

MINUTES
PURCELLVILLE TOWN COUNCIL BUDGET WORK SESSION
MARCH 15, 2016
TOWN HALL COUNCIL CHAMBERS

The Town Council Budget Work Session was convened at 7:00 PM in Council Chambers with the following in attendance:

PRESENT: Kwasi Fraser, Mayor
Joan Lehr, Council member
Karen Jimmerson, Council member
Patrick McConville, Council member
Doug McCollum, Council member
John Nave, Council member
Melanie Fuller, Council member

ABSENT: None

STAFF: Robert Lohr, Jr., Town Manager
Danny Davis, Assistant Town Manager
Alex Vanegas, Director of Public Works
Elizabeth Krens, Director of Finance
Hooper McCann, Director of Administration
Connie LeMarr, Assistant Director of Finance
Chief Cindy McAlister, Police Dept.
Paula Hicks, Staff Accountant
Debbie Capitan, Budget Specialist
Diana Hays, Town Clerk

CALL TO ORDER OF REGULAR MEETING:

Mayor Fraser called the regular meeting to order at 7:00 PM. The Pledge of Allegiance followed.

PRESENTATION OF FY16/17 BUDGET:

Mayor Fraser introduced Rob Lohr who introduced the proposed FY 2017 Fiscal Plan and Capital Improvement Program. Rob Lohr reviewed the accomplishments and achievements over the year and talked about the status of each of the funds – the General Fund, Parks and Recreation Fund, Water Fund and Wastewater Fund. Rob Lohr ended by summarizing the upcoming budget work session meetings that were adopted towards the end of 2015 as well as the budget deadline. Council had no questions or comments at this time.

PRESENTATION BY DAVENPORT & CO.:

Kyle Laux, Davenport & Co., the Town's Financial Advisor, talked about the Town's credit rating to include an overview of the rating agencies, credit rating descriptions, credit rating scale, rating agency methodologies, and rating agencies next steps. Mr. Laux next discussed the multi-year financial forecast, key assumptions used in the multi-year projections for the General Fund and Parks and Recreation Fund, General Fund Initial Observations, and the Parks and Recreation Fund Projection and Initial Observations.

Council member Lehr asked about the Parks and Rec tax being split out to a separate fund, and added that what wasn't done was that no money was taken from the general fund and split out so that the parks and rec fund had its own fund. Council member Lehr asked if it would have made sense to take 17% (the P&R tax) and put that in a separate entity. Mr. Laux talked about the day to day operations of how to track the various funds and ensure they are in compliance with what you can do with special tax district dollars versus with general fund dollars. Mr. Laux added the rating agencies will see those funds both as tax supportive and not add them together, and from their standpoint will likely not make a difference if it is all in the general fund or some in the special tax district fund. Rob Lohr noted that this is one of the items the Town did not look further into and added you can always take money from general fund reserves without restrictions and transfer it into this activity if needed for a special project.

Council member Nave asked about the two penny increase in real estate tax and confirmed with Mr. Laux that the calculation is going across the board. Council member Nave asked about the Transfer to Capital Fund and added this changes the deficit noted in blue and asked for the rationale for the line in regards to the amount and when it is done, not done, etc. Mr. Laux stated that this ties back to the capital program and individual projects. Danny Davis added that the specific dollars noted in Transfer to Capital Fund are related to the financial system as Town Council agreed to pay for out of cash reserves to the capital fund. Mayor Fraser requested that parentheses go around 2017 so it is clear that the two cents only applies to 2017 and not every year.

Mayor Fraser asked about the Unassigned Fund Balance noted in green and asked what the optimum percent is and if the Town should be paying off debt at an accelerated pace. Mr. Laux stated the level varies by local government and a couple of factors to include being in compliance with the policy and to manage cash flows. Mr. Laux added that the level is strong and as a smaller local government need to have a certain amount for emergencies, and from there asking if there are opportunities to do cash funding of CIP items or opportunities to help not incur future debt.

PRESENTATION BY MFSG:

Eric Callocchia, Manager, Municipal & Financial Services Group stated his company has been working with the Town for over eight years to look at the long term projection of the water and sewer utility financial health. Mr. Callocchia discussed water rates and sewer rates with upcoming new availabilities as well as years beyond.

Council member Nave asked what data was used to make the calculations for Kline and Warner Brook. Alex Vanegas stated that the submitted concept plans and data were used. Council member Nave expressed concerns with those plans not being firm. Council member Nave asked about the 31% increase in water rates between FY17 and FY21. Mr. Callocchia stated that is to cover planning for the future.

Council and staff talked about bulk water sales as a source of income as well as annexation and other ideas for revenue streams and if there are parameters or bond documents in place that do not allow the Town to waive certain fees or structures. In order to grow strategy, Mayor Fraser asked if we can be proactive and determine how many availabilities (residential/commercial) are needed to help with water problems. Mr. Collocchia noted there are several variables needed and if provided, can provide that information fairly quickly. Mayor Fraser asked if meals tax can be used to pay for water and sewer. Mr. Callocchia stated that in general, General Fund Revenues legally can be used to support utility services however the bond rating agencies would look very unfavorably on this.

Council member McCollum talked about annexation and added is not optimistic that the concept of annexation for Kline or Warner Brook will be an issue that the County will discuss with the Town.

Mayor Fraser asked if there is a way to combine the water and sewer funds to lessen the percentage. Mr. Callocchia noted that the model separates the two costs then combines them at the end so the water rates can be projected separately from sewer rates, and added that the funds are utility dollars. Further discussion took place on the performance of the water fund and the sewer fund.

Council member McConville asked about adjusting the fixed charges and Mr. Callocchia stated he is looking into that in terms of an overall revenue increase. Mr. Callocchia stated he is also looking into reducing the number of tiers and looking at rates that are revenue neutral.

REVIEW OF UPCOMING BUDGT SCHEDULE:

Rob Lohr confirmed the next budget work session is scheduled for March 29th.

DISCUSSION OF BUDGET REVIEW PROCESS:

Rob Lohr requested that all questions be sent to Liz Krens and her staff will compile the questions and answers. Mayor Fraser asked about the public's ability to ask questions, and Rob Lohr added that citizens are welcome to speak at any Town Council Meeting as well as the upcoming public hearing or Council may want to consider scheduling a special meeting for this purpose.

Council member Lehr asked if there is a place on the Town's website where citizens can comment. Danny Davis noted there is an email address for Town Council that citizens are encouraged to write to and offered to create an online form that would go to Council in the

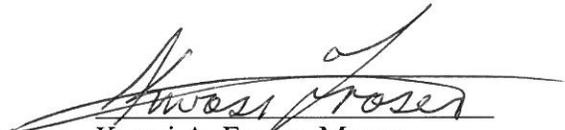
form of an email. Danny Davis stated he would create a webpage for the budget information and include a form that citizens can submit for questions specifically related to the budget.

QUESTIONS AND FEEDBACK FROM TOWN COUNCIL:

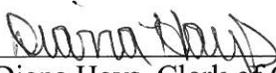
No additional comments.

ADJOURNMENT:

With no further business to discuss, Council member McCollum made a motion to adjourn at 9:41 PM. The motion was seconded by Vice Mayor McConville and approved unanimously.



Kwasi A. Fraser, Mayor



Diana Hays, Clerk of Council