford, and Warren townhouses 2003

Attachment G
Lynchburg College

Bullard and Huston townhouses 2004
Elliot & Rosel Schewel Hall 2005
Peaks View Hall 2005
Belk Astronomical Observatory 2007
Shellenberger Field renovated 2007
Moon Field renovated 2006, 2007
Graduate Health Sciences Building 2010
Chandler Eco-Lodge 2014
Drysdale Student Center expansion and renovation 2014
Historic Sandusky 2016

Academic Sessions

Fall and Spring Semesters

The College operates under the semester system, with a yearly schedule indicated by the College calendar.

January Term - "J Term"

A voluntary term during the winter break provides on-campus and online opportunities for pursuit of a selection of courses.

Summer Session

The Summer Session offers opportunity for acceleration of degree programs, pursuit of courses with particular appeal, and opportunity to remedy deficiencies.

Detailed information about summer sessions is available at the Lynchburg College web site, www.lynchburg.edu/summer.

Non-Discrimination Statement

Lynchburg College does not discriminate on the basis of race, color, national origin, sex, pregnancy (including childbirth or related medical conditions including lactation), marital status, disability, age (40 and over), sexual orientation, sexual identity, or religion in its programs and activities, including admission to and employment at Lynchburg College.

Lynchburg College is in compliance with Title IX of the Education Amendments of 1972, which prohibits discrimination based on sex in educational programs and activities, including employment and admission. (Prohibited discrimination based on sex includes sexual harassment and sexual violence.) For questions regarding Lynchburg College's compliance with Title IX, please contact the Title IX Coordinator at Director of Human Resources, 4th floor, Hall Campus Center, 1501 Lakeside Drive, Lynchburg, VA 24501; phone: 434.544.8215; email: titleix@lynchburg.edu.

Inquiries about the application of Title IX may also be referred to the Office for Civil Rights (OCR) at Office for Civil Rights, U. S. Department of Education, 400 Maryland Avenue, SW, Washington, D.C. 20202-1475; Telephone: 800.421.3481 or 202.453.6020; fax: 202.453.6021; TDD: 800.877.8339; Email: ocr@ed.gov; http://wdcrobolp01.ed.gov/CFAPPS/ORR/contactus.cfm.

Lynchburg College is in compliance with Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination based on disability in admission, Attachment H

LYNCHBURG

COLLEGE EST. 1903

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2017

BROWNEDWARDS

certified public accountants

LYNCHBURG COLLEGE

CONSOLIDATED FINANCIAL REPORT

June 30, 2017

LYNCHBURG COLLEGE
June 30, 2017

CONTENTS

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Lynchburg College
Lynchburg, Virginia

We have audited the accompanying consolidated financial statements of Lynchburg College, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

319 McClanahan Street, S.W. • Roanoke, Virginia 24014-7705 • 540-345-0936 • Fax: 540-342-6181 • www.BEcpas.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lynchburg College as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 25, 2017

LYNCHBURG COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2017

	2017		
	Operating and Other	**Endowment**	**Total**
ASSETS			
Cash and cash equivalents	$ 1,787,016	$ 620,178	$ 2,407,194
Student and interest receivables, less allowance for doubtful accounts $580,000	2,172,098	-	2,172,098
Inventories	686,011	-	686,011
Prepaid expenses	919,170	-	919,170
Contributions receivable (Note 2)	2,334,216	134,837	2,469,053
Notes receivable, college and government student loans, net of allowance for doubtful accounts $142,000	1,309,950	-	1,309,950
Investments (Note 3)	3,970,833	85,928,978	89,899,811
Funds restricted to investment in land, buildings, and equipment	698,258	-	698,258
Land, buildings, and equipment, net of accumulated depreciation (Notes 4 and 6)	79,731,492	-	79,731,492
Intangible assets	15,393	-	15,393
Funds held in trust by others (Note 5)	-	20,437,555	20,437,555
Due (to) from	2,679,710	(2,679,710)	-
Total assets	$ 96,304,147	$ 104,441,838	$ 200,745,985
LIABILITIES AND NET ASSETS			
Accounts payable, trade	$ 1,112,716	$ -	$ 1,112,716
Accounts payable, construction	359,716	-	359,716
Accrued compensation payable	407,335	-	407,335
Payroll taxes and other withholdings	494,762	-	494,762
Deferred revenue, net	4,096,944	-	4,096,944
Student deposits	1,501,696	-	1,501,696
Trust and annuity obligations	1,930,761	-	1,930,761
U.S. government grants refundable	897,636	-	897,636
Interest rate swap agreement liability (Note 6)	1,238,957	-	1,238,957
Debt (Note 6)	32,782,736	-	32,782,736
Total liabilities	44,823,259	-	44,823,259
Net assets (Note 7)			
Unrestricted	43,652,824	21,238,438	64,891,262
Temporarily restricted	6,224,841	41,436,736	47,661,577
Permanently restricted	1,603,223	41,766,664	43,369,887
Total net assets	51,480,888	104,441,838	155,922,726
Total liabilities and net assets	$ 96,304,147	$ 104,441,838	$ 200,745,985

The Notes to Consolidated Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2016

	2016		
	Operating and Other	Endowment	Total
ASSETS			
Cash and cash equivalents	$ 3,852,117	$ 9,171,285	$ 13,023,402
Student and interest receivables, less allowance for doubtful accounts $494,000	1,863,225	-	1,863,225
Inventories	705,316	-	705,316
Prepaid expenses	895,600	-	895,600
Contributions receivable (Note 2)	2,731,638	114,739	2,846,377
Notes receivable, college and government student loans, net of allowance for doubtful accounts $143,000	1,492,233	-	1,492,233
Investments (Note 3)	5,445,826	67,387,080	72,832,906
Funds restricted to investment in land, buildings, and equipment	1,133,917	-	1,133,917
Land, buildings, and equipment, net of accumulated depreciation (Notes 4 and 6)	81,127,289	-	81,127,289
Intangible assets	-	-	-
Funds held in trust by others (Note 5)	-	19,248,957	19,248,957
Due (to) from	(713,418)	713,418	-
Total assets	$ 98,533,743	$ 96,635,479	$ 195,169,222
LIABILITIES AND NET ASSETS			
Accounts payable, trade	$ 1,211,661	$ -	$ 1,211,661
Accounts payable, construction	462,672	-	462,672
Accrued compensation payable	399,099	-	399,099
Payroll taxes and other withholdings	492,213	-	492,213
Deferred revenue, net	3,628,378	-	3,628,378
Student deposits	1,421,996	-	1,421,996
Trust and annuity obligations	1,991,623	-	1,991,623
U.S. government grants refundable	894,197	-	894,197
Interest rate swap agreement liability (Note 6)	1,809,236	-	1,809,236
Debt (Note 6)	34,806,439	-	34,806,439
Total liabilities	47,117,514	-	47,117,514
Net assets (Note 7)			
Unrestricted	43,712,041	19,648,592	63,360,633
Temporarily restricted	6,478,860	35,967,955	42,446,815
Permanently restricted	1,225,328	41,018,932	42,244,260
Total net assets	51,416,229	96,635,479	148,051,708
Total liabilities and net assets	$ 98,533,743	$ 96,635,479	$ 195,169,222

The Notes to Consolidated Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and fees	$ 76,620,736	$ -	$ -	$ 76,620,736
Less financial aid	(35,238,407)	-	-	(35,238,407)
Net tuition and fees (Note 8)	41,382,329	-	-	41,382,329
Contributions	1,444,322	994,168	-	2,438,490
Investment income, endowment available to support current operations (Note 3)	857,625	2,402,901	-	3,260,526
Income on funds held in trust by others	7,000	839,098	-	846,098
Investment income, other	26,639	-	-	26,639
Government grants	-	637,399	-	637,399
Auxiliary services	15,796,767	-	-	15,796,767
Other income	2,390,186	65,286	-	2,455,472
Net assets released from restrictions and reclassifications (Note 9)	4,867,836	(4,867,836)	-	-
Total operating revenues	66,772,704	71,016	-	66,843,720
OPERATING EXPENSES				
Educational and general:				
Instruction	30,606,059	-	-	30,606,059
Academic support	4,439,358	-	-	4,439,358
Student services	11,179,161	-	-	11,179,161
Institutional support	9,990,069	-	-	9,990,069
Auxiliary services	12,036,095	-	-	12,036,095
Total operating expenses (Note 10)	68,250,742	-	-	68,250,742
Change in net assets, operating	(1,478,038)	71,016	-	(1,407,022)
NON-OPERATING INCOME				
Contributions	-	452,488	512,240	964,728
Excess of assets acquired over liabilities assumed in the donation of Historic Sandusky	-	-	-	-
Investment return, net of amount available to support current operations (Note 3)	1,488,714	4,334,256	748,124	6,571,094
Change in funds held in trust by others	-	1,181,500	7,098	1,188,598
Change in interest rate swap agreement	570,279	-	-	570,279
Change in value of split-interest agreements	-	101,383	(118,291)	(16,908)
Other	-	-	249	249
Net assets released from restrictions and reclassifications (Note 9)	949,674	(925,881)	(23,793)	-
Change in net assets, non-operating	3,008,667	5,143,746	1,125,627	9,278,040
Change in net assets	1,530,629	5,214,762	1,125,627	7,871,018
NET ASSETS				
Beginning	63,360,633	42,446,815	42,244,260	148,051,708
Ending	$ 64,891,262	$ 47,661,577	$ 43,369,887	$ 155,922,726

The Notes to Consolidated Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and fees	$ 74,268,637	$ -	$ -	$ 74,268,637
Less financial aid	(32,988,758)	-	-	(32,988,758)
Net tuition and fees (Note 8)	41,279,879	-	-	41,279,879
Contributions	3,222,374	759,828	-	3,982,202
Investment income, endowment available to support current operations (Note 3)	839,664	2,343,723	-	3,183,387
Income on funds held in trust by others	5,706	834,849	-	840,555
Investment income, other	20,918	-	-	20,918
Government grants	-	607,863	-	607,863
Auxiliary services	15,293,225	-	-	15,293,225
Other income	2,230,757	40,844	-	2,271,601
Net assets released from restrictions and reclassifications (Note 9)	4,875,008	(4,875,008)	-	-
Total operating revenues	67,767,531	(287,901)	-	67,479,630
OPERATING EXPENSES				
Educational and general:				
Instruction	29,505,880	-	-	29,505,880
Academic support	4,379,747	-	-	4,379,747
Student services	10,761,752	-	-	10,761,752
Institutional support	9,506,545	-	-	9,506,545
Auxiliary services	11,807,351	-	-	11,807,351
Total operating expenses (Note 10)	65,961,275	-	-	65,961,275
Change in net assets, operating	1,806,256	(287,901)	-	1,518,355
NON-OPERATING INCOME				
Contributions	-	288,074	1,119,998	1,408,072
Excess of assets acquired over liabilities assumed in the donation of Historic Sandusky	968,378	46,468	25,975	1,040,821
Investment return, net of amount available to support current operations (Note 3)	(1,197,101)	(3,532,158)	(147,750)	(4,877,009)
Change in funds held in trust by others	-	(1,234,506)	(1,197)	(1,235,703)
Change in interest rate swap agreement	(256,039)	-	-	(256,039)
Change in value of split-interest agreements	-	(19,926)	(190,919)	(210,845)
Other	-	-	40	40
Net assets released from restrictions and reclassifications (Note 9)	575,701	(723,719)	148,018	-
Change in net assets, non-operating	90,939	(5,175,767)	954,165	(4,130,663)
Change in net assets	1,897,195	(5,463,668)	954,165	(2,612,308)
NET ASSETS				
Beginning	61,463,438	47,910,483	41,290,095	150,664,016
Ending	$ 63,360,633	$ 42,446,815	$ 42,244,260	$ 148,051,708

The Notes to Consolidated Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 7,871,018	$ (2,612,308)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Non-operating and non-cash items:		
Contributions restricted for plant expansion and endowment	(1,711,317)	(4,604,375)
Net realized and unrealized (gains) losses on investments	(9,625,185)	2,449,169
Change in funds held in trust by others	(1,188,598)	1,235,703
In-kind contributions of land, buildings, and equipment	(731,000)	-
Excess of noncash assets acquired over liabilities assumed in the donation of Historic Sandusky	-	(993,638)
Loss on disposals of land, buildings, and equipment	36,631	303,552
Depreciation and amortization	4,797,022	4,802,263
Intangible assets received	(15,393)	-
Change in certain operating assets and liabilities:		
(Increase) decrease in:		
Student and interest receivables	(308,873)	127,144
Inventories and prepaid expenses	(4,265)	(237,089)
Contributions receivable	377,324	761,058
(Decrease) increase in:		
Accounts payable, accrued, and other liabilities	(8,460)	93,596
Deferred revenues	468,566	717,201
Deferred benefits payable	-	(6,455)
Trust and annuity obligations, net of payments	146,839	215,995
Interest rate swap agreement	(570,279)	256,039
U.S. government grants refundable	3,439	(8,266)
Net cash provided by (used in) operating activities	(462,531)	2,499,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in notes receivable, net	182,283	261,252
Purchases of land, buildings, and equipment, excluding non-cash assets received, less	(2,666,683)	(2,828,575)
New debt incurred on purchases	400,000	-
Change in accounts payable incurred on purchases	(102,956)	337,292
Change in funds restricted to investment in land, buildings, and equipment	435,659	4,532
Change in investments, net of proceeds from sales	(7,441,720)	6,787,807
Net cash provided by (used in) investing activities	(9,193,417)	4,562,308
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for plant expansion and endowment	1,711,317	4,604,375
Payments of trust and annuity obligations	(207,701)	(261,972)
Proceeds received from issuance of debt, less	400,000	-
New debt incurred to finance land, buildings, and equipment	(400,000)	-
Payments on debt	(2,463,876)	(2,277,931)
Net cash provided by (used in) financing activities	(960,260)	2,064,472
Increase (decrease) in cash and cash equivalents	(10,616,208)	9,126,369
CASH AND CASH EQUIVALENTS		
Beginning	13,023,402	3,897,033
Ending	$ 2,407,194	$ 13,023,402

(Continued)

The Notes to Consolidated Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest, net of amounts capitalized of $-0- for the years ended June 30, 2017 and 2016.	$ 1,397,621	$ 1,440,153
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Noncash assets received as contributions	$ 731,000	$ -
Land, buildings, and equipment purchases included in accounts payable	$ 359,716	$ 462,672
Debt incurred to acquire land, buildings, and equipment	$ 400,000	$ -
Donation of Historic Sandusky:		
Fair value of noncash assets received	$ -	$ 1,022,419
Fair value of liabilities assumed	-	(28,781)
Excess of noncash assets acquired over liabilities assumed	$ -	$ 993,638

Attachment I

LYNCHBURG
COLLEGE EST. 1903

FINANCIAL REPORT

JUNE 30, 2016

BROWN EDWARDS
certified public accountants

LYNCHBURG COLLEGE

FINANCIAL REPORT

June 30, 2016

LYNCHBURG COLLEGE
June 30, 2016

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BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Lynchburg College
Lynchburg, Virginia

We have audited the accompanying financial statements of Lynchburg College, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lynchburg College as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 19, 2016

LYNCHBURG COLLEGE

STATEMENT OF FINANCIAL POSITION
June 30, 2016

	2016		
	Operating and Other	**Endowment**	**Total**
ASSETS			
Cash and cash equivalents	$ 3,852,117	$ 9,171,285	$ 13,023,402
Student and interest receivables, less allowance for doubtful accounts $494,000	1,863,225	-	1,863,225
Inventories	705,316	-	705,316
Prepaid expenses	895,600	-	895,600
Contributions receivable (Note 2)	2,731,638	114,739	2,846,377
Notes receivable, college and government student loans, net of allowance for doubtful accounts $143,000	1,492,233	-	1,492,233
Investments (Note 3)	5,445,826	67,387,080	72,832,906
Funds restricted to investment in land, buildings, and equipment	1,133,917	-	1,133,917
Land, buildings, and equipment, net of accumulated depreciation (Notes 4 and 6)	81,127,289	-	81,127,289
Debt issuance costs, net	443,276	-	443,276
Funds held in trust by others (Note 5)	-	19,248,957	19,248,957
Due (to) from	(713,418)	713,418	-
Total assets	$ 98,977,019	$ 96,635,479	$ 195,612,498
LIABILITIES AND NET ASSETS			
Accounts payable, trade	$ 1,211,661	$ -	$ 1,211,661
Accounts payable, construction	462,672	-	462,672
Accrued compensation payable	399,099	-	399,099
Payroll taxes and other withholdings	492,213	-	492,213
Deferred revenue, net	3,628,378	-	3,628,378
Student deposits	1,421,996	-	1,421,996
Deferred benefits payable	-	-	-
Trust and annuity obligations	1,991,623	-	1,991,623
U.S. Government grants refundable	894,197	-	894,197
Interest rate swap agreement liability (Note 6)	1,809,236	-	1,809,236
Debt (Note 6)	35,249,715	-	35,249,715
Total liabilities	47,560,790	-	47,560,790
Net assets (Note 7)			
Unrestricted	43,712,041	19,648,592	63,360,633
Temporarily restricted	6,478,860	35,967,955	42,446,815
Permanently restricted	1,225,328	41,018,932	42,244,260
Total net assets	51,416,229	96,635,479	148,051,708
Total liabilities and net assets	$ 98,977,019	$ 96,635,479	$ 195,612,498

The Notes to Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

STATEMENT OF FINANCIAL POSITION
June 30, 2015

	2015		
	Operating and Other	Endowment	Total
ASSETS			
Cash and cash equivalents	$ 2,345,940	$ 1,551,093	$ 3,897,033
Student and interest receivables, less allowance for doubtful accounts $476,000	1,990,369	-	1,990,369
Inventories	614,804	-	614,804
Prepaid expenses	652,537	-	652,537
Contributions receivable (Note 2)	3,492,376	115,059	3,607,435
Notes receivable, college and government student loans, net of allowance for doubtful accounts $143,000	1,753,485	-	1,753,485
Investments (Note 3)	5,666,233	76,377,674	82,043,907
Funds restricted to investment in land, buildings, and equipment	1,138,449	-	1,138,449
Land, buildings, and equipment, net of accumulated depreciation (Notes 4 and 6)	82,464,399	-	82,464,399
Debt issuance costs, net	483,448	-	483,448
Funds held in trust by others (Note 5)	-	20,484,660	20,484,660
Due (to) from	(137,491)	137,491	-
Total assets	$ 100,464,549	$ 98,665,977	$ 199,130,526
LIABILITIES AND NET ASSETS			
Accounts payable, trade	$ 1,084,073	$ -	$ 1,084,073
Accounts payable, construction	125,380	-	125,380
Accrued compensation payable	361,192	-	361,192
Payroll taxes and other withholdings	479,901	-	479,901
Deferred revenue, net	2,911,177	-	2,911,177
Student deposits	1,506,207	-	1,506,207
Deferred benefits payable	6,455	-	6,455
Trust and annuity obligations	2,037,600	-	2,037,600
U.S. Government grants refundable	902,463	-	902,463
Interest rate swap agreement liability (Note 6)	1,553,197	-	1,553,197
Debt (Note 6)	37,498,865	-	37,498,865
Total liabilities	48,466,510	-	48,466,510
Net assets (Note 7)			
Unrestricted	43,266,162	18,197,276	61,463,438
Temporarily restricted	7,203,888	40,706,595	47,910,483
Permanently restricted	1,527,989	39,762,106	41,290,095
Total net assets	51,998,039	98,665,977	150,664,016
Total liabilities and net assets	$ 100,464,549	$ 98,665,977	$ 199,130,526

The Notes to Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and fees	$ 74,268,637	$ -	$ -	$ 74,268,637
Less financial aid	(32,988,758)	-	-	(32,988,758)
Net tuition and fees (Note 8)	41,279,879	-	-	41,279,879
Contributions	3,222,374	759,828	-	3,982,202
Investment income, endowment available to support current operations (Note 3)	839,664	2,343,723	-	3,183,387
Income on funds held in trust by others	5,706	834,849	-	840,555
Investment income, other	20,918	-	-	20,918
Government grants	-	607,863	-	607,863
Auxiliary services	15,293,225	-	-	15,293,225
Other income	2,230,757	40,844	-	2,271,601
Net assets released from restrictions and reclassifications (Note 9)	4,875,008	(4,875,008)	-	-
Total operating revenues	67,767,531	(287,901)	-	67,479,630
OPERATING EXPENSES				
Educational and general:				
Instruction	29,505,880	-	-	29,505,880
Academic support	4,379,747	-	-	4,379,747
Student services	10,761,752	-	-	10,761,752
Institutional support	9,506,545	-	-	9,506,545
Auxiliary services	11,807,351	-	-	11,807,351
Total operating expenses (Note 10)	65,961,275	-	-	65,961,275
Change in net assets, operating	1,806,256	(287,901)	-	1,518,355
NON-OPERATING INCOME				
Contributions	-	288,074	1,119,998	1,408,072
Excess of assets acquired over liabilities assumed in the donation of Historic Sandusky	968,378	46,468	25,975	1,040,821
Investment return, net of amount available to support current operations (Note 3)	(1,197,101)	(3,532,158)	(147,750)	(4,877,009)
Change in funds held in trust by others	-	(1,234,506)	(1,197)	(1,235,703)
Change in interest rate swap agreement	(256,039)	-	-	(256,039)
Change in value of split-interest agreements	-	(19,926)	(190,919)	(210,845)
Other	-	-	40	40
Net assets released from restrictions and reclassifications (Note 9)	575,701	(723,719)	148,018	-
Change in net assets, non-operating	90,939	(5,175,767)	954,165	(4,130,663)
Change in net assets	1,897,195	(5,463,668)	954,165	(2,612,308)
NET ASSETS				
Beginning	61,463,438	47,910,483	41,290,095	150,664,016
Ending	$ 63,360,633	$ 42,446,815	$ 42,244,260	$ 148,051,708

The Notes to Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and fees	$ 71,188,142	$ -	$ -	$ 71,188,142
Less financial aid	(31,030,230)	-	-	(31,030,230)
Net tuition and fees (Note 8)	40,157,912	-	-	40,157,912
Contributions	891,767	925,091	-	1,816,858
Investment income, endowment available to support current operations (Note 3)	774,004	2,137,240	-	2,911,244
Income on funds held in trust by others	3,254	806,004	-	809,258
Investment income, other	22,790	-	-	22,790
Government grants	-	704,434	-	704,434
Auxiliary services	14,885,371	-	-	14,885,371
Other income	2,063,663	143,365	-	2,207,028
Net assets released from restrictions and reclassifications (Note 9)	4,638,269	(4,638,269)	-	-
Total operating revenues	63,437,030	77,865	-	63,514,895
OPERATING EXPENSES				
Educational and general:				
Instruction	28,580,864	-	-	28,580,864
Academic support	4,311,267	-	-	4,311,267
Student services	10,832,187	-	-	10,832,187
Institutional support	9,055,874	-	-	9,055,874
Auxiliary services	11,822,099	-	-	11,822,099
Total operating expenses (Note 10)	64,602,291	-	-	64,602,291
Change in net assets, operating	(1,165,261)	77,865	-	(1,087,396)
NON-OPERATING INCOME				
Contributions	-	878,532	2,536,947	3,415,479
Excess of assets acquired over liabilities assumed in the donation of Historic Sandusky	-	-	-	-
Investment return, net of amount available to support current operations (Note 3)	(315,598)	(658,823)	164,690	(809,731)
Change in funds held in trust by others	-	(833,948)	(8,432)	(842,380)
Change in interest rate swap agreement	60,017	-	-	60,017
Change in value of split-interest agreements	-	(17,328)	(206,768)	(224,096)
Other	-	-	4,322	4,322
Net assets released from restrictions and reclassifications (Note 9)	1,679,681	(1,659,925)	(19,756)	-
Change in net assets, non-operating	1,424,100	(2,291,492)	2,471,003	1,603,611
Change in net assets	258,839	(2,213,627)	2,471,003	516,215
NET ASSETS				
Beginning	61,204,599	50,124,110	38,819,092	150,147,801
Ending	$ 61,463,438	$ 47,910,483	$ 41,290,095	$ 150,664,016

The Notes to Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,612,308)	$ 516,215
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-operating and non-cash items:		
Contributions restricted for plant expansion and endowment	(4,604,375)	(4,824,192)
Net realized and unrealized (gains) losses on investments	2,449,169	(1,187,746)
Change in funds held in trust by others	1,235,703	842,380
Excess of noncash assets acquired over liabilities assumed in the donation of Historic Sandusky	(993,638)	-
Loss on disposals of land, buildings, and equipment	303,552	8,189
Depreciation and amortization	4,802,263	4,697,630
Change in certain operating assets and liabilities:		
(Increase) decrease in:		
Student and interest receivables	127,144	490,354
Inventories and prepaid expenses	(237,089)	(85,281)
Contributions receivable	761,058	1,022,201
(Decrease) increase in:		
Accounts payable, accrued, and other liabilities	93,596	32,480
Deferred revenues	717,201	470,425
Deferred benefits payable	(6,455)	(19,604)
Trust and annuity obligations, net of payments	215,995	232,738
Interest rate swap agreement	256,039	(60,017)
U.S. government grants refundable	(8,266)	(77,185)
Net cash provided by operating activities	2,499,589	2,058,587
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in notes receivable, net	261,252	15,095
Purchases of land, buildings, and equipment, excluding non-cash assets received, less	(2,828,575)	(9,143,933)
New debt incurred on purchases	-	3,159,653
Change in accounts payable incurred on purchases	337,292	(791,896)
Change in funds restricted to investment in land, buildings, and equipment	4,532	2,709,559
Change in investments, net of proceeds from sales	6,787,807	656,897
Net cash provided by (used in) investing activities	4,562,308	(3,394,625)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for plant expansion and endowment	4,604,375	4,824,192
Payments of trust and annuity obligations	(261,972)	(271,942)
Proceeds received from issuance of debt, less	-	3,159,653
New debt incurred to finance land, buildings, and equipment	-	(3,159,653)
Payments on debt	(2,277,931)	(2,114,349)
Net cash provided by financing activities	2,064,472	2,437,901
Increase in cash and cash equivalents	9,126,369	1,101,863
CASH AND CASH EQUIVALENTS		
Beginning	3,897,033	2,795,170
Ending	$ 13,023,402	$ 3,897,033

(Continued)
The Notes to Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest, net of amounts capitalized of \$-0- and \$124,098 for the years ended June 30, 2016 and 2015, respectively	\$ 1,440,153	\$ 1,354,080
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Land, buildings, and equipment purchases included in accounts payable	\$ 462,672	\$ 125,380
Debt incurred to acquire land, buildings, and equipment	\$ -	\$ 3,159,653
Donation of Historic Sandusky:		
Fair value of noncash assets received	\$ 1,022,419	\$ -
Fair value of liabilities assumed	(28,781)	-
Excess of noncash assets acquired over liabilities assumed	\$ 993,638	\$ -

The Notes to Financial Statements are
an integral part of these statements.

Attachment J

LYNCHBURG

COLLEGE EST. 1903

FINANCIAL REPORT

JUNE 30, 2015

BROWN EDWARDS

certified public accountants

LYNCHBURG COLLEGE

FINANCIAL REPORT

June 30, 2015

LYNCHBURG COLLEGE
June 30, 2015

Corporate Officers

Pauline B. Flint	**Chair**
Nathaniel X. Marshall	**Vice Chair**
Suzanne F. Flynn	**Vice Chair**
Kathryn M. Pumphrey	**Secretary**
Kenneth R. Garren	**President of the College**

Board of Trustees

College Officers

Kenneth R. Garren	President of the College
Julius A. Sigler, Jr. **	Vice President and Dean for Academic Affairs
Sally C. Selden ***	Vice President and Dean for Academic Affairs
John G. Eccles	Vice President and Dean for Student Development
Rita A. Detwiler	Vice President for Enrollment Management
Denise A. McDonald	Vice President for Advancement
Edward A. Polloway **	Dean of Graduate Studies and Vice President for Community Advancement
Stephen E. Bright	Vice President for Business and Finance and Treasurer

* Executive Committee Member
** Retired effective June 30, 2015
*** Appointed effective July 1, 2015

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Lynchburg College
Lynchburg, Virginia

We have audited the accompanying financial statements of Lynchburg College, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

319 McClanahan Street, S.W. • P.O. Box 12388 • Roanoke, VA 24025-2388 • 540-345-0936 • Fax: 540-342-6181 • www.BEcpas.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lynchburg College as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 9, 2015

LYNCHBURG COLLEGE

STATEMENT OF FINANCIAL POSITION
June 30, 2015

	2015		
	Operating and Other	**Endowment**	**Total**
ASSETS			
Cash and cash equivalents	$ 2,345,940	$ 1,551,093	$ 3,897,033
Student and interest receivables, less allowance for doubtful accounts $476,000	1,990,369	-	1,990,369
Inventories	614,804	-	614,804
Prepaid expenses	652,537	-	652,537
Contributions receivable (Note 2)	3,492,376	115,059	3,607,435
Notes receivable, college and government student loans, net of allowance for doubtful accounts $143,000	1,753,485	-	1,753,485
Investments (Note 3)	5,666,233	76,377,674	82,043,907
Funds restricted to investment in land, buildings, and equipment	1,138,449	-	1,138,449
Land, buildings, and equipment, net of accumulated depreciation (Notes 4 and 6)	82,464,399	-	82,464,399
Debt issuance costs, net	483,448	-	483,448
Funds held in trust by others (Note 5)	-	20,484,660	20,484,660
Due (to) from	(137,491)	137,491	-
Total assets	$ 100,464,549	$ 98,665,977	$ 199,130,526
LIABILITIES AND NET ASSETS			
Accounts payable, trade	$ 1,084,073	$ -	$ 1,084,073
Accounts payable, construction	125,380	-	125,380
Accrued compensation payable	361,192	-	361,192
Payroll taxes and other withholdings	479,901	-	479,901
Deferred revenue, net	2,911,177	-	2,911,177
Student deposits	1,506,207	-	1,506,207
Deferred benefits payable	6,455	-	6,455
Trust and annuity obligations	2,037,600	-	2,037,600
U.S. Government grants refundable	902,463	-	902,463
Interest rate swap agreement liability (Note 6)	1,553,197	-	1,553,197
Debt (Note 6)	37,498,865	-	37,498,865
Total liabilities	48,466,510	-	48,466,510
Net assets (Note 7)			
Unrestricted	43,266,162	18,197,276	61,463,438
Temporarily restricted	7,203,888	40,706,595	47,910,483
Permanently restricted	1,527,989	39,762,106	41,290,095
Total net assets	51,998,039	98,665,977	150,664,016
Total liabilities and net assets	$ 100,464,549	$ 98,665,977	$ 199,130,526

The Notes to Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

STATEMENT OF FINANCIAL POSITION
June 30, 2014

	2014		
	Operating and Other	**Endowment**	**Total**
ASSETS			
Cash and cash equivalents	$ 2,512,060	$ 283,110	$ 2,795,170
Student and interest receivables, less allowance for doubtful accounts $440,000	2,480,723	-	2,480,723
Inventories	639,497	-	639,497
Prepaid expenses	542,563	-	542,563
Contributions receivable (Note 2)	4,369,269	260,367	4,629,636
Notes receivable, college and government student loans, net of allowance for doubtful accounts $181,000	1,768,580	-	1,768,580
Investments (Note 3)	5,753,075	75,759,983	81,513,058
Funds restricted to investment in land, buildings, and equipment	3,848,008	-	3,848,008
Land, buildings, and equipment, net of accumulated depreciation (Notes 4 and 6)	77,986,112	-	77,986,112
Debt issuance costs, net	523,621	-	523,621
Funds held in trust by others (Note 5)	-	21,327,039	21,327,039
Due (to) from	107,004	(107,004)	-
Total assets	$ 100,530,512	$ 97,523,495	$ 198,054,007
LIABILITIES AND NET ASSETS			
Accounts payable, trade	$ 936,999	$ -	$ 936,999
Accounts payable, construction	917,276	-	917,276
Accrued compensation payable	312,108	-	312,108
Payroll taxes and other withholdings	459,660	-	459,660
Deferred revenue, net	2,440,752	-	2,440,752
Student deposits	1,690,125	-	1,690,125
Deferred benefits payable	26,059	-	26,059
Trust and annuity obligations	2,076,804	-	2,076,804
U.S. Government grants refundable	979,648	-	979,648
Interest rate swap agreement liability (Note 6)	1,613,214	-	1,613,214
Debt (Note 6)	36,453,561	-	36,453,561
Total liabilities	47,906,206	-	47,906,206
Net assets (Note 7)			
Unrestricted	43,058,531	18,146,068	61,204,599
Temporarily restricted	7,931,975	42,192,135	50,124,110
Permanently restricted	1,633,800	37,185,292	38,819,092
Total net assets	52,624,306	97,523,495	150,147,801
Total liabilities and net assets	$ 100,530,512	$ 97,523,495	$ 198,054,007

The Notes to Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and fees	$ 71,188,142	$ -	$ -	$ 71,188,142
Less financial aid	(31,030,230)	-	-	(31,030,230)
Net tuition and fees (Note 8)	40,157,912	-	-	40,157,912
Contributions	891,767	925,091	-	1,816,858
Investment income, endowment available to support current operations (Note 3)	774,004	2,137,240	-	2,911,244
Income on funds held in trust by others	3,254	806,004	-	809,258
Investment income, other	22,790	-	-	22,790
Government grants	-	704,434	-	704,434
Auxiliary services	14,885,371	-	-	14,885,371
Other income	2,063,663	143,365	-	2,207,028
Net assets released from restrictions and reclassifications (Note 9)	4,638,269	(4,638,269)	-	-
Total operating revenues	63,437,030	77,865	-	63,514,895
OPERATING EXPENSES				
Educational and general:				
Instruction	28,580,864	-	-	28,580,864
Academic support	4,311,267	-	-	4,311,267
Student services	10,832,187	-	-	10,832,187
Institutional support	9,055,874	-	-	9,055,874
Auxiliary services	11,822,099	-	-	11,822,099
Total operating expenses (Note 10)	64,602,291	-	-	64,602,291
Change in net assets, operating	(1,165,261)	77,865	-	(1,087,396)
NON-OPERATING INCOME				
Contributions	-	878,532	2,536,947	3,415,479
Investment return, net of amount available to support current operations (Note 3)	(315,598)	(658,823)	164,690	(809,731)
Change in funds held in trust by others	-	(833,948)	(8,432)	(842,380)
Change in interest rate swap agreement	60,017	-	-	60,017
Change in value of split-interest agreement	-	(17,328)	(206,768)	(224,096)
Other	-	-	4,322	4,322
Net assets released from restrictions and reclassifications (Note 9)	1,679,681	(1,659,925)	(19,756)	-
Change in net assets, non-operating	1,424,100	(2,291,492)	2,471,003	1,603,611
Change in net assets	258,839	(2,213,627)	2,471,003	516,215
NET ASSETS				
Beginning	61,204,599	50,124,110	38,819,092	150,147,801
Ending	$ 61,463,438	$ 47,910,483	$ 41,290,095	$ 150,664,016

The Notes to Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and fees	$ 71,159,516	$ -	$ -	$ 71,159,516
Less financial aid	(30,064,573)	-	-	(30,064,573)
Net tuition and fees (Note 8)	41,094,943	-	-	41,094,943
Contributions	657,657	1,245,960	-	1,903,617
Investment income, endowment available to support current operations (Note 3)	686,355	1,785,295	-	2,471,650
Income on funds held in trust by others	3,727	770,156	-	773,883
Investment income, other	32,397	-	-	32,397
Government grants	-	635,607	-	635,607
Auxiliary services	14,573,124	-	-	14,573,124
Other income	2,516,177	88,870	-	2,605,047
Net assets released from restrictions and reclassifications (Note 9)	3,945,374	(3,945,374)	-	-
Total operating revenues	63,509,754	580,514	-	64,090,268
OPERATING EXPENSES				
Educational and general:				
Instruction	27,137,341	-	-	27,137,341
Academic support	4,141,573	-	-	4,141,573
Student services	9,379,628	-	-	9,379,628
Institutional support	9,382,235	-	-	9,382,235
Auxiliary services	11,724,920	-	-	11,724,920
Total operating expenses (Note 10)	61,765,697	-	-	61,765,697
Change in net assets, operating	1,744,057	580,514	-	2,324,571
NON-OPERATING INCOME				
Contributions	-	2,241,966	5,823,476	8,065,442
Investment return, net of amount available to support current operations (Note 3)	2,032,096	5,755,810	1,037,177	8,825,083
Change in funds held in trust by others	-	2,167,381	40,319	2,207,700
Change in interest rate swap agreement	121,093	-	-	121,093
Change in value of split-interest agreement	-	44,360	(120,935)	(76,575)
Other	-	-	31	31
Net assets released from restrictions and reclassifications (Note 9)	3,803,886	(3,794,748)	(9,138)	-
Change in net assets, non-operating	5,957,075	6,414,769	6,770,930	19,142,774
Change in net assets	7,701,132	6,995,283	6,770,930	21,467,345
NET ASSETS				
Beginning	53,503,467	43,128,827	32,048,162	128,680,456
Ending	$ 61,204,599	$ 50,124,110	$ 38,819,092	$ 150,147,801

The Notes to Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 516,215	$ 21,467,345
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-operating and non-cash items:		
Contributions restricted for plant expansion and endowment	(4,824,192)	(8,000,824)
Net realized and unrealized gains on investments	(1,187,746)	(10,295,368)
Change in funds held in trust by others	842,380	(2,207,700)
Loss on disposals of land, buildings, and equipment	8,189	8,737
Depreciation and amortization	4,697,630	4,073,172
Change in certain operating assets and liabilities:		
(Increase) decrease in:		
Student and interest receivables	490,354	(1,514,976)
Inventories and prepaid expenses	(85,281)	132,562
Contributions receivable	1,022,201	(1,140,717)
(Decrease) increase in:		
Accounts payable, accrued, and other liabilities	32,480	29,967
Deferred revenues	470,425	184,525
Deferred benefits payable	(19,604)	(45,188)
Trust and annuity obligations, net of payments	232,738	261,328
Interest rate swap agreement	(60,017)	(121,093)
U.S. government grants refundable	(77,185)	(26,333)
Net cash provided by operating activities	2,058,587	2,805,437
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in notes receivable, net	15,095	865
Purchases of land, buildings, and equipment, excluding non-cash assets received, less	(9,143,933)	(15,090,766)
New debt incurred on purchases	3,159,653	2,274,789
Change in accounts payable incurred on purchases	(791,896)	110,536
Change in funds restricted to investment in land, buildings, and equipment	2,709,559	8,323,394
Change in investments, net of proceeds from sales	656,897	(3,658,455)
Net cash used in investing activities	(3,394,625)	(8,039,637)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for plant expansion and endowment	4,824,192	8,000,824
Payments of trust and annuity obligations	(271,942)	(256,929)
Proceeds received from issuance of debt, less	3,159,653	2,274,789
New debt incurred to finance land, buildings, and equipment	(3,159,653)	(2,274,789)
Proceeds received from issuance of debt to finance borrowing costs	-	73,037
Additions to deferred loan costs	-	(1,200)
Payments on debt	(2,114,349)	(2,420,676)
Net cash provided by financing activities	2,437,901	5,395,056
Increase in cash and cash equivalents	1,101,863	160,856
CASH AND CASH EQUIVALENTS		
Beginning	2,795,170	2,634,314
Ending	$ 3,897,033	$ 2,795,170

(Continued)

The Notes to Financial Statements are an integral part of these statements.

LYNCHBURG COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest, net of amounts capitalized of $124,098 and $453,929 for the years ended June 30, 2015 and 2014, respectively	$ 1,354,080	$ 843,366
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Land, buildings, and equipment purchases included in accounts payable	$ 125,380	$ 917,276
Debt incurred to acquire land, buildings, and equipment	$ 3,159,653	$ 2,274,789

The Notes to Financial Statements are an integral part of these statements.

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **March 27, 2018** AGENDA ITEM #: **7**

CONSENT: REGULAR: **X** WORK SESSION: CLOSED SESSION:
ACTION: **X** INFORMATION: (Confidential)

ITEM TITLE: Virginia Department of Health Donation - "We Got the Beet" Campaign

KEY ELEMENTS:
_X_ Economic Development __ Excellent Government __ Natural and Built Environment ___Safe Community _X_ Vibrant Community

RECOMMENDATION: Adopt a resolution to amend the FY 2018 General Fund Budget, appropriating $40,000 to the Parks and Recreation Fees budget with resources from the Virginia Department of Health to fund the second year of the "We Got the Beet" campaign at the Lynchburg Community Market.

SUMMARY: The Lynchburg Community Market (LCM), Virginia Department of Health/Central Virginia Health District (VDH/CVHD), and Virginia Cooperative Extension (VCE) continue to share the common goal of contributing to a healthy and educated community through providing more access to fresh and locally grown food and wellness programming. The synergetic relationship between these three entities has produced increased participation in the LCM's Supplemental Nutrition Assistance Program (SNAP). This past year, the initial "We Got the Beet" campaign was introduced at the LCM providing service to nearly 400 youth and adults in our area.

Self-reported evaluations showed that 92% of WGTB participants said they were more physically active while 96% reported caring more about eating healthy as a result of participation in the WGBT program. Building upon the successes of last year, VDH/CVHD has agreed to contribute $40,000 to the City of Lynchburg to fund a second year of the "We Got the Beet" campaign. The goals of this campaign, which will be coordinated with the three agencies listed, continue to focus on educating the public on the benefits and accessibility of healthy and fresh food alternatives available and continuing to increase SNAP participation at the LCM.

The funds will be used to hire two temporary project managers (one each for adult and youth programming), campaign marketing and materials, fees paid to local chefs and instructors for programming to include food purchases from local farmers, wellness educational materials, and the general public promotion of the campaign, the LCM, and local food producers.

PRIOR ACTION(S): March 27, 2017 - Finance Committee

February 14, 2017 - City Council appropriated $49,686 for the first year of the "We Got the Beet" Campaign.

FISCAL IMPACT: None, no local match required.

CONTACT(S): Jennifer Kennedy, Lynchburg Community Market Manager, 455-4486
Jennifer Jones, Director of Parks and Recreation, 455-5868

ATTACHMENT(S): Resolution

REVIEWED BY: bms

RESOLUTION:

BE IT RESOLVED that the FY 2018 General Fund Budget is amended and $40,000 is appropriated to the Parks and Recreation Fees budget with resources from the Virginia Department of Health to fund the second year of the “We Got the Beet” campaign at the Lynchburg Community Market.

Introduced: Adopted:

Certified: ______________________________
Clerk of Council

034K

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **March 27, 2018** AGENDA ITEM #: **8**

CONSENT:	REGULAR: **X**	WORK SESSION:	CLOSED SESSION:
ACTION**: X**	INFORMATION:		(Confidential)

ITEM TITLE: Reaffirm the City's Financial Management Policies

KEY ELEMENTS:
___Economic Development _**X**__Excellent Government ___Natural and Built Environment ___Safe Community _**_**Vibrant Community

RECOMMENDATION: Adopt a Resolution reaffirming City Council's Financial Management Policies (Fund Balance, Debt, Budget, and Investments).

SUMMARY: The Government Finance Officers Association (GFOA) recommends that localities review their financial management policies on no less than a biennial basis. These policies were last reaffirmed by City Council in March 2016.

In consultation with the City's financial advisors, Davenport & Company, LLC (Davenport), staff has reviewed the Financial Management Policies and no changes are recommended. Staff asks City Council to reaffirm the Policies as attached.

PRIOR ACTION(S): The Financial Management Policies were originally adopted by Council on August 10, 1999 and have been periodically revised or reaffirmed

Finance Committee, March 27, 2018

FISCAL IMPACT: As indicated in the Financial Management Policies.

CONTACT(S): Donna Witt, Director of Financial Services, 455-3968

ATTACHMENT(S): Resolution
Proposed Financial Management Policies

REVIEWED BY: bms

RESOLUTION:

BE IT RESOLVED that City Council reaffirms the City's Financial Management Policies.

Adopted:

Certified: ______________________________
Clerk of Council

032K

Financial Management Policies

Policy I	***Fund Balance***	**Adopted August 10, 1999** **Reaffirmed November 14, 2000** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Reaffirmed December 12, 2006** **Reaffirmed December 9, 2008** **Reaffirmed November 23, 2010** **Revised May 10, 2011** **Revised February 26, 2013** **Revised March 22, 2016**
Policy II	***Debt Management***	**Adopted August 10, 1999** **Reaffirmed November 14, 2000** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Revised December 12, 2006** **Revised December 9, 2008** **Revised November 23, 2010** **Revised February 26, 2013** **Revised March 22, 2016**
Policy III	***Budget***	**Adopted November 14, 2000** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Revised December 12, 2006** **Revised December 9, 2008** **Reaffirmed November 23, 2010** **Revised February 26, 2013** **Revised March 22, 2016**
Policy IV	***Investment***	**Adopted September 25, 2001** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Revised December 12, 2006** **Revised December 9, 2008** **Reaffirmed November 23, 2010** **Revised February 26, 2013** **Reaffirmed March 22, 2016**

BASIS FOR SOUND FINANCIAL MANAGEMENT POLICIES

The primary objective of sound financial management policies is for the City Council to create a framework within which financial decisions can be made. These policies are a statement of the guidelines and goals that influence and guide the financial management practices of the City of Lynchburg. Financial management policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. Sound financial management policies:

- Contribute significantly to the City's ability to insulate itself from fiscal crisis and economic disruption.
- Enhance short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible.
- Promote long-term financial stability by establishing clear and consistent guidelines.
- Direct attention to the total financial picture of the City rather than single-issue areas.
- Promote the view of linking long-term financial planning with day-to-day operations.
- Provide the City Council and citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.
- Ensure that the organization has sufficient resources to perform mandated responsibilities.
- Provide a foundation for evaluating financial analysis and condition.

FINANCIAL MANAGEMENT POLICIES

The City intends to adhere to these polices. If there is any anticipated or unplanned variance from these policies, staff will advise City Council and establish a plan for recovery within three years.

Policy I - Fund Balance

General Fund

Unassigned Fund Balance

- The City of Lynchburg's Unassigned General Fund Balance will be maintained at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.
- The City shall not use the Unassigned General Fund Balance to finance recurring operating expenditures.
- The City will maintain an Unassigned General Fund Balance (UGFB) equal to 10% of General Fund revenues. In the event the UGFB is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the Unassigned General Fund Balance to the minimum of 10% within three years.
- Funds in excess of the targeted 10% fund balance may be considered to supplement "pay-as-you-go" capital outlay expenditures, other non-recurring expenditures or as additions to fund balance.

Committed Fund Balance

- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of City Council. These committed fund balance amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance

- Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Fund Balance may be assigned either through the encumbrance process as a result of normal purchasing activity (which includes the issuance of a purchase order), or by the City Manager or designee, in accordance with Council adopted fund balance policy.

Restricted Fund Balance

- Restricted fund balance includes amounts that have constraints placed on their use by external sources such as creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Non-Spendable Fund Balance

- Non-spendable Fund Balance includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaids or they are legally or contractually required to be maintained intact.

Policy on the order of spending resources

- The City considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unrestricted fund balance are available unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

<u>Enterprise Funds</u>

Water Fund

- Minimum ending fund balance shall not be less than 25% of total fund appropriations with a target balance of 40% of total fund appropriations. In the event the ending fund balance falls below the minimum of 25% of total fund appropriations, the City shall restore the fund balance to the minimum of 25% within three years. Funds in excess of the annual requirements may be considered for "pay-as-you-go" capital outlay expenditures, other non-recurring expenditures or funding of necessary reserves. Total appropriations include operating expenses, debt service and transfers.
- A rate review will be conducted at least every two years.

Sewer Fund

- In accordance with the Virginia Department of Environmental Quality Special Order, the City shall annually adjust sewer system reserve funds to no more than 40% of the subsequent fiscal years' budgeted operating expenses and debt service.
- Minimum ending fund balance shall not be less than 25% of total fund appropriations. In the event the ending fund balance falls below the minimum of 25% of total fund appropriations, the City shall restore the fund balance to the minimum of 25% within three years. Total appropriations include operating expenses, debt service and transfers.
- Ending fund balance in excess of 40% will be reallocated to "pay-as-you-go" capital outlay expenditures.
- A rate review will be conducted at least every two years.

Stormwater Fund

- Minimum ending fund balance shall not be less than 15% of total fund appropriations with a target balance of 20% of total fund appropriations. In the event the ending fund balance falls below the minimum of 15% of total fund appropriations, the City shall restore the fund balance to the minimum of 15% within three years. Total appropriations include operating expenses, debt service and transfers.
- Funds in excess of the annual requirements may be considered for "pay-as-you-go" capital outlay expenditures, other non-recurring expenditures or funding of necessary reserves.
- A rate review will be conducted at least every two years.

Policy II - Debt Management

<u>Tax-Supported Debt</u>

Tax-supported obligations are those that are expected to be repaid from the General Fund tax revenue of the City of Lynchburg. These include general obligation bonds (except self-supporting bonds) and capital leases. General obligation bonds issued for self-supporting enterprise funds are not included in calculations of tax-supported bonds.

- The City will not use long-term debt to fund current operations.
- The City will not use short-term borrowing to fund current operations.
- Whenever the City finds it necessary to issue tax-supported bonds, the following policy will be adhered to:
  1. The City will never borrow more than it has the capacity to repay.
  2. The term of any bond issue will not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.
  3. Annual debt service expenditures for tax-supported debt should not exceed 10% of total General Fund Expenditures plus School Component Unit Expenditures minus the General Fund Transfer to Schools.
  4. Total tax-supported debt will not exceed 4.50% of the net assessed valuation of taxable property in the City of Lynchburg.
  5. Total tax-supported debt per capita should be maintained at a reasonable level.
  6. The 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program for Tax-Supported General Obligation Indebtedness.

Revenue-Supported Debt

The Water, Sewer and Stormwater Funds may issue General Obligation or Revenue-Supported Debt.

Revenue-supported obligations are those for which the debt service is payable solely from the revenue generated from the operation of the project being financed or a category of facilities (i.e. water, sewer). These are not considered tax-supported debt of the City. Whenever the City finds it necessary to issue revenue-supported bonds, the following guidelines will be adhered to:

1. The term of any revenue-supported or general obligation bond issue will not exceed the useful life of the capital project/facility or equipment for which borrowing is intended.
2. Revenue-supported and general obligation bonds will be structured to allow equal or declining annual debt service payments over a term not to exceed the life of the project being financed. For those revenue-supported bonds issued through the Virginia Revolving Loan Fund, annual debt service payments shall not exceed thirty years.
3. The Water, Sewer and Stormwater Funds, net revenues available for debt service shall not be less than 1.2 times annual debt service for each fiscal year. For the Sewer Fund, in accordance with the Virginia Department of Environmental Quality Special Order, net revenues shall not exceed 1.5 times annual debt service computed on a three-year rolling average. Net revenues available for debt service will be calculated as operating income, plus depreciation and amortization, plus interest income, plus governmental grants, plus miscellaneous income, plus capital contributions of others who jointly share in ownership of an infrastructure or facility, and plus any capitalized costs. Debt service will include all debt service paid by the respective fund; however, the principal portion of any bond anticipation notes or other short-term financing should be excluded.
4. In the event net revenues available for debt service falls below 1.2 times annual debt service of any fiscal year, the City shall restore the net revenues available for debt service to the minimum of 1.2 within three years.

Refinancing of Debt

- The City shall issue refunding bonds to achieve debt service savings, eliminate onerous covenants or provisions in outstanding bond documents, or to respond to a financial emergency.
- The City shall continually monitor its outstanding debt to identify instances where the City may achieve savings through an advance refunding or current refunding transaction.
- The City shall receive a written refunding analysis indicating the amount of net present value savings from its financial advisor prior to selling bonds to refund any outstanding bonds.

- A refunding transaction to achieve debt service savings should only be undertaken when the net present value of the savings, net of issuance costs, will be at least 3% of the principal amount of the refunded bonds. Refunding transactions for revenue bonds can be structured so that savings are realized over the life of the refunding bonds or up-front, depending on the results of a cost-benefit analysis.

General Debt Policies

- The City will maintain communication with bond rating agencies to keep them abreast of its financial condition and will provide them with information on a timely basis including the City's *Comprehensive Annual Financial Report*, *Annual Adopted Budget* and *Capital Improvement Program*.
- The City shall comply with all of its undertakings in accordance with Securities and Exchange Commission Rule 15c2-12 and will follow the Government Finance Officers' Association and Securities and Exchange Commission requirements for continuing disclosure.
- The City may use the Virginia Public School Authority (VPSA) or State Literary Fund loans to finance school capital projects. City bonds sold to the VPSA and Literary Fund loans constitute general obligation debt of the City. City Council shall approve any application to the VPSA or the Department of Education for a Literary Fund loan. City Council shall approve the issuance of the bonds as required by the Public Finance Act. The School Board shall recommend such financings before a proposed financing is brought to City Council for approval.

Policy III - Budget

Principles

- Public participation in the budgetary process will be encouraged.
- The City will avoid dedicating revenue to a specific project or program because of the constraint this may place on flexibility in resource allocation except in instances where programs are expected to be self-sufficient or where revenue is dedicated to a program for statutory or policy reasons.
- The budget process will be coordinated in a way that major policy issues are identified for City Council several months prior to consideration of budget approval. This will allow adequate time for appropriate decisions and analysis of financial impacts.

Policies

- City Council shall adopt a balanced budget in accordance with all legal requirements.
- A structured budget preparation and formulation process shall be used for all departments and agencies receiving funding from the City.
- Departmental budgets shall be managed within the total appropriated budget for each fiscal year.
- All operating budget appropriations shall lapse at the end of the fiscal year to the extent that they are not expended or encumbered.
- The budget shall be adopted by the favorable vote of a majority of members of City Council.
- The Vision and priorities established by City Council as well as the *Comprehensive Plan* will serve as the framework for the budget proposed by the City Manager.
- The fiscal year for the City is July 1 through June 30 as defined by the *City Code*, Section 18-1.
- One-time revenues shall be used for one-time expenditures only.
- A General Fund Reserve for Contingencies of $1.2 million shall be used as a source of funding for unanticipated expenditures during the budget year. The Reserve for Contingencies is limited to one-time expenditures and shall not be considered a source for recurring financing.

Process

- The City Manager shall annually prepare a *Proposed Budget* for City Council review. The *Proposed Budget* shall serve as a financial plan for the upcoming fiscal year and shall contain the following information:
    1. A budget message that outlines the proposed revenue and expenditures for the upcoming fiscal year together with an explanation of any major changes from the previous fiscal year. The budget message should also include any proposals for major changes in financial policy.
    2. Charts indicating the major revenues and expenditures in each major fund (General, Water, Sewer, Stormwater, Airport) as well as changes in fund balance for all funds.
    3. Summaries of proposed expenditures by function, department and activity for all funds proposed to be expended in a fiscal year.
    4. A schedule of estimated requirements for the principal and interest of each bond issue.
    5. A three-year history of revenues and expenditures to include the prior year actual, current year adopted, revised and proposed budgets for each major fund.
    6. The proposed budget appropriation resolution, including the tax levy.
- The City Council shall hold a public hearing on the budget submitted by the City Manager and all interested citizens shall be given an opportunity to be heard on issues related to the proposed budget, including the *Capital Improvement Program*.
- Following the public hearing on the *Proposed Budget*, City Council may make adjustments. In instances where City Council increases the total proposed expenditures, it shall also identify a source of funding at least equal to the proposed expenditures.

Capital Improvement Program

- A five-year *Capital Improvement Program (CIP)* that serves as the basis for annual capital appropriations and debt financing requirements shall be prepared and updated annually.
- The *CIP* shall include descriptions, timeline, cost estimates, and a schedule of expected expenditures for each project.
- Debt service requirements and funding needs for schools and City government shall be determined based on the *Adopted CIP*.
- Long-term borrowing shall be confined to major capital improvements and equipment purchases.
- Short-term borrowing shall be limited to bond anticipation notes and equipment leasing, where feasible, with a life of less than 8 years.
- Capital project appropriations shall lapse upon project completion, allowing for an adequate warranty period. Lapsed appropriations shall remain in the Capital Fund for reallocation to other projects.
- Incremental operating costs associated with capital projects shall be funded in the operating budget after being identified and approved in the Capital Improvement Program.
- Pay-as-you-go funding, including State Highway Maintenance Funds, State Revenue Sharing Funds, State and federal grants, and other cash sources, shall not be less than 10%, with a goal of 15%, of the City's 5-Year CIP.

Quarterly Financial Reporting

The City Manager will present to the City Council's Finance Committee (with copies to the remainder of Council) quarterly financial reports identifying meaningful trends in revenues and expenditures for the General, Water, Sewer, Stormwater, Airport, Children's Services Act, Juvenile Detention, and Greater Lynchburg Transit Company Funds.

Third Quarter Review

In March, Budget staff will evaluate all expenditures and revenues as compared to budget and make recommendations to City Council regarding possible budget adjustments. Section 15.2-2507 of the *Code of Virginia* requires that a public hearing be held prior to City Council action when a proposed amendment of the budget exceeds one percent of the total expenditures shown in the currently adopted budget.

<u>First Quarter Review</u>

In September, Budget staff will evaluate requests for the carry forward of funds remaining from prior year appropriations and other possible budget adjustments. Section 15.2-2507 of the Code of Virginia requires that a public hearing be held prior to City Council action when a proposed budget amendment exceeds one percent of the total expenditures shown in the currently adopted budget.

Policy IV - Investment

I. Policy Statement

It is the policy of The City of Lynchburg, Virginia ("the City") that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this policy. The City shall be in complete compliance with all applicable federal, state and local laws, and other regulations and statutes governing the investment of public funds. Within those parameters, the goal of this policy is to achieve the highest rate of return that is reasonable. The City will establish an Investment Committee consisting of the City Manager, Deputy City Manager, and Director of Financial Services. This Committee will provide broad policy oversight over investments. This policy will be reviewed on an annual basis. Any changes must be approved by the Investment Committee and be reaffirmed by City Council. See Appendix 1 for a Glossary of Investment Terms.

II. Scope

This policy applies to the investment of all the financial assets and funds held by the City. Specific requirements or limitations imposed upon the investment of Bond Proceeds, Debt Service Funds and Debt Service Reserve Funds are located in Section X of this Policy. These Funds are accounted for in the City of Lynchburg's Comprehensive Annual Financial Report and include the General, Special Revenue, Capital Projects, and Proprietary Funds.

III. Objectives

Funds shall be invested in only those investments permitted by Federal, State and local law as it relates to public funds, as well as any contractual agreements entered into by the City.

All of the City's funds, regardless of term, shall be invested with the following objectives listed in the order of priority:

1. *Safety* - Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. Specifically, the City will:
    a. seek to avoid realizing any loss through the sale or disposal of an investment; and
    b. seek to mitigate the risk of unrealized losses due to a decline in value of investments held in the portfolio.
2. *Liquidity* - The investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. This shall be accomplished by structuring the portfolio in the following manner:
    a. The City will purchase investments scheduled to mature in accordance with its anticipated cash needs, in order to minimize the need to sell investments prior to maturity;
    b. A portion of City Funds will be maintained in cash equivalents, including money market funds, investment pools and overnight securities, which may be easily liquidated without a loss of principal should an unexpected need for cash arise; and
    c. The portfolio will consist largely of investments with active secondary markets.
3. *Yield* - The City's investment portfolio shall be designed with the objective of maximizing a fair rate of return consistent with the investment risk constraints and cash flow characteristics of the portfolio. The Investment Committee shall establish suitable benchmarks for the measurement of the portfolio's return.

IV. Delegation of Authority

Under the guidance of the Investment Committee, the City's Director of Financial Services is the official charged with collecting, safeguarding and disbursing City funds. In this capacity, and with consensus from the Investment Committee, the Director of Financial Services is responsible for establishing staff roles and responsibilities, considering the quality and capability of staff, selecting investment advisors and consultants involved in investment management, and developing and maintaining appropriate administrative procedures for the operation of the investment program. Examples of key staff roles and responsibilities include, but are not limited to, solicitation of investment offerings, placement of purchase and sell orders, confirmation of trades, and preparation of reports and other activities as required for the daily operations of the investment area. The Director of Financial Services is also charged with developing written standard Investment procedures and an asset allocation plan consistent with this policy. Such procedures shall be reviewed and approved by the Investment Committee. Subject to the approval of the Investment Committee and City Council, the Director of Financial Services may employ financial consultants on a contractual basis to assist in the development and implementation of investment procedures and policies, to monitor the effectiveness and continued compliance with such policies and procedures, and to provide guidance in investment matters.

V. Standards of Care

The standard of prudence to be used by investment personnel shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard states:

> "Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

The Director of Financial Services, and those delegated investment authority under this Policy, when acting in accordance with written procedures and this Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

VI. Ethics and Conflicts of Interest

Officers and employees of the City involved in the investment process shall refrain from personal business activities that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the Office of the Clerk of Council any material interests in financial institutions with which they conduct business and any personal investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. Officers and employees are required to abide by the provisions of the Virginia Conflict of Interests Act. The Act prohibits City officers and employees from seeking or accepting money or any other thing of value for the performance of their duties, using confidential information for their own benefit and having a personal interest in a company with which the City is doing business. "Officer" means any person appointed or elected to the City's government whether or not he/she receives compensation or other emolument of office. "Employee" means all persons employed by the City.

VII. Collateral and Safekeeping Arrangements

The City's investments shall be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by Virginia Code, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. The Code refers to a counterparty as the issuer or seller of the security and any repurchase agreement provider. All securities purchased or sold will be transferred when possible only under "delivery vs. payment method" to ensure that funds or securities are not released until all criteria relating to the specific transaction are met.

VIII. Competitive Selection of Investment Instruments

It is desirable to select investments on a competitive basis when possible to ensure that the City receives the best price available on a particular investment and avoids paying excessive fees, mark-ups or other compensation to the provider. A list will be maintained of approved financial institutions and security broker/dealers selected by creditworthiness (*e.g.*, a minimum capital requirement of $10,000,000 and at least five years of operations). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions will supply the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Certification of having read and understood and agreeing to comply with the City of Lynchburg Investment Policy

Under the guidance and oversight of the Investment Committee, the Director of Financial Services shall adhere to the following procedures, with assistance from the City's Investment Advisor where appropriate, when funds become available for investment to the extent practical:

1. The Director of Financial Services shall determine the class of investment and maturity range most appropriate for investment of the funds available, based upon the anticipated expenditure schedule of the City, the desired asset allocation of the City's portfolio and the City's Investment Plan.
2. Offers will be solicited for the selected investment from the list of pre-approved providers as noted above.
3. The Director of Financial Services will accept the offer (or bid, if the City is selling an investment) which provides the highest rate of return or which is otherwise deemed most suitable while complying with this Policy and any other criteria specified in the solicitation of offers.

The City shall retain a record of the offers received, the instruments chosen, and the rationale for making the decision.

From time to time, certain investment dealers may present the City with offers that are attractive for investment. Although the City should endeavor to verify (and document) that the price is "fair," it may occasionally purchase such a security without a competitive process if the investment is for $500,000 or less.

Additionally, a competitive process shall not be required for the investment of funds in money market funds, investment pools and overnight securities. However, it shall be the responsibility of the Director of Financial Services to be aware of the yields being offered by various highly liquid investments, and to invest the City's overnight funds in the vehicle(s) which provide a competitive return to the City while complying with this policy and any other criteria established by the Investment Committee or City Council.

IX. Suitable and Authorized Investments – Without Exception, Only the Following Investments Are Suitable and Authorized

1. Treasury Securities
Bonds, Notes and Bills issued by the United States Treasury or certificates representing ownership of treasury bond principal or coupons.

2. Agency Securities (FHLB, FNMA, FFCB, FHLMC, GNMA)
Obligations issued and guaranteed as to principal and interest by the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association, maturing within five years of the date of purchase.

3. **Prime Commercial Paper**
   Commercial Paper maturing within 270 days of the day of purchase rated P-1 or higher by Moody's and A-l or higher by Standard & Poor's, provided that the issuing domestic corporation has a net worth of $50 million and its long-term debt is rated A or better by Moody's and Standard & Poor's.

4. **Certificates of Deposit**
   Certificates of Deposit maturing within one year and issued by domestic banks rated P-l by Moody's and A-l by Standard & Poor's.

5. **Banker's Acceptances**
   Banker's Acceptances maturing within 180 days rated P-l or higher by Moody's and A-l or higher by Standard & Poor's, provided the issuer is a major domestic bank or the domestic office of an international bank rated AA category or higher by Moody's and Standard & Poor's.

6. **Commonwealth of Virginia and Virginia Local Government Obligations**
   General Obligations, Insured Obligations or Revenue Bonds secured by Debt Service Reserve Funds not subject to annual appropriation rated AA category or higher by Moody's or Standard & Poor's.

7. **Repurchase Agreements**
   Repurchase Agreements collateralized by securities approved for investment herein, provided that the counterparty is rate A or better by Moody's and Standard & Poor's and the collateral is held by an independent third party. All Repurchase Agreements are purchased with a Master Repurchase Agreement in place with a third-party custodian.

8. **Open-End Investment Funds**
   Open-end Investment Funds registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein.

9. **Virginia Local Government Investment Pool**

10. **Virginia State Non-Arbitrage Program or Other Authorized Arbitrage Investment Management Programs**

X. Suitable and Authorized Investments – Restricted Funds

Funds defined as sinking funds under the Virginia Code may be invested in items listed in Section IX.1 and IX.6 above, repurchase agreements collateralized by those investments, and in the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs.

XI. Internal Controls

Under the guidance of the Investment Committee, the Director of Financial Services will establish and maintain an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. The Internal Audit Department shall add this Policy and related Procedures to their Audit Universe for audit consideration. The internal control structure will address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

XII. Reporting

Under the guidance of the Investment Committee, the Director of Financial Services will ensure that a Management Report will be prepared on a quarterly basis. The information from this Report may be derived from the Investment Advisor and/or the Safekeeping Agent, or both, where appropriate. This Report will include information that provides an analysis of the status of the current investment portfolio and whether investment activities during the reporting period have conformed to the investment policy herein. The Report will be presented to City Council for information and comment. To the extent practical, the report detail may include such items as the following:

- Listing of securities held at the end of the reporting period
- Realized and unrealized gains or losses resulting from appreciation or depreciation
- Average weighted yield to maturity of portfolio on investments compared to benchmarks
- Listing of investment by maturity type
- Percentage of the total portfolio which each type of investment represents

XIII. Diversification

The City will endeavor to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity. Target asset allocation strategies shall be developed by the Investment Committee to provide guidance as to appropriate levels of diversification. With the exception of U. S. Treasury securities and authorized pools, no more than 50% of the City's total investment will be the obligations of a single financial institution.

XIV. Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase.

Appendix 1: Glossary of Investment Terms

Accrued Interest – The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency – A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization – The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Average Life – The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Basis Point – A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "one-quarter" of 1 percent is equal to 25 basis points.

Bid – The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value – The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Call Price – The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk – The risk to a bondholder that a bond may be redeemed prior to maturity.

Callable Bond – A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Cash Sale/Purchase – A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Collateralization – Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper – An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Convexity – A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Coupon Rate – The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Quality – The measurement of the financial strength of a bond issuer to help an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return) – A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) – A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Discount – The amount by which the par value of a security exceeds the price paid for the security.

Diversification – A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration – A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fair Value – The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Funds (Fed Funds) – Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate – Interest rate charged by one institution lending federal funds to the other.

Government Securities – An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market See "Treasury Bills, Notes, and Bonds."

Interest Rate – See "Coupon Rate."

Interest Rate Risk – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls – An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. Control of collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. Separation of transaction authority from accounting and record keeping - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. Clear delegation of authority to subordinate staff members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of transactions for investments and wire transfers -Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. Development of a wire transfer agreement with the lead bank and third-party custodian – The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Inverted Yield Curve – A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940 – Federal legislation which sets the standards by which investment such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy – A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Liquidity – An asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP) – An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-Market – The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk – The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value – Current market price of a security.

Maturity – The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See 'Weighted Average Maturity."

Money Market Mutual Fund – Mutual funds that invest, solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Fund – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

Mutual Fund Statistical Services – Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services, and Morningstar.

National Association of Securities Dealers (NASD) – A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value – The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.) [(Total assets) - (Liabilities)] / (Number of shares outstanding)

No Load Fund – A mutual fund which does not levy a sales charge on the purchase of its shares.

Nominal Yield – The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or 'interest rate."

Offer – An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Par – Face value or principal value of a bond, typically $1,000 per bond.

Positive Yield Curve – A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium – The amount by which the price paid for a security exceeds the security's par value.

Prime Rate – A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal – The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus – A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule – An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Regular Way Delivery – Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+l basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Reinvestment Risk – The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (repo or RP) – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) – An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act – Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

Safekeeping – Holding of assets (e.g., securities) by a financial institution.

Serial Bond – A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking Fund – Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Swap – Trading one asset for another.

Term Bond – Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Total Return – The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return.

Treasury Bills – Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Bonds – Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Treasury Notes – Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

Uniform Net Capital Rule – SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

Volatility – A degree of fluctuation in the price and valuation of securities.

"Volatility Risk" Rating – A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bonds funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("AAA" by S&P; "V- 1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("CCC"- S&P, "V-10" by Fitch).

Weighted Average Maturity (WAM) – The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

When Issued (WI) – A conditional transaction in which an authorized new security has not been issued. All "when issued' transactions are settled when the actual security is issued.

Yield – The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield Curve – A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-Call (YTC) – The rate of return an investor earns on a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield-to-Maturity – The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Zero-Coupon Securities – Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

LYNCHBURG CITY COUNCIL
Agenda Item Summary
REVISED

MEETING DATE: **March 27, 2018**			AGENDA ITEM #:
CONSENT: ACTION: **X**	REGULAR: **X** INFORMATION:	WORK SESSION:	CLOSED SESSION: (Confidential)

ITEM TITLE: Real Estate Tax Refund for News & Advance Property

KEY ELEMENTS:
_X_ Economic Development ___Excellent Government _X_ Natural and Built Environment ___Safe Community ___Vibrant Community

RECOMMENDATION: Adopt a resolution to amend the FY 2018 General Fund budget and appropriate $171,871 ($154,792 + $17,079 interest payment) with resources from the FY 2018 General Fund Reserve for Contingencies to refund an overpayment of real estate taxes by the News & Advance for the property at 101 Wyndale Drive for the tax years 2014, 2015, and 2016.

SUMMARY: The News & Advance filed an appeal with the Board of Equalization for the 2017 real estate values at their property located at 101 Wyndale Drive. A review of sales data, comparable income and expense data, as well as, a detailed fee appraisal provided by appellant lead the Assessor to conclude the 2017 Assessment was in error. The 2017 Assessment was lowered from $10,333,400 to $5,685,000 and the case was withdrawn from appeal. The News & Advance subsequently hired Wilks Artis, a D.C. Real Estate law firm, to petition for reduction in assessment for (3) prior years based on the 2017 erroneous real estate assessment as provided by State Code 58.1-3980. The assessor proposed to lower the (3) prior years real estate assessment(s) from $10,333,400 to $5,685,000; which was accepted by the News and Advance.

The settlement allows the City to avoid the uncertainty of litigation by: (i) saving attorney fees and expenses associated with a trial and possible appeals, and (ii) maintains a good working relationship with the News & Advance.

PRIOR ACTION(S): Finance Committee, March 27, 2018

FISCAL IMPACT: Appropriation of $171,871 from the FY 2018 General Fund Reserve for Contingencies.

CONTACT(S): Walter Erwin, City Attorney, 455-3973
Jeff Bandy, City Assessor, 455-3821

ATTACHMENT(S): Resolution

REVIEWED BY: bms

RESOLUTION:

BE IT RESOLVED that the FY 2018 General Fund budget is amended and $171,871 ($154,792 + $17,079 interest payment) is appropriated with resources from the FY 2018 General Fund Reserve for Contingencies to refund an overpayment of real estate taxes by the News & Advance for the property at 101 Wyndale Drive for the tax years 2014, 2015, and 2016.

Introduced: March 27, 2018

Adopted: April 10, 2018

Certified: ____________________
Clerk of Council

As required by Section 58.1-3981 of the Code of Virginia, the proposed refund to the News & Advance for the overpayment of real estate taxes has been reviewed and approved by the City Attorney.

3/26/2018
Date

Walter C. Erwin
City Attorney