

**Industrial Development Authority (IDA)
Of the City of Lexington, VA**

Thursday, January 29, 2015, 5:00 PM

City Hall Community Room, 1st Floor

1. Call to Order – John DeVogt, Chair
2. Approval of Minutes of October 14, 2014 meeting *
3. Appointment of City Manager Noah A. Simon as IDA Secretary (per Bylaws)
4. Financial Review – Gary Swink, IDA Treasurer
 - a. FY2014 Audit *
 - b. December IDA Financial Statements * *
 - c. December Virginia Horse Center Financials *
5. Review of IDA Bylaws – Larry Mann, City Attorney *
6. Set next meeting date and agenda items – John DeVogt, Chair
7. Adjourn – John DeVogt, Chair

*indicates attachment

Minutes
Tuesday, October 14, 2014, 5:00 PM
Industrial Development Authority (IDA)
Of the City of Lexington, VA
Office of Attorney Larry Mann

Members Present: John DeVogt
James Joyner
Homer Derrick
Anna-Lisa Fitzgerald
Richard Halseth
Don Burks (attended part of the meeting)

Staff: Gary Swink, Secretary
Atty. Larry Mann

Public: None

The meeting was called to order by Vice-Chairman Joyner at 5:00 PM.

Election of Officers

Mr. Joyner nominated Mr. DeVogt to serve as Chairman. Ms. Fitzgerald seconded the nomination, and Mr. DeVogt was elected unanimously. Mr. Derrick nominated Mr. Joyner to serve as Vice-Chairman. After a second by Ms. Fitzgerald, Mr. Joyner was elected unanimously. It was noted that the Bylaws stipulate that the City Manager shall serve as Secretary and that the City's Finance Director serves as Treasurer. Accordingly, Mr. Swink currently serves in both capacities.

Approval of May 28, 2014 Minutes

After a motion by Mr. Joyner and a second by Mr. Derrick, the minutes were approved.

Consideration of Certificate of Completion for R E Lee Properties, LLC

Mr. Mann presented the request for a Certificate and Affidavit of Satisfaction for the \$150,000 Deed of Trust on the project. It was noted that all conditions of the incentive agreement had been met and that Mr. Benincasa had been notified by Jon Ellestad that the \$150,000 loan had been forgiven, in accordance with the agreement. **Mr. Derrick moved, and Mr. Joyner seconded a motion to have the Chairman execute the Certificate. The motion passed unanimously.**

Consideration of a Subordination of Deed of Trust for R E Lee Properties, LLC

Mr. Mann presented the request from Robert E. Lee Properties, LLC to have the IDA agree to subordinate their Deed of Trust securing the loan on the sale of the parking lot. The Deed of Trust has been subordinated previously to the primary financing Deed of Trust for the project. The project is being refinanced, and approval of the subordination is needed for that refinancing. The original loan on the parking lot sale was \$83,300, and the unpaid balance is \$67,000. Mr. Swink noted that repayment of the

loan is ahead of schedule. Mr. Derrick moved that the Chairman be authorized to execute the Subordination Agreement. After a second by Ms. Fitzgerald, the motion passed unanimously. Mr. Joyner moved that delivery of the two executed documents be contingent upon approval of City Council. Ms. Fitzgerald seconded the motion and it passed unanimously.

Review of Bylaws

Mr. DeVogt noted a need to review and update the IDA's Bylaws. He will poll members for possible changes. Mr. Swink will have the current Bylaws emailed to members for review. Mr. Mann offered that he will have an intern check the Bylaws for statutory compliance.

The next meeting was set for Wednesday, November 5, 2014 at 5:00 PM at City Hall.

The meeting was adjourned at 5:32 PM.

Gary W. Swink, Acting Secretary

IDA Agenda Item

January 29, 2015

TOPIC:

Audit Report for FY 2014

BACKGROUND:

The annual audit report has been received from Robinson, Farmer, Cox Associates for the fiscal year ended June 30, 2014. We received an unmodified opinion on our financial statements, which is the desired outcome. The auditor reported to City Council that it was akin to getting an “A+” on our financial statement report card. The financial numbers for the IDA can be found on pages 22, 23, 85, and 86.

MANAGER’S RECOMMENDATION:

No action is required. For information purposes only.

IDA Agenda Item

January 29, 2015

TOPIC:

IDA Income Statement and Balance Sheet through 12/31/2014.

BACKGROUND/DISCUSSION:

When the redevelopment of the R E Lee Hotel was approved, funds were set aside by the City with the IDA to pre-fund performance payments to be made to the developer during the agreement. The first payment has now been made to the developer per the agreement in the amount of \$1272.50. Payments to be made in the future should increase substantially as tax payments made by the R E Lee increase.

Lodgings taxes collected for the Virginia Horse Center (VHC) under the May, 2014 Memorandum of Agreement between the VHC, the City, and the IDA are to be transferred from the City to the IDA and then disbursed to the VHC. Once received by the VHC, the funds are deposited into a bank account restricted for use per the agreement. From July 1, 2014 to December 31, 2014 lodging taxes collected by the City for the VHC were \$76,404.85. As of December 31st, all of these funds, other than the December collections of \$13,009.77 had been remitted to the VHC and deposited into the restricted VHC account. Also, taxes collected prior to 7/1/2014 were remitted to the VHC and placed in this same account. In December the VHC was authorized by the City to use \$17,240 to fund arrears in debt service payments, leaving \$69,852 in the account for use in making the debt payment to USDA in mid-February.

The income statement reflects the lodging tax transfer from the City in the amount of \$76,405 plus \$1967 in interest earnings. Expenditures include the payments to VHC and to the R E Lee Hotel. Assets of the IDA included a CD in the amount \$201,606, money market account of \$95,197, and a bank account balance of \$75,577. The bank balance was at this level due to the maturation of a CD on December 17th. Liabilities totaled \$13,010, which are the December lodging taxes remitted to VHC in early January.

MANAGER'S RECOMMENDATION:

Receive for information purposes only. Question and Answer period if required.



Income Statement

Through 12/31/14
 Detail Listing
 Exclude Rollup Account

Account	Account Description	YTD Actual Amount
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Fund 03 - IDA Fund

REVENUE		
1015-0102	Interest-General	1,967.47
1041-0501	From General Fund- Lodging Taxes	76,404.85
		<u>\$78,372.32</u>
	REVENUE TOTALS	
EXPENSE		
5645-0	Horse Center Foundation	76,404.85
		<u>\$76,404.85</u>
	Department 7200 - Leisure Svc Contributions Totals	
5642-0	R E Lee Hotel Incentive	1,272.50
		<u>\$1,272.50</u>
	Department 8200 - Com. Dev. Contributions Totals	
	EXPENSE TOTALS	<u>\$77,677.35</u>
	Fund 03 - IDA Fund Totals	
	REVENUE TOTALS	78,372.32
	EXPENSE TOTALS	77,677.35
	Fund 03 - IDA Fund Net Gain (Loss)	<u>\$694.97</u>



Balance Sheet

Through 12/31/14

Detail Listing

Exclude Rollup Account

Account Description	Current YTD Balance
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Fund 03 - IDA Fund

ASSETS

Cash - Suntrust	75,576.78
Money Market /R.E.Lee Project	95,197.36
CD'S /R.E.Lee Project	201,606.39
ASSETS TOTALS	\$372,380.53

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts Payable	13,009.77
LIABILITIES TOTALS	\$13,009.77

FUND EQUITY

Fund Balance	10,450.76
Reserve IDA R E Lee Project	348,920.00
FUND EQUITY TOTALS	\$359,370.76

LIABILITIES + EQUITY \$ 372,380.53

From: Sandra Thomas [mailto:sgt1@me.com]
Sent: Thursday, January 22, 2015 9:32 AM
To: Gary Swink; Steven Bolster; Scott Steele; David E. Worley
Subject: December financials from VHCF

All,

Attached are the YTD financials for December for VHCF and below is the analysis that I sent to the Exec Committee earlier today.

For the first six months of the year operating profit is \$176,602 and cash flow from operations is (\$15,724). During that period unrestricted contributions were \$214,717 and restricted donations were \$74,276. This means that December is the turning point where the horse shows and other events do not provide enough revenue to cover all of the operations of the Horse Center, including overhead. This condition will probably remain until at least April and possibly May when we have LSP and LSE.

At the end of December we had \$35,674 in unrestricted cash and \$330,050 of accounts payable and accrued taxes and payroll. In early January we received another \$33,398 in unrestricted contributions and \$50,000 in proceeds from a loan from a Board member. As of today, we have \$79,312 in unrestricted cash and \$280,584 in accounts payable. This does not include payroll due for last and this week which will be paid next week. Katherine was paid in full last week so that liability has been eliminated. We have negotiated keeping our vendors current but not making payments under our payment plans until April or May.

I delivered the final line of credit paperwork to Cornerstone yesterday. We will be able to draw from it before the end of the month but do not expect to need to do so until late Feb/early March.

The documents in the attached are as follows:

- Balance Sheet
- Operating Income Statement
- Detailed Income Statement
- Statement of Cash Flows
- Profit and Loss by Job

The P&L by Job which is the last 6 pages provides high level information for each event held from 7/1/14 through 12/31/14.

Please let me know if you have any questions or would like more detail on any of this.

Best regards,

Sandra
Sandra G. Thomas
434.825.4966
sgt1@me.com

11:34 AM
01/21/15
Accrual Basis

Virginia Horse Center Foundation
Balance Sheet
As of December 31, 2014

	Dec 31, 14
ASSETS	
Current Assets	
Checking/Savings	
Cash - Unrestricted	35,674.20
Restricted Cash	186,395.59
Total Checking/Savings	222,069.79
Accounts Receivable	
1100 - Accounts Receivable	7,036.21
1105 - Pledges Receivable-Current	38,600.00
Total Accounts Receivable	45,636.21
Other Current Assets	
1106 - Lodging tax receivable	395,630.54
1200 - Inventory	36,229.01
1250 - Prepaids	22,110.52
Total Other Current Assets	453,970.07
Total Current Assets	721,676.07
Fixed Assets	20,152,707.39
Other Assets	169,007.04
TOTAL ASSETS	21,043,390.50
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	301,704.80
Other Current Liabilities	623,713.75
Total Current Liabilities	925,418.55
Long Term Liabilities	11,481,137.59
Total Liabilities	12,406,556.14
Equity	8,636,834.36
TOTAL LIABILITIES & EQUITY	21,043,390.50

VHCF**Income Statement****For the Six Month Period Ended December 31, 2014****Income**

Contributions	
Unrestricted	\$214,717
Restricted	74,276
Facility Fee	161,918
Events & Show Revenue	969,518
Food sales	65,148
Merchandise	174,137
Commissions and Advertising	4,292
Total Income	<u>1,664,006</u>
Cost of Goods Sold	118,185
Gross Profit	<u>1,545,821</u>
Operating Expenses	
Facility Operations	478,509
Events & Show Operations	405,054
Management & General	482,191
Fund Raising Expenses	3,465
Total Operating Expenses	<u>1,369,219</u>
Operating Profit	<u>176,602</u>
Other Income/(Expense)	
Grants	432,542
Depreciation	(288,914)
Interest Expense	(248,087)
Investment Income	149
Other Income	3,963
Total Other Income/(Expense)	<u>(100,347)</u>
Net Profit	<u><u>\$76,255</u></u>

Virginia Horse Center Foundation
Statements of Cash Flows
For the Six Months Ended December 31, 2014

OPERATING ACTIVITIES

Net income	\$	76,255
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization		288,914
Decrease (increase) in current assets		(244,276)
(Decrease) increase in current liabilities		(76,617)
Increase in LT pledges receivable		(80,000)
Increase in LT liabilities		20,000
Net cash provided by Operating Activities		<u>(15,724)</u>

INVESTING ACTIVITIES

Purchase of fixed assets		<u>(22,249)</u>
Net cash used by Investing Activities		<u>(22,249)</u>

FINANCING ACTIVITIES

Payment on NRB notes		<u>(9,452)</u>
Net cash used by Financing Activities		<u>(9,452)</u>

Net cash decrease for period		(47,425)
Cash beginning of period		<u>269,495</u>
Cash end of period	\$	<u>222,070</u>

11:49 AM
 01/21/15
 Accrual Basis

Virginia Horse Center Foundation
Profit & Loss
 July through December 2014

Jul - Dec 14

Ordinary Income/Expense	
Income	
6000 · Contributions	
6001 · Contributions	171,325.70
6002 · Restricted Contributions	52,200.00
6004 · Contributions - debt service	22,076.00
6005 · Annual Fund Contributions	43,391.74
Total 6000 · Contributions	288,993.44
6102 · Parimutual Commission Revenue	2,382.35
6103 · Lodging Tax Revenue	430,159.68
6104 · Facility Rent	161,918.00
6105 · Stalls	298,029.25
6106 · Vendors	22,161.45
6107 · Security	53,670.00
6108 · EMT	7,692.00
6109 · Jumps	9,300.00
6110 · Package Handling Fee	20.00
6111 · Parking Fees	7,077.00
6112 · Ticket Sales	2,168.00
6113 · Mezzanine Rent	2,872.20
6114 · Pultz House Rental	3,600.00
6115 · Exhibitor Entrance Fees	380,377.06
6116 · Sponsorship	48,175.00
6117 · Merchandise Sales	584.00
6118 · Golf Carts	5,835.82
6119 · Camping-Elect & Water	60,909.25
6120 · Camping - Dry	4,530.51
6121 · Early Arrivals	16,244.00
6122 · Layovers	1,000.00
6123 · Straw	120.95
6125 · Shavings	155,012.45
6126 · Feed	650.17
6127 · Hay-Timothy	12,400.87
6128 · Ice	5,368.59
6130 · Signs & Advertising	4,292.42
6131 · Stable Management	8,672.92
6132 · Custodial fees	4,550.00
6133 · Copies & copier rental	2,239.05
6134 · Dumpster fees	3,966.00
6135 · Other show income	17,863.54
6136 · Rules credit	-3,600.00
6137 · NSF clearing	-1,362.08
6138 · Diesel	449.10
6139 · Footing	1,270.00
6150 · Stable Revenue to be allocated	0.00
6200 · Food Sales	65,147.51
6300 · Fair	11,808.00
Total Income	2,096,548.50
Cost of Goods Sold	118,184.51
Gross Profit	1,978,363.99
Expense	
ask the accountant expense	1.00
7019 · Hospitality - VHC	1,493.19
7020 · Repair & Maintenance	46,163.20
7050 · Rental	39,746.61
7060 · Fuel	15,511.81
7065 · Furniture and Fixtures-<\$500	4,727.28
7070 · Supplies	23,809.99

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Accrual Basis

Virginia Horse Center Foundation
Profit & Loss
July through December 2014

	Jul - Dec 14
7080 · Uniforms	367.40
7090 · Landfill Fees	3,279.50
7100 · Exterminator	450.00
7110 · Manure-Trash-Potty	19,845.75
7120 · Contracted Services	193,306.96
7130 · Professional Fees	234,273.02
7200 · Salaries & Wages	366,257.65
7201 · FICA	28,224.56
7203 · SUTA	6,015.46
7204 · Health Insurance	10,814.60
7205 · Disability Insurance	-18.75
7206 · Dental Insurance	691.63
7207 · PAYROLL PROCESSING FEES	1,345.21
7300 · Utilities	121,884.15
7350 · Insurance	30,779.39
7400 · Employee Travel	25,056.12
7420 · Meals & Entertainment	2,418.02
7450 · Advertising	19,126.56
7460 · Signage-Advertising	1,521.33
7470 · Signage - Other	440.71
7480 · Association Fees	25,355.10
7485 · Show acquisition costs	25,000.00
7490 · Prizes	64,192.65
7500 · Show Equipment and Vehicles	1,747.00
7510 · Show and Judge Travel	34,221.73
7520 · Hospitality - (non food)	1,158.58
7521 · F&B internal bill	3,620.00
7530 · Printing	1,971.00
7535 · Subscriptions and dues	2,514.07
7540 · Miscellaneous	-387.96
7570 · Postage	2,021.93
7580 · Taxes	1,482.54
7591 · Cost of bricks	50.00
7597 · Amy Reistrup Memorial	575.00
7600 · NSF	-900.00
7620 · Bank Service Charges	1,958.90
7630 · Finance Charges	1,282.52
7631 · Credit Card Processing Fees	3,254.24
7635 · Cash Over & Short	381.03
7636 · Late fees	893.77
7640 · Charitable Contributions	1,300.00
7650 · Licenses and Dues	-5.00
Total Expense	1,369,219.45
Net Ordinary Income	609,144.54
Other Income/Expense	
Other Income	4,111.66
Other Expense	
7700 · Interest	248,087.35
7710 · Depreciation	288,914.40
Total Other Expense	537,001.75
Net Other Income	-532,890.09
Net Income	76,254.45

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 Accrual Basis

Virginia Horse Center Foundation
Profit & Loss
 July through December 2014

	4-H HORSE SHOW - SEPT 2014	ASHAV Sept 2014	Andalusian/Lusitan o 8/28-31/2014	Baroque - 8/28- 31/2014	Blue Ridge Arabian 2014	Bonnie Blue 2014
Ordinary Income/Expense						
Income	41,281.82	51,629.70	19,742.81	16,250.81	18,472.52	0.00
Cost of Goods Sold	0.00	85.69	0.00	0.00	0.00	0.00
Gross Profit	41,281.82	51,544.01	19,742.81	16,250.81	18,472.52	0.00
Expense	400.00	484.00	280.50	280.50	436.00	20.00
Net Ordinary Income	40,881.82	51,060.01	19,462.31	15,970.31	18,036.52	-20.00
Other Income/Expense						
Other Income	0.00	0.00	0.00	0.00	0.00	0.00
Other Expense	0.00	0.00	0.00	0.00	0.00	0.00
Net Other Income	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	40,881.82	51,060.01	19,462.31	15,970.31	18,036.52	-20.00

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Accrual Basis

Virginia Horse Center Foundation
Profit & Loss
July through December 2014

	Color Classic 2014	Commonwealth Games 2014	Connemara Pony-7-26-14 (2 days)	Dressage at Lexington 2014	Dressage with A View - 9/6/2014	Eastern Arabian 7/31 - 8/3, 2014
Ordinary Income/Expense						
Income	15,108.60	2,413.68	7,143.07	52,832.64	912.00	65,521.39
Cost of Goods Sold	0.00	0.00	103.03	168.05	0.00	0.00
Gross Profit	15,108.60	2,413.68	7,040.04	52,664.59	912.00	65,521.39
Expense	0.00	527.50	772.70	3,016.00	863.00	672.00
Net Ordinary Income	15,108.60	1,886.18	6,267.34	49,648.59	49.00	64,849.39
Other Income/Expense						
Other Income	0.00	0.00	0.00	0.00	0.00	0.00
Other Expense	0.00	0.00	0.00	0.00	0.00	0.00
Net Other Income	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	15,108.60	1,886.18	6,267.34	49,648.59	49.00	64,849.39

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Accrual Basis

Virginia Horse Center Foundation
Profit & Loss
July through December 2014

	Friesian GN - 10- 1-2014	GW Dressage Clinic 2014	Glenmore Hunt 9-27-14	House Mountain July 2014	House Mountain Oct 2014	IFSHA 10/14	Keuring
Ordinary Income/Expense							
Income	-665.50	6,765.93	4,839.40	47,035.25	36,542.00	43,568.94	8,756.04
Cost of Goods Sold	0.00	0.00	0.00	25.70	0.00	30.60	0.00
Gross Profit	-665.50	6,765.93	4,839.40	47,009.55	36,542.00	43,538.34	8,756.04
Expense	303.91	0.00	400.00	11,842.45	14,558.92	0.00	0.00
Net Ordinary Income	-969.41	6,765.93	4,439.40	35,167.10	21,983.08	43,538.34	8,756.04
Other Income/Expense							
Other Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Other Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	-969.41	6,765.93	4,439.40	35,167.10	21,983.08	43,538.34	8,756.04

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Virginia Horse Center Foundation
Profit & Loss
July through December 2014

	Lexington National 2014	Mounted Games Sept 2014	National Barrel - 08/14- 17(2014)	Old Dominion Saddlebred Oct 2014	Paso Fino - August 25 2014	Region 15 2014	Rockbridge Regional Fair	Sesquicentenni al Sept. 11, 2014
Ordinary Income/Expense								
Income	340,653.57	4,703.35	104,468.10	3,549.18	24,131.73	144,971.48	54,556.16	12,485.00
Cost of Goods Sold	705.55	0.00	37.16	0.00	0.00	58.30	550.22	0.00
Gross Profit	<u>339,948.02</u>	<u>4,703.35</u>	<u>104,430.94</u>	<u>3,549.18</u>	<u>24,131.73</u>	<u>144,913.16</u>	<u>54,005.94</u>	<u>12,485.00</u>
Expense	<u>232,857.07</u>	<u>0.00</u>	<u>860.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,245.00</u>	<u>35,658.64</u>	<u>5,922.76</u>
Net Ordinary Income	<u>107,090.95</u>	<u>4,703.35</u>	<u>103,770.94</u>	<u>3,549.18</u>	<u>24,131.73</u>	<u>143,668.16</u>	<u>18,347.30</u>	<u>6,562.24</u>
Other Income/Expense								
Other Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Expense	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Other Income	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Income	<u><u>107,090.95</u></u>	<u><u>4,703.35</u></u>	<u><u>103,770.94</u></u>	<u><u>3,549.18</u></u>	<u><u>24,131.73</u></u>	<u><u>143,668.16</u></u>	<u><u>18,347.30</u></u>	<u><u>6,562.24</u></u>

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Accrual Basis

Virginia Horse Center Foundation
Profit & Loss
July through December 2014

	Fair Horse Show July 2014	SW VA Hunter Jumper Finals - 11/7- 9/14	TRAV Oct 2014	TB Cele Sept 2014	VA 4-H 2014	VA Dressage Finals Oct 2014	VADA School Show
Ordinary Income/Expense							
Income	1,847.46	38,290.10	5,728.62	22,715.65	8,172.23	58,232.65	1,532.28
Cost of Goods Sold	0.00	0.00	0.00	345.65	0.00	0.00	105.30
Gross Profit	1,847.46	38,290.10	5,728.62	22,370.00	8,172.23	58,232.65	1,426.98
Expense	3,885.36	1,000.00	60.50	14,683.40	0.00	1,138.55	82.43
Net Ordinary Income	-2,037.90	37,290.10	5,668.12	7,686.60	8,172.23	57,094.10	1,344.55
Other Income/Expense							
Other Income	0.00	0.00	0.00	30.00	0.00	0.00	0.00
Other Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Other Income	0.00	0.00	0.00	30.00	0.00	0.00	0.00
Net Income	-2,037.90	37,290.10	5,668.12	7,716.60	8,172.23	57,094.10	1,344.55

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 Accrual Basis

Virginia Horse Center Foundation
Profit & Loss
 July through December 2014

	VA HORSE SHOW ASSOC Nov 13-16, 2014	Virginia Horse Trials Oct/Nov 2014	Virginia Starter Horse Trials Aug 2014	Winter Tournament - Nov 2014
Ordinary Income/Expense				
Income	47,274.25	58,180.34	7,120.00	133.00
Cost of Goods Sold	0.00	2,400.00	0.00	0.00
Gross Profit	<u>47,274.25</u>	<u>55,780.34</u>	<u>7,120.00</u>	<u>133.00</u>
Expense	1,855.00	800.00	200.00	0.00
Net Ordinary Income	<u>45,419.25</u>	<u>54,980.34</u>	<u>6,920.00</u>	<u>133.00</u>
Other Income/Expense				
Other Income	0.00	0.00	0.00	0.00
Other Expense	0.00	0.00	0.00	0.00
Net Other Income	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Income	<u><u>45,419.25</u></u>	<u><u>54,980.34</u></u>	<u><u>6,920.00</u></u>	<u><u>133.00</u></u>

IDA Agenda Item

January 29, 2015

TOPIC:

Updating of Industrial Development Authority (IDA) Bylaws

BACKGROUND:

Attorney Larry Mann was asked by the IDA to review the original IDA Bylaws dated November 24, 1987. Attached is the proposed updated version. Mr. Mann provided the -following summary of the proposed changes:

IDA Bylaws: Proposed Changes

I. Introduction

Paragraph B Now simply references the appropriate portion of the State Code that lists the purposes of the Authority.

Paragraph C. No need to recite powers, spelled out in Code.

New paragraph D. clarifies status of Authority

New Paragraph E. Boiler plate gender statement.

II. Board of Directors

New Paragraph B Authority to be governed by provisions in State Code.

Paragraph C and D reorganize, dropped initial organization provisions

Paragraph G updated

Paragraph I updated and reorganized.

Paragraph K moved from N

III. Meetings and Hearings

Paragraph A updated more procedural details.

Rest of section reorganized.

MANAGER'S RECOMMENDATION:

Review proposed changes and move to approve the new Industrial Development Authority Bylaws to take effect immediately.

BYLAWS OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF LEXINGTON, VIRGINIA

I. INTRODUCTION

A. **Name.** The name of this body shall be the “Industrial Development Authority of the City of Lexington, Virginia” and is sometimes hereinafter referred to as the “Authority.”

B. **Purpose.** The Authority shall have all purposes now or hereafter set forth in the Industrial Development and Revenue Bond Act, Chapter 49 of Title 15 .2 of the Code of Virginia, as amended (the "Act").

C. **Powers.** The Authority shall be vested with and may exercise all powers now or hereafter enumerated in the Act, along with that may be incidental thereto or necessary or appropriate to enable it to accomplish its purposes.

D. **Separate Entity.** The Authority shall be a political subdivision of the Commonwealth of Virginia, as provided by the Act, and as such shall be a separate and distinct legal entity from the City of Lexington, Virginia (“Lexington” or the “City”).

E. **Gender-neutral interpretation.** Any references to gender-based nouns or pronouns in these Bylaws shall be construed to refer generally to members of either sex.

II. BOARD OF DIRECTORS AND OFFICERS

A. **Board of Directors.** The Authority shall be governed by a Board of Directors in which all powers of the Authority shall be vested.

B. **Default to the Act.** All provisions contained in Article II are derived from Section 4904 Title 15.2 of the Code of Virginia. Any conflict between a provision in Article II and Section 4904 shall be resolved in favor of Section 4904.

C. **Number, Appointment, and Terms of Directors.**

(1) There shall be seven Directors of the Authority who shall be appointed by the City Council of Lexington (the “City Council”).

(2) All appointments shall be for a term of four (4) years, except appointments to fill the remainder of an unexpired term created by a vacancy on the Board of Directors.

(3) All terms of office shall be deemed to commence upon the date of the initial appointment to the authority, and thereafter, in accordance with the provisions of Subsection B(2).

(4) If at the end of any term of office of any director a successor thereto has not been appointed, then the director whose term of office has expired shall continue to hold office until his successor is appointed and qualified.

D. **Oath.** Each Director, before entering upon his duties, shall take and subscribe the oath prescribed by Section 49-1 of the Code of Virginia, as amended.

E. **Employment; Residence.** No Director shall be an officer or employee of Lexington. Every Director shall, at the time of his appointment and thereafter, reside in Lexington. When a

Director ceases to be a resident of Lexington, such Director's office shall be vacant and a new Director shall be appointed pursuant to the Act and Section II.F of these Bylaws.

F. **Vacancies.** The City Council shall make any appointments necessary to fill any vacancies upon the Board of Directors, such appointment being for the unexpired term of any Director who shall have resigned or otherwise vacated his office. The City Manager of Lexington shall promptly notify the City Council of any vacancy which may occur on the Board of Directors.

G. **Compensation for Directors.** The Directors shall receive no salary, but the Directors may be compensated such amount per regular, special or committee meeting as may be approved by the City Council not to exceed two hundred dollars (\$200) per meeting, and shall be reimbursed for necessary travel and other expenses incurred in the performance of their duties.

H. **Officers of the Authority.** The Directors shall elect a Chairman, a Vice-Chairman, a Secretary, and a Treasurer of the Authority (collectively, the "Officers"). All officers shall be elected annually at the regular meeting held in September of each year. They shall commence their duties immediately upon election and shall continue in office thereafter until a successor is elected and qualified. The Directors may elect at any regular or special meeting such Officers as may be necessary to fill any vacancy created by resignation, expiration of a term of appointment as a Director, or otherwise, which Officers shall serve for the remaining portion of such Officer's unexpired term.

- (1) The Chairman and Vice-Chairman shall be elected from the membership of the Board. They shall remain full voting members of the Board of Directors after their election.
- (2) The Directors shall elect Lexington's City Manager as Secretary and Lexington's Finance Director as Treasurer. Both the Secretary and the Treasurer shall be ex-officio members without the authority to vote on any business before the Board of Directors.

I. **Duties of Officers.** The duties of Officers of the Authority shall include, but shall not be limited to, the following:

- (1) The Chairman shall preside at all meetings of the Authority; shall be responsible for all correspondence; shall make committee appointments; may appoint members of the Authority as liaison to any other governmental agencies, authorities, and commissions; shall act as a signatory when authorized; and shall have overall responsibility for accomplishment of the Authority's goals and purposes.
- (2) The Vice Chairman shall, in the absence of the Chairman, exercise all of the Chairman's powers and duties. In the event the office of Chairman shall become vacant, the Vice Chairman shall immediately become the Chairman.
- (3) The Secretary shall be responsible for taking detailed minutes of every meeting of the Authority, for providing appropriate notice of meetings to the Directors and Officers of the Authority and all other pertinent parties under Article III, and for preparing and distributing such minutes to all persons as directed by the Board of Directors. The Secretary shall maintain copies of all reports, correspondence, contracts, agreements, indentures, documents, audits, rules and regulations and any other records as may be directed by the Board of Directors. The Secretary also shall be responsible for

preparing and filing all statements, reports and similar matters from time to time required by law to be filed by the Authority with any federal, state or local official.

- (4) The Treasurer shall be custodian of all funds of the Authority; shall keep and maintain suitable financial records as may be directed by the Board of Directors; shall arrange for an annual audit of the accounts of the Authority by an independent Certified Public Accountant, subject to the prior approval of the Board of Directors; and shall report to the Directors the results of such annual audit.
- (5) In addition to the foregoing powers and duties, each Officer of the Authority may exercise any powers conferred upon such officer by the Act, and all other powers as are customarily exercised by such officer in similar organizations or authorities as may be expedient, necessary or proper to further the lawful purposes of the Authority. During the absence of any Officer, the Board of Directors may designate any member of the Authority to perform the duties of the absent Officer until such Officer's return.

J. **Quorum.** Four members of the Board of Directors shall constitute a quorum of the Board for the purposes of conducting its business and exercising its powers and for all other purposes, except that no facilities owned by the Authority shall be leased or disposed of in any manner without a majority vote of the members of the Board of Directors (as described in Article III, Section A). No vacancy in the membership of the Board of Directors shall impair the right of a quorum to exercise all the powers and perform all the duties of the Board of Directors.

K. **Employees and Agents.** The Board of Directors shall have the power to employ and pay compensation to such employees and agents, including attorneys, consultants, and bond counsel, as the Board of Directors shall deem necessary in carrying on the business of the Authority.

III. MEETINGS AND HEARINGS

A. **Voting.** Except as otherwise required in these Bylaws or by the Act, voting shall be by a simple majority of those present at any meeting of the board of directors that has been called and conducted in accordance with this Article. No Director shall be allowed to vote by proxy at any meeting of the Authority. If the absence or recusal of any member of the Board of Directors causes a vote to result in a tie, the matter shall be tabled. The same member of the Board who raised the tabled issue can raise the issue again at the same meeting or a subsequent meeting when he or she believes that the matter can be resolved by calling for another vote. However, a raised and tabled issue can only be re-raised once per meeting.

B. **Meetings and Notices.** Except as set forth below, regular meetings of the Board of Directors shall be held at the call of the Chairman at 5:00 P.M. on the third Wednesday of the month, at Lexington City Hall. Special meetings of the Board of Directors may be called by the Chairman or a majority of the Board of Directors. Notice specifying the time and place of any special meeting shall be given to each Director and Officer of the Authority at least 24 hours before such meeting by personally delivering such notice to him or her or by telephoning or mailing such notice to him or her at least 24 hours before the meeting. The presence of any Officer or Director at a special meeting shall be deemed an acknowledgement of the timely receipt of notice thereof or a waiver of any such notice. Special meetings may be held without notice if all of the Directors are present or those not present sign a written waiver of notice

before or after the meeting. All meetings at which formal action is taken shall be open to the public.

C. Public Hearing and Approval; Transmission of Fiscal Impact Statement.

- (1) Whenever federal law requires public hearings and public approval as a prerequisite to obtaining federal tax exemption for the interest paid on industrial development bonds, unless otherwise specified by federal law or regulation, the public hearing shall be conducted by the Authority either at its offices or in the General District Court Room of Lexington on a date and at a time selected by the Chairman of the Authority.
- (2) Notice of the hearing shall be given by the Secretary by (1) publishing once a week for two successive weeks in a newspaper published or having general circulation in the locality in which the facility to be financed is to be located and (2) advertising the meeting on the City's website. The notice shall specify the time and place of the hearing and also shall contain (a) the name and address of the Authority; (b) the name and address (principal place of business, if any) of the party seeking financing; (c) maximum dollar amount of financing sought; and (d) the type of business and purpose and specific location, if known, of the facility to be financed. Notwithstanding anything to the contrary contained herein, the hearing shall be scheduled and held not less than six (6) nor more than twenty-one (21) days after the second notice has appeared in the relevant local newspaper.
- (3) If, after the public hearing has been held, the Authority approves the financing, the Chairman shall convey promptly to the City Council a reasonably detailed summary of the comments expressed at the hearing, together with the Authority's recommendation. Such summary and recommendation shall be accompanied by a fiscal impact statement concerning the facility and financing therefor for which approval is sought in the form found in Appendix A of these Bylaws.
- (4) The Chairman shall use his best efforts to transmit said fiscal impact statement, summary and recommendation to the City Council within such time as will permit said City Council to either approve or disapprove the financing within sixty (60) calendar days from the public hearing.

D. Minutes. The Secretary of the Authority shall keep detailed minutes of all meetings and proceedings and all such minutes shall be open to public inspection at all times at the office of the Authority.

E. Closed Sessions. When addressing Authority business not required by law to be discussed in a public forum, any member of the Board of Directors may move to address said business in a closed session. To enter into a closed session, the motion must be seconded and approved by a majority of the Board of Directors. Business discussed in a closed session shall not be included on the minutes of the Authority. Any motion for a closed session shall be made according to the form exhibited in Appendix C.

F. Financial Transactions, Records and Fiscal Year. The Treasurer of the Authority shall keep suitable records of all financial transactions of the Authority and shall arrange to have the same audited following the end of each fiscal year, subject to the approval of the Board of

Directors. Copies of each audit shall be further furnished to the City Council and all such other persons as the Board of Directors may deem appropriate, and shall be open to public inspection at the office of the Industrial Development Authority, at City Hall, 300 East Washington Street, Lexington, Virginia 24450. The fiscal year of the Authority shall begin on July 1 and end on the last day of June next following.

G. **Agenda of Meetings.** The format of all regular meetings of the Board of Directors shall be as follows:

- a. Call to Order.
- b. Reading (if requested by any member), approval and correction of the minutes of the last regular meeting and any special meetings held subsequent to the last regular meeting.
- c. Treasurer's Report.
- d. Chairman's Report.
- e. Committee Reports: Executive Committee, Industrial Advisory Committee, and Special Committees.
- f. Old Business.
- g. New Business.
- h. Adjournment.

IV. **COMMITTEES**

A. **Executive Committee.** The Board of Directors may designate, by resolution adopted by a majority of the Directors, any two or more of the Directors to constitute an Executive Committee. The Executive Committee shall consider on behalf of the Board of Directors, all matters brought to its attention when the Board of Directors is not in session during either a regular or a special meeting. The Executive Committee may act solely in an advisory capacity and shall not exercise any of the powers granted to the Authority of its officers pursuant to these Bylaws or the Act. The Executive Committee shall report to the members of the Authority at the Authority's next regularly scheduled meeting all matters discussed by the Executive Committee.

B. **Special Committees.** The Board of Directors may appoint, from time to time, committees as it may deem necessary and expedient to promote the purposes of the Authority. Such committees shall be advisory only and shall not be empowered to act by or on behalf of the Authority. Members of any special committee shall not be compensated for their services but may be reimbursed for necessary traveling and other expenses incurred while on the business of the Authority.

V. **SEAL OF THE AUTHORITY**

The seal of the Authority shall be a flat faced circular die with the name of the Authority engraved thereon and such other words and figures as may appear thereon, as evidenced by a sample of such seal which appears on the margin of these Bylaws opposite this Section.

VI. CHECKS , NOTES , DRAFTS AND OTHER LEGAL DOCUMENTS

Checks, notes, drafts, and other legal documents shall be signed by such Directors or Officers as specified in the Act, these Bylaws, or as the Board of Directors may, from time to time, authorize. The signature of any such person may be electronic when authorized by the Board of Directors or the Act.

VII. RULES AND REGULATIONS

A. **Rules of Order.** Roberts Rules of Order, newly revised or any subsequent edition thereof, shall govern all matters of procedure not specifically set forth in these Bylaws or the Act.

B. **Rules and Regulations.** The Board of Directors may adopt, amend and alter, from time to time, such rules, regulations, or forms which it may deem necessary or expedient for the management of the affairs of the Authority and which shall not be inconsistent with the Act. The Secretary of the Authority shall maintain current copies of all rules, regulations, and forms adopted by the Authority, which shall be available for public inspection at all times at the office of the Authority.

VIII. AMENDMENT OF THE BYLAWS

These Bylaws may be amended by a majority of the Board of Directors present at any duly constituted meeting, provided written or oral notice of such amendment shall have been given to the Directors and Officers at least 24 hours prior to any such meeting.

APPENDIX A: FISCAL IMPACT STATEMENT FORM

_____ Date: _____

(Name of Applicant)

(Facility)

1. Maximum amount of financing sought	\$
2. Estimated taxable value of the facility's real property to be constructed in the locality	\$
3. Estimated real property tax per year using present tax rates	\$
4. Estimated personal property tax per year using present tax rates	\$
5. Estimated merchants' capital tax per year using present tax rates	\$
6.(a) Estimated dollar value per year of goods that will be purchased from Virginia companies within the locality	\$
6.(b) Estimated dollar value per year of goods that will be purchased from non-Virginia companies within the locality	\$
6.(c) Estimated dollar value per year of services that will be purchased from Virginia companies within the locality	\$
6.(d) Estimated dollar value per year of services that will be purchased from non-Virginia companies within the locality	\$
7. Estimated number of regular employees on year round basis	\$
8. Average annual salary per employee	\$
TOTAL	\$

Signature

Authority Chairman

Industrial Development Authority of the City of Lexington, Virginia

Name of Authority

APPENDIX B: PROCEDURES FOR FINANCIAL ASSISTANCE REQUESTS

1. Prior to consideration of any request for financing assistance, the Authority shall require submission of the following documentation by all applicants:
 - a. Cover letter soliciting an Authority Resolution of Inducement for the use of industrial revenue bonds.
 - b. Background information on the applicant, including but not limited to: a brief history of the applicant; the names of the applicant's chief officers and principal owners; a description of the applicant's market and products or services; records of past sales growth and projected sales; financial statements for the previous three years of operation and current year estimates; and a statement of the relationship of this project to the organization and to its marketing and sales strategy.
 - c. Detailed project outline, including but not limited to; a description of the facilities to be constructed and/or utilized; a schedule of the estimated cost of the project as it relates to the financing sought; an economic valuation analysis; and a detailed explanation of how the bonds will be sold, including all cost connected therewith.
 - d. Statement of benefits to the State of Virginia and to the City of Lexington, including but not limited to: a projection of new employment opportunities created as a result of the project; an estimate of all taxes projected to be paid to the City of Lexington as a result of the facility; and an estimate of all taxes projected to be paid to the State of Virginia as a result of the facility; and a statement of other potential benefits which might accrue to the local economy, including non-monetary benefits.
2. All documentation referred to in Paragraph 1 shall be addressed to the Chairman, Industrial Development Authority of Lexington, Virginia.
3. At the time the application is received, a non-refundable filing fee of \$5,000 is due. A non-refundable closing fee of \$20,000 or 1 percent of the total issuance amount is due at the time the applicant's project is financed through the Authority. The applicant shall be responsible for the cost of advertising legal notices of public hearings, and other costs related to the public hearing as determined by the Authority. The applicant shall also be responsible for the payment of an annual fee. For affordable housing transactions where the Authority or the City is required to conduct ongoing monitoring of the project, the annual fee shall be based on the lesser of: 1) staff's estimate of the costs to be incurred each year in monitoring the project; or 2) one-eighth of one percent of the outstanding principal amount of the bonds. For all other transactions, the annual fee shall be the lesser of: 1) \$5,000 or 2) one-eighth of one percent of the outstanding principal amount of the bonds. Fees shall be made payable to the Industrial Development Authority of the City of Lexington, Virginia. The Authority shall retain

the right to waive all or part of the closing and/or annual fee if the applicant demonstrates to the Authority that financial hardship would result from payment of all or part of the closing fee.

4. Upon receipt of an application for financing assistance, the Authority shall forward all relevant materials to the City Council staff for review. The Authority shall meet to make a recommendation upon an application only after review by the City Council staff has been completed. The Authority shall hold a public meeting to allow for public comment prior to the adoption of an inducement resolution authorizing a proposed project or projects. Notice of this meeting shall be advertised in a newspaper of general circulation in the County fourteen days and again seven days before the public hearing is held. The notice must include the name and address of the Authority, the time and place of the hearing, the name and address of the party seeking financing, the maximum dollar amount of financing sought, the type of business and the proposed location of the facility to be financed. The Authority's recommendation along with accompanying documentation and a detailed summary of the public hearing shall then be forwarded to the City Council for consideration. Final action shall be taken by the Authority only after receipt of a recommendation from the City Council.

5. The Authority shall take into consideration the following factors in reviewing any request for financing assistance:

- a. General Land Use Plan.
- b. Existing Zoning.
- c. Efficient Land Utilization.
- d. Other County Board-adopted Goals, Policies, and Objectives.

6. The Authority shall include in its bond documents and require the applicant to include in its Official Statement the following certifications:

- a. The Official Statement shall meet current financial disclosure guidelines as promulgated by the Government Finance Officers Association; and,
- b. The applicant shall provide ongoing, timely disclosure of annual financial information (including an annual financial audit prepared by an independent auditor using generally accepted accounting principles) and notices of material events to the Authority and to the Municipal Securities Rulemaking Board. The applicant shall bear the burden of compliance with Securities Exchange Commission (SEC) mandates regarding ongoing compliance and reporting obligations, and shall be indemnified to the Authority for any fines resulting from failure to comply with SEC rules.

APPENDIX C: MOTION FOR A CLOSED SESSION

MOTION FOR CLOSED MEETING

I move that Industrial Development Authority of Lexington, Virginia convene in Closed Session in accordance with Section 2.2-3712, of the Code of Virginia, as amended, in order to discuss matters identified as exempt pursuant to Section 2.2-3711, Subsection A, Paragraph *[fill in paragraph number(s)]*. The subject to be addressed shall be *[fill in description from paragraph(s) cited]*

VOTE:

Don Burks	Aye	Nay
Homer "Buddy" Derrick	Aye	Nay
John DeVogt	Aye	Nay
Anna-Lisa Fitzgerald	Aye	Nay
Richard Halseth	Aye	Nay
James Joyner	Aye	Nay

RESOLUTION

WHEREAS, the Industrial Development Authority of the City of Lexington has convened a closed session on this date pursuant to an affirmative vote in accordance with the provisions of the Virginia Freedom of Information Act, specifically Section 2.2-3711, Paragraph *[fill in paragraph number(s)]*, to discuss *[fill in description from paragraph(s) cited]*; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Authority that such executive meeting was conducted in conformity with Virginia law;

NOW THEREFORE BE IT RESOLVED by the Members of the Board of the Industrial Development Authority of Lexington, Virginia, that the Members hereby certify that, to the best of each member's knowledge, (1) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the executive meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the executive meeting were, heard, discussed or considered by the Authority.

VOTE:

Don Burks	Aye	Nay
Homer "Buddy" Derrick	Aye	Nay
John DeVogt	Aye	Nay
Anna-Lisa Fitzgerald	Aye	Nay
Richard Halseth	Aye	Nay
James Joyner	Aye	Nay

ABSENT DURING VOTE: _____

ABSENT DURING MEETING: _____

Resolved: _____

John DeVogt, Chairman

Clerk