Davenport & Company

Town of Purcellville, Virginia

Financial Projection Update for Fiscal Year 2017 and beyond

March 15, 2016

Background

- Davenport & Company LLC ("Davenport") serves as Financial Advisor to the Town of Purcellville (the "Town").

- The Town is in the process of developing its Fiscal Year 2017 Budget for the General Fund.

- The Town enjoys highly favorable Credit Ratings from the National Credit Rating Agencies.

- As part of the 2017 Budget Process, Davenport was asked to develop information for the Town Council related to:

    - Rating Agency Methodology / Criteria;

    - An update to the Multi-Year Financial Forecast for the General Fund and Parks & Recreation Fund.

Credit Ratings

Credit Rating Overview

- In the Summer / Fall of 2013 the Town obtained its inaugural Credit Ratings from the National Credit Rating Agencies. For purposes of the Municipal Credit Market the National Credit Rating Agencies are as follows:
  - Standard & Poor's;
  - Moody's Investors Service; and,
  - Fitch Ratings.

- The results of the rating process were highly favorable as all three National Credit Rating Agencies provided the Town with Strong Investment Grade Credit Ratings despite the Town's relatively modest population.

- The Town's Credit Ratings are as follows:
  - **Standard & Poor's** **"AAA"**
  - **Moody's Investors Service** **"Aa2"**
  - **Fitch Ratings** **"AA"**

Credit Rating Description

- Descriptions of the Ratings by Each of the Rating Agencies are as Follows:

  - ***Standard & Poor's***
    - "AAA"— Extremely strong capacity to meet financial commitments. Highest Rating.

  - ***Moody's***
    - Issuers or issues rated "Aa" demonstrate very strong creditworthiness relative to other US municipal or tax-exempt issuers or issues.

  - ***Fitch Ratings***
    - AA: Very high credit quality.
      'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

Credit Rating Scale

	Moody's	S&P	Fitch		
Top Tier "Highest Possible Rating"	Aaa	AAA	AAA		
2nd Tier "Very Strong"	Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-	(Highest) (Middle) (Lowest)	
3rd Tier "Strong"	A1 A2 A3	A+ A A-	A+ A A-	(Highest) (Middle) (Lowest)	Considered Investment Grade
4th Tier "Adequate Capacity to Repay"	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	(Highest) (Middle) (Lowest)	
5th – 10th Tiers "Below Investment Grade"	BB, B, CCC, CC, C, D				Below Investment Grade

Rating Agency Methodology: Fitch

- In August of 2015 the Town's Fitch rating was updated via a routine "rating surveillance" process.

- Fitch affirmed the Town's "AA" rating with a Stable Outlook. Fitch provided commentary related to their favorable rating criteria as follows:

  – **Economy**

  Fitch's economic analysis considers the capacity of the issuer's economic base to support balanced, ongoing operations and repayment of debt, and provides insight into potential future financial and debt resources or challenges.

  "Strong Socio-Economic Metrics: Town income levels are very high reflecting the highly educated nature of the labor force and proximity to vibrant labor markets in the northern Virginia area." – Fitch Rating Report, August 2015

  – **Management and Administration**

  Management policies, practices, and actions can influence the other major credit factors, affording strong ratings to entities with limited economic or financial resources, or weaker ratings to more diverse or affluent entities. Fitch's analysis of management encompasses both elected officials and appointed staff members. Fitch looks at the tenure and relevant experience of key officials.

  "The rating is sensitive to the town's ability to effectively manage the utility system, which is currently, but has not always been self-supporting." – Fitch Rating Report, August 2015

Source: Fitch Ratings

Rating Agency Methodology: Fitch

– **Finances**

Fitch's analysis of an issuer's finances is focused on evaluating the issuer's financial resources and flexibility to support its obligations over the near and long terms. Fitch incorporates the general fund and any other tax-supported funds, in which the use of revenues is flexible and could be allocated to general government purposes.

> *"Sound Financial Position: General fund reserves and liquidity are strong and have been for an extended period. Operations have generally been stable. Revenues are diverse and provide good flexibility to management."*
> – Fitch Rating Report, August 2015

– **Debt and Other Liabilities**

In evaluating debt and other long-term liabilities, Fitch Ratings seeks to determine the extent and nature of the entity's current liabilities and evaluates the outlook for the future, with a focus on affordability and flexibility.

> *"Manageable Long-Term Liabilities: Debt levels are moderate and the town has limited capital needs. The bulk of outstanding GO bonds have been issued for utility improvements; however, utility self-support has been uneven in recent past and is currently reliant on the receipt of availability fees (connection charges) predominantly paid by a single developer."* – Fitch Rating Report, August 2015

Source: Fitch Ratings

Rating Agency Methodology: Standard & Poor's

- On September 12, 2013, Standard & Poor's updated its US Local Governments General Obligation Ratings methodology and assumptions.

- An initial indicative rating will be calculated from a weighted average of seven key factors. The initial score is then adjusted based on certain qualitative factors that are not accounted for in the scorecard.

  – **Institutional Framework (10%)**

    – Legal and practical environment in which the local government operates

> *"We consider the Institutional Framework score for Virginia towns, with a population greater than 3,200, very strong."* - Standard & Poor's Rating Report, October 7, 2013

  – **Economy (30%)**

    – Total Market Value Per Capita

    – Projected per capita effective buying income as a % of US projected effective buying income

> *"We consider Purcellville's broad and diverse economy very strong since it benefits from its access to the entire Washington MSA…Town management has been proactively improving infrastructure and updating transportation…County unemployment was, in our opinion, very low at just 4.5% in June 2013…Purcellville has, what we consider, strong per capita income."* - Standard & Poor's Rating Report, October 7, 2013

Source: Standard & Poor's Financial Services

Rating Agency Methodology: Standard & Poor's

- **Management (20%)**
  - Impact of management conditions on the likelihood of repayment

> *"We view Purcellville's management conditions as very strong with "strong" financial management practices under our FMA methodology, indicating practices are strong, well embedded, and likely sustainable."*
>
> - Standard & Poor's Rating Report, October 7, 2013

- **Budgetary Flexibility (10%)**
  - Available Fund Balance as a % of Expenditures

> *"In our opinion, the budget flexibility remains very strong. Over the past three fiscal years, according to Purcellville's formal policy, the town has maintained an unassigned general fund balance equal to a minimum 30% of the general fund budget, or $3 million"* -Standard & Poor's Rating Report, October 7, 2013

- **Budgetary Performance (10%)**
  - Total Government Funds Net Result (%)
  - General Fund Net Revenue

> *"We view overall budgetary performance as strong despite a sizable general fund reserve drawdown in fiscal 2012 for planned one-time items and capital purposes."* - Standard & Poor's Rating Report, October 7, 2013

Source: Standard & Poor's Financial Services

Rating Agency Methodology: Standard & Poor's

- **Liquidity (10%)**
  - Total Government Available Cash as a % of Total Governmental Funds Debt Service
  - Total Government Available Cash as a % of Total Governmental Funds Expenditures

> *"What we consider very strong liquidity supports finances with a total-governmental-available-cash-as-a-percent-of-total-governmental-fund -expenditures ratio of 136% and a percent-of-debt-service ratio of 889%. We believe Purcellville has adequate access to external liquidity."* - Standard & Poor's Rating Report, October 7, 2013

- **Debt and Contingent Liabilities (10%)**
  - Net Direct Debt as a % of Total Governmental Funds Revenue
  - Net Direct Debt as a % of Total Governmental Funds Expenditures

> *"In our opinion, Purcellville's debt and contingent liabilities profile is weak, with a total governmental funds debt service as a percent of total governmental funds expenditures ratio of 15.3% and a net direct debt as a percent of total governmental funds revenue ratio of 509%."* – Standard & Poor's Rating Report, October 7, 2013

Source: Standard & Poor's Financial Services

Rating Agency Methodology: Moody's

- On January 15, 2014, Moody's Investors Service released an updated Rating Methodology regarding US Local Government General Obligation Debt.

- Moody's introduced a new scorecard that provides summarized guidance for the factors generally considered most important in assigning ratings to issuers.
  - The scorecard is designed to enhance transparency by identifying critical factors as a starting point for analysis, along with additional considerations that may affect the final rating assignment.
  - The above criteria are also subject to a notching adjustment for certain qualitative factors that are not accounted for in the scorecard.

- Moody's has identified the following Rating Factors, Subfactors, and weights in their scorecard.
  - **Economy / Tax Base:**

– Tax Base Size (Full Value):	10%
– Full Value Per Capita:	10%
– Wealth (Median Family Income):	10%
Economy / Tax Base Subtotal	**30%**

"Located in Loudoun County (Aaa/Stable) the Town of Purcellville has experienced population and tax base growth commensurate with the expansion of the regional economy…Unemployment in the town is a low 4.5% (June 2013) and has historically remained below the state (6%) and national (7.8%) unemployment levels. The town benefits from strong demographics with median family income representing 200% of the U.S. and 171% of the state. Full value per capita is solid at $139,894." –Moody's Rating Report, October 7, 2013

Source: Moody's Investors Service

Rating Agency Methodology: Moody's

- **Finances:**

– Fund Balance (% of Revenues):	10%
– Fund Balance Trend (5-Year Change):	5%
– Cash Balance (% of Revenues):	10%
– Cash Balance Trend (5-Year Change):	5%
Finances Subtotal	**30%**

"Moody's believes that the town's financial position will remain healthy, given the town's history of conservative fiscal management. According to town policy, unassigned General Fund balance is maintained at a minimum of 30% or $3 million, whichever is greater…Officials expect ongoing growth in economically sensitive local taxes."

-Moody's Rating Report, October 7, 2013

- **Management:**

– Institutional Framework:	10%
– Operating History:	10%
Management Subtotal	**20%**

"Moody's believes that the town's financial position will remain healthy, given the town's history of conservative fiscal management." –Moody's Rating Report, October 7, 2013

Source: Moody's Investors Service

Rating Agency Methodology: Moody's

- **Debt / Pensions:**

– Debt to Full Value:	5%
– Debt to Revenue:	5%
– Moody's-adjusted Net Pension Liability (3-year average) to Full Value:	5%
– Moody's-adjusted Net Pension Liability (3-year average) to Revenue:	5%
Debt / Pensions Subtotal	**20%**

"The town's debt position (6% of full value) is likely to remain elevated in the medium term, given substantial water and sewer related debt. Debt service accounted for 10% of fiscal 2012 expenditures…The town participates in the Virginia Retirement System, a multi-employer pension plan administered by the Commonwealth of Virginia funded at 72%. The full annual pension cost (APC) for the plan totaled $405,985 or 4.6% of 2012 expenditures." –Moody's Rating Report, October 7, 2013

Source: Moody's Investors Service

Rating Agency Commentary on Rating Changes

FITCH

- "The Rating is sensitive to the Town's ability to effectively address the utility system's operating deficits in the context of continued sound financial management."
- "Utility Interim Outlook Improved; Challenges Remain"

MOODY'S

- "WHAT COULD MAKE THE RATING CHANGE UP
  - Substantial tax base growth and diversification

- WHAT COULD CHANGE THE RATING CHANGE DOWN
  - Declines in liquidity and/or fund balances to levels that exceed current expectations
  - Reliance on general fund reserves to supplement utility funds.
  - Economic stagnation that impedes tax base growth."

STANDARD & POOR's

- "The stable outlook reflects Standard & Poor's opinion of Purcellville's diverse and primarily residential property tax base that has very strong wealth and income and direct access to the greater Washington MSA employment base. The outlook also reflects our opinion of Purcellville's strong finances and operating performance. **We believe management will likely maintain, what we consider, its solid finances, complying with its own comprehensive financial policies. As such, we do not expect to change the rating within the outlook's two-year period."**

Rating Agency Next Steps

- The Credit Rating Agencies typically perform “Surveillance” on rated entities that have not brought a rated, new issue to market. Fitch performed such a Surveillance in August of 2015.
- Surveillance has historically occurred roughly every two years although it varies by Rating Agency.
- As such the Town can expect that both Moody’s and S&P may be performing Surveillance in the next 6 to 12 months.
- Fitch recently updates its Tax Supported rating methodology and will likely need to conduct Surveillance in the updated method in the coming months.
- The Rating Agencies have not historically charged a fee for Rating Surveillance.

Pro-Forma Financial Forecast

Multi-Year Financial Forecast

- Multi-year Financial Forecasting uses financial forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability given the Town's service objectives and financial challenges.

- Multi-year Financial Forecasting helps the Town anticipate and plan for future needs and challenges both for the General Government (i.e. General Fund and Parks & Recreation Fund) and for the Water and Sewer Utility Funds. Note: Water and Sewer is covered in a separate presentation prepared with MFSG.

- The Town has historically performed periodic Multi-Year Financial Forecasting for the General Fund and the Water and Sewer Utility Funds and intends to do so in the future.

- The Multi-year Financial Forecast is not designed to be a multi-year budget but rather a tool for assessing the impact that decisions made in this budget year may have in future budget years.

- To this Davenport has updated the Multi-Year Financial Forecast for the General Fund and Parks & Recreation Fund based on the Town Manager's Recommended Budget with changes preliminarily approved by the Town Council during Budget Worksessions.

Multi-Year Financial Forecast (cont.)

- The General Fund and Parks & Recreation Fund have been broken out separately.

- The Multi-Year Financial Forecast for each takes into account the following:
  - Operating Revenues for each Fund;
  - Operating Expenditures for each Fund;
  - Existing Debt Service tied to each Fund;
  - Potential Debt Service for any potential New Projects (none is currently anticipated);
  - One-Time Funding Sources and Uses for each Fund (i.e. Use of Capital Reserve Fund or Cash Funding of Capital);
  - The Magnitude of Projected Surplus/(Shortfall) for each Fund as measured versus the Value of 1¢ on the Real Estate Tax Rate*; and,
  - General Fund Unassigned Fund Balance Levels vs. the Town's Policy.

*Note: Equating the magnitude of a projected shortfall to the Real Estate Tax Rate is not intended to imply or suggest a future tax rate increase. Rather, it is used as a benchmark for measuring the magnitude of potential future shortfalls, if they occur, against one of the Town's primary tax revenue sources.

Key Assumptions

- Key Assumptions used in the Multi-Year Projections for the General Fund and Parks & Recreation Fund include:

  - The Town Manager's Recommended Fiscal Year 2017 Budget is used as the basis for the projection;
  - Operating Revenues for each Fund are assumed to grow at 3% Annually beginning in fiscal year 2018 with the exception of reimbursements for shared costs of the Water and Sewer Funds, and the Loudoun County Gas Tax;
  - **Shared Costs from the Water and Sewer Funds are Projected to remain flat at $1.1 million;**
  - **Budgeted Loudoun Gas Tax Monies are lower than in FY 2016, and are not expected to be available after FY 2018;**
  - The Value of 1¢ on the Real Estate Tax Rate is assumed to be $118,898 in fiscal year 2017 and grow at 2.5% per year beginning in fiscal year 2018 for both the General Fund and Parks and Rec. Fund;
  - Operating Expenditures grow at 3% annually beginning in fiscal year 2018 for each Fund;
  - Annual use by the General Fund of the Capital Reserve Fund established with Town Hall Sale Proceeds per the Fall 2012 Plan of Finance;

    (Note: The $327,352 Capital Reserve Fund is separate from the Unassigned Fund Balance)
  - Minimal Capital Funding Needs are anticipated in the Coming Years. No new long-term debt is planned. Routine vehicle purchases have been factored into the planning projections in the Operating Expenditures line item.
  - The Parks and Rec Fund forecast assumes a terming out of the $1.645 million bullet maturity of the 2010 General Obligation Bond, set to mature in FY2021 for an additional 10 years at an estimated 4% interest rate. The results are preliminary and subject to change.

Key Assumptions (cont.)

- Key Assumptions used in the Multi-Year Projections for the General Fund and Parks & Recreation Fund include:
  - Existing Debt Service for the General Fund and Parks & Rec. Fund are factored into the analysis.

  Note: in fiscal year 2021 a $1.645 million balloon maturity comes due in the Parks & Rec Fund. This maturity is tied to the Town's 2010 General Obligation Bond that financed Water Projects and Parks & Rec. projects.

  The loan was structured with a 10 year fixed rate and an assumed final maturity of 20 to 25 years. At the end of the first 10 year (i.e. fiscal year 2021) the Town can either payoff the balloon maturity or refinance the maturity out to the originally intended maturity.

  For purposes of this projection it is assumed that the Parks & Rec. fund portion of this loan is termed out for an additional 10 years (i.e. 20 year total loan term from 2010 issuance). The interest rate used for planning is 4%.

  The Town may wish to treat the Water Fund portion of this balloon maturity ($1.44 million) differently than the Parks & Rec. Fund portion due to the Water Fund greater projected reserve levels.

General Fund Projection (2016 to 2021)

The Town of Purcellville, Virginia Multi-Year General Fund Forecast	Estimate 2016	Proposed 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Total Operating Revenues (*net of Loudoun Gas Tax*)	$9,842,269	$10,053,910	$10,320,253	$10,594,585	$10,877,148	$11,168,188
Additional Tax Revenues from 2 Penny Real Estate Tax Increase in FY 2017		$237,796	$244,930	$252,278	$259,846	$267,641
Loudoun County Gas Tax	223,146	210,000	210,000	0	0	0
Total Operating Expenditures (*less Debt Service & Cash Funded Capital*)	(8,413,803)	(9,294,769)	(9,573,612)	(9,860,820)	(10,156,645)	(10,461,344)
Surplus Before Debt Service, Capital	***1,651,612***	***1,206,937***	***1,201,570***	***986,043***	***980,349***	***974,485***
Existing General Fund Debt Service:						
Principal	(658,336)	(687,992)	(710,137)	(651,911)	(689,998)	(754,998)
Interest	(590,868)	(572,576)	(553,155)	(535,645)	(512,843)	(489,306)
New Debt Service (*P+I*)	0	0	0	0	0	0
Cash Funded Capital	0	0	0	0	0	0
Surplus / (Deficit) After Debt Service, Cash Funded Capital)	***402,408***	***(53,631)***	***(61,722)***	***(201,512)***	***(222,492)***	***(269,819)***
Other Financing Sources / (Uses)						
Transfer to Parks & Rec	0	0	0	0	0	0
Contingency-Operating Reserve	0	(51,778)	(53,331)	(54,931)	(56,579)	(58,277)
Transfer to Capital Fund	(141,500)	(180,000)	(101,000)	0	0	0
Capital Asset Replacement Fund	(7,000)	(12,000)	(12,360)	(12,731)	(13,113)	(13,506)
Use of Capital Reserve Fund	117,894	117,409	111,377	111,038	104,937	0
Net Surplus / (Deficit) After Debt Service and Other Sources / (Uses)	**371,802**	**(180,000)**	**(117,037)**	**(158,136)**	**(187,247)**	**(341,602)**
Equivalent Real Estate Tax Impact						
Equivalent Real Estate Tax Impact	0.0¢	1.5¢	1.0¢	1.3¢	1.5¢	2.6¢
Value of One Penny	$115,000	$118,898	$121,870	$124,917	$128,040	$131,241
Growth in the Value of a Penny		2.5%	2.5%	2.5%	2.5%	2.5%
Projected Financial Policy Compliance						
Unassigned Fund Balance	**$5,421,088**	**$5,241,088**	**$5,124,051**	**$4,965,915**	**$4,778,667**	**$4,437,066**
Unassigned Fund Balance vs. Revenues (%)	**55.1%**	**52.1%**	**49.7%**	**46.9%**	**43.9%**	**39.7%**
Unassigned Fund Balance Policy Target (Greater of 30% or $3M)	3,000,000	3,016,173	3,096,076	3,178,376	3,263,145	3,350,456
Capital Reserve Fund Balance	444,761	327,352	215,975	104,937	0	0
Capital Asset Replacement Fund Balance	$34,500	46,500	58,860	71,591	84,704	98,210

General Fund Projection (2022 to 2026)

The Town of Purcellville, Virginia Multi-Year General Fund Forecast	Projected 2022	Projected 2023	Projected 2024	Projected 2025	Projected 2026
Total Operating Revenues (*net of Loudoun Gas Tax*)	$11,467,959	$11,776,723	$12,094,750	$12,422,318	$12,759,713
Additional Tax Revenues from 2 Penny Real Estate Tax Increase in FY 2017	$275,671	$283,941	$292,459	$301,233	$310,270
Loudoun County Gas Tax	0	0	0	0	0
Total Operating Expenditures (*less Debt Service & Cash Funded Capital*)	(10,775,185)	(11,098,440)	(11,431,393)	(11,774,335)	(12,127,565)
Surplus Before Debt Service, Capital	***968,445***	***962,224***	***955,816***	***949,216***	***942,417***
Existing General Fund Debt Service:					
Principal	(909,538)	(953,616)	(993,155)	(1,007,233)	(1,007,233)
Interest	(457,006)	(417,019)	(375,095)	(331,233)	(331,233)
New Debt Service (*P+I*)	0	0	0	0	0
Cash Funded Capital	0	0	0	0	0
Surplus / (Deficit) After Debt Service, Cash Funded Capital)	***(398,098)***	***(408,411)***	***(412,434)***	***(389,251)***	***(396,049)***
Other Financing Sources / (Uses)					
Transfer to Parks & Rec	0	0	0	0	0
Contingency-Operating Reserve	(60,025)	(61,826)	(63,680)	(65,591)	(67,559)
Transfer to Capital Fund	0	0	0	0	0
Capital Asset Replacement Fund	(13,911)	(14,329)	(14,758)	(15,201)	(15,657)
Use of Capital Reserve Fund	0	0	0	0	0
Net Surplus / (Deficit) After Debt Service and Other Sources / (Uses)	**(472,035)**	**(484,565)**	**(490,873)**	**(470,043)**	**(479,265)**
Equivalent Real Estate Tax Impact					
Equivalent Real Estate Tax Impact	3.5¢	3.5¢	3.5¢	3.2¢	3.2¢
Value of One Penny	$134,522	$137,885	$141,332	$144,866	$148,487
Growth in the Value of a Penny	2.5%	2.5%	2.5%	2.5%	2.5%
Projected Financial Policy Compliance					
Unassigned Fund Balance	**$3,965,031**	**$3,480,466**	**$2,989,593**	**$2,519,550**	**$2,040,285**
Unassigned Fund Balance vs. Revenues (%)	**34.6%**	**29.6%**	**24.7%**	**20.3%**	**16.0%**
Unassigned Fund Balance Policy Target (Greater of 30% or $3M)	3,440,388	3,533,017	3,628,425	3,726,695	3,827,914
Capital Reserve Fund Balance	0	0	0	0	0
Capital Asset Replacement Fund Balance	112,121	126,450	141,208	156,409	172,067

General Fund Initial Observations

- The proposed Fiscal Year 2017 Budget for the General Fund appears structurally balanced as the use of Fund Balance is limited to capital needs (i.e. one-time items).

- Slight Deficits are projected in Fiscal Years 2018 and 2019 as Expenditures across the board have projected growth while certain revenues remain flat or decline. Specifically, Shared Costs from the Water and Sewer Funds are projected to remain flat at $1.1 million and Loudoun Gas Tax Monies are received but decline from their budgeted Fiscal Year 2016 amount.

- Expenditure transfers to Capital Fund end in 2019 but are offset by the end of Revenues received from the Loudoun County Gas Tax. The end of such transfers and revenues equates to roughly .3¢ impact in Fiscal Year 2019. Note that these revenues may be replaced with NVTA related revenue but NVTA related revenues is not expected to be available for operations.

- The Capital Reserve Fund is projected to be extinguished in Fiscal Year 2021. This equates to roughly 1¢ in Fiscal Year 2021.

- Under current projections, the Town is estimated to be in compliance with its Unassigned Fund Balance Policy through Fiscal Year 2022 using on the General Fund Balance.

Parks & Rec. Projection (2016 to 2021)

The Town of Purcellville, Virginia Multi-Year Parks & Recreation Fund Forecast	Estimate 2016	Proposed 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Total Operating Revenues (*net of GF Transfers*)	$497,928	$513,894	$529,311	$545,190	$561,546	$578,392
Total Operating Expenditures *(less Debt Service & Cash Funded Capital)*	(217,168)	(256,718)	(264,865)	(272,810)	(280,995)	(289,425)
Surplus Before Debt Service, Capital	***280,760***	***257,176***	***264,446***	***272,380***	***280,551***	***288,968***
Existing Parks & Rec. Fund Debt Service:						
Principal	(175,207)	(176,129)	(176,129)	(251,589)	(248,502)	(253,502)
BAB Subsidy	28,141	27,500	26,838	26,148	24,423	11,349
Interest	(111,411)	(108,115)	(104,807)	(101,492)	(94,653)	(86,228)
New Debt Service (*P+I*)	-	-	-	-	-	-
Cash Funded Capital	-	-	-	-	-	-
Surplus / (Deficit) After Debt Service, Cash Funded Capital)	**22,283**	**432**	**10,348**	**(54,554)**	**(38,181)**	**(39,413)**
Other Financing Sources / (Uses)						
Transfer from General Fund	0	0	0	0	0	0
Contingency - Operating Reserve	0	(432)	0	0	0	0
Net Surplus / (Deficit) After Debt Service and Other Sources / (Uses)	***22,283***	***(0)***	***10,348***	***(54,554)***	***(38,181)***	***(39,413)***
Parks and Rec. Fund Balance, Beginning	18,120	4,163	4,163	14,511	(40,043)	(78,224)
Parks and Rec. Fund Balance, Ending	**$4,163**	**$4,163**	**$14,511**	**($40,043)**	**($78,224)**	**($117,637)**
Equivalent Real Estate Tax Impact						
Equivalent Real Estate Tax Impact	0.0¢	0.0¢	0.0¢	0.4¢	0.3¢	0.3¢
Value of One Penny	$115,000	$118,898	$121,870	$124,917	$128,040	$131,241
Growth in the Value of a Penny			2.5%	2.5%	2.5%	2.5%

Parks & Rec. Projection (2022 to 2026)

The Town of Purcellville, Virginia Multi-Year Parks & Recreation Fund Forecast	Projected 2022	Projected 2023	Projected 2024	Projected 2025	Projected 2026
Total Operating Revenues (*net of GF Transfers*)	$595,744	$613,616	$632,025	$650,986	$670,515
Total Operating Expenditures *(less Debt Service & Cash Funded Capital)*	(298,107)	(307,051)	(316,262)	(325,750)	(335,522)
Surplus Before Debt Service, Capital	***297,637***	***306,566***	***315,763***	***325,236***	***334,993***
Existing Parks & Rec. Fund Debt Service:					
Principal	(258,962)	(269,884)	(270,345)	(276,267)	(281,727)
BAB Subsidy	0	0	0	0	0
Interest	(77,733)	(70,912)	(63,621)	(56,311)	(48,783)
New Debt Service (*P+I*)	-	-	-	-	-
Cash Funded Capital	-	-	-	-	-
Surplus / (Deficit) After Debt Service, Cash Funded Capital)	**(39,059)**	**(34,230)**	**(18,203)**	**(7,342)**	**4,483**
Other Financing Sources / (Uses)					
Transfer from General Fund	0	0	0	0	0
Contingency - Operating Reserve	0	0	0	0	0
Net Surplus / (Deficit) After Debt Service and Other Sources / (Uses)	***(39,059)***	***(34,230)***	***(18,203)***	***(7,342)***	***4,483***
Parks and Rec. Fund Balance, Beginning	(117,637)	(156,696)	(190,926)	(209,129)	(216,472)
Parks and Rec. Fund Balance, Ending	**($156,696)**	**($190,926)**	**($209,129)**	**($216,472)**	**($211,989)**
Equivalent Real Estate Tax Impact					
Equivalent Real Estate Tax Impact	0.3¢	0.2¢	0.1¢	0.1¢	0.0¢
Value of One Penny	$134,522	$137,885	$141,332	$144,866	$148,487
Growth in the Value of a Penny	2.5%	2.5%	2.5%	2.5%	2.5%

Parks & Rec. Fund Initial Observations

- The proposed Fiscal Year 2017 Budget allows for the Parks & Recreation Fund to achieve a balanced Budget position.

- Projections look positive in 2018 as debt service remains fairly level while Operating Revenues are projected to increase.

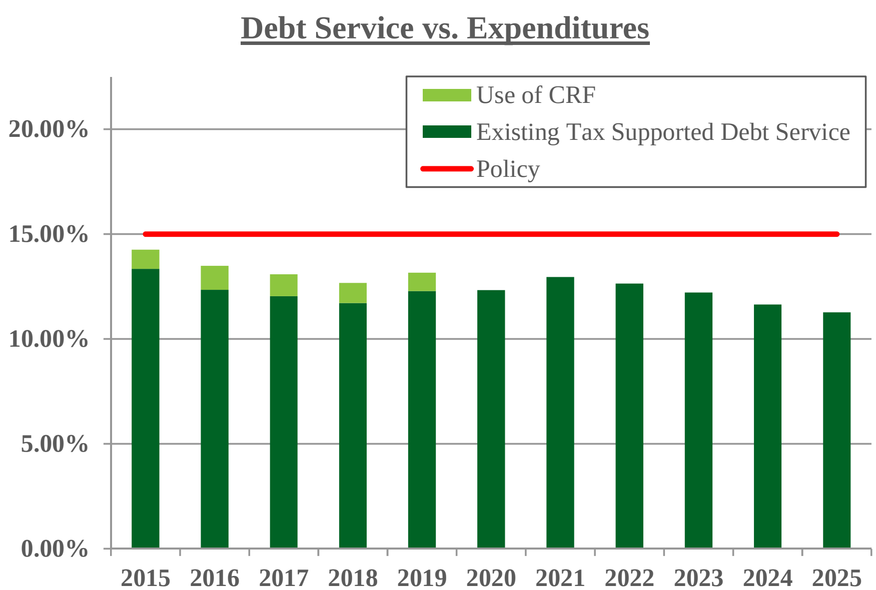
- Deficits are projected to begin in 2019 due to expenditures, including Debt Service, projected to grow faster than revenues. These deficits are equivalent to roughly half a penny Real Estate Tax Value.

- In Fiscal Year 2021 the $1.65 million balloon maturity comes due and the BAB subsidy the Town has been receiving dissipates. Given the size of the maturity relative to the Parks & Recreation Fund budget, the Town will likely want to permanently finance this maturity.

  - An alternative to permanently financing this maturity is to generate sufficient cash to pay it off at maturity. This would require the Parks & Recreation Fund generate an excess of $1.70 million over and above the projected Parks and Recreation Fund Balance by the beginning of Fiscal Year 2021.

Tax Supported Debt Policy Compliance

- The Town is in compliance with its critical Tax Supported Debt Ratio policies, as shown in the graphs below.
- Tax Supported Debt includes debt of the General Fund and Parks & Recreation Fund. Water and Sewer debt is not included in the calculation because the Water and Sewer Funds do not rely on General Fund / Tax Revenues.
- The Debt Service vs. Expenditures Policy is the "Limiting Factor" for purposes of the Town capacity to incur additional Tax Supported debt.



Assumes 3.0% growth in expenditures per year. Debt service assumes the $1.6 million balloon maturity due in 2021 is termed out for an additional 10 years at a 4% planning rate.

Assumes 2.5% growth in assessed value per year.

Next Steps

- Obtain Town Council and Town Staff feedback. Amend analysis, as necessary.

- Adopt the Fiscal Year 2017 Operating and Capital Budget.

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