



Fact Sheet for Utility Debt and Parks/Recreation Debt Restructuring

The Town of Purcellville is pursuing the restructuring of approximately \$23 million in debt between the Water and Sewer Utility Fund (approximately \$20 million) and the Parks and Recreation Fund (approximately \$3 million). The information below is intended to provide details about the debt restructuring and its positive impact on the Town's finances and operations.

Utility Fund

- The Town's Water and Sewer utility funds are facing several challenges including:
 - Existing annual debt payments that will increase approximately \$1.8 million per year during the next several years under the current debt structure;
 - A one-time balloon debt payment of approximately \$1.44 million in FY2021;
 - The need to continue to invest in capital/infrastructure to maintain the utility system in order to provide the high quality water and sewer service that Purcellville residents expect.

- As a result, user rates were anticipated to increase significantly in the next 5-10 years to prepare for and pay for these various financial requirements. Some projections showed rate increases of 7% per year for 8+ years to pay for this. Town Council viewed this level of annual rate increases as overly burdensome and unnecessary for Town residents.

- The prior multi-year utility financial plan anticipated future growth patterns to pay for future debt obligations. As growth assumptions and planning documents have changed, the debt should be changed to reflect those new assumptions (such as the repeal of PUGAMP).

- Given the changing variables listed above, the Town is pro-actively updating its multi-year financial plan for the Water and Sewer Utility funds. The updated plan calls for a debt realignment to more fairly and equitably distribute the cost of the system across the users that will benefit from it for years to come.

- In addition, the Water and Sewer Utility funds have responsibly saved reserves during the past 3 to 4 years that are over and above the Town's minimum reserve policy limits. The updated utility multi-year plan calls for the use of approximately \$3.5 million of reserves over and above the Town's policy to help pay off some utility debt including the balloon maturity due in FY2021.

- The updated debt portfolio will remove restrictions on monetizing the Town’s assets, such as the “Aberdeen Property,” which can be leased and used for certain revenue-generating activities.
- The new debt will remain as fixed-rate debt, lowering from (on average) a 4.55% interest rate to an estimated interest rate below 4%. The new plan will also more evenly spread the cost of the debt to future users, providing a more equitable and balanced approach for debt payments.
- The Town has established a multi-year plan to combine debt strategies, expense allocations, creative revenue sources, and modest (planned, in-Town) growth to keep the Utility Fund stable and structurally balanced.
- With these changes, user rates are anticipated to only grow moderately (2-3% per year) for the foreseeable future, reflecting normal increases in the cost of doing business and operational expenses.
- The present value cost of the debt realignment is in the range of \$1 million. This cost can be thought of as the cost of helping to reduce planned rate increases of 7+% per year down to the 2% to 3% range.

Parks and Recreation Fund

- The Town is limited in its ability to generate revenue at the Fireman’s Field Complex due to the private use restrictions associated with the tax-exempt nature of the debt.
- The Town wishes to remove these restrictions and provide more flexibility to partner with private sector entities at Fireman’s Field in order to generate additional revenue the Town and thus reduce/eliminate taxes tied to Fireman’s Field.
- Certain debt will remain unchanged, such as the 0% interest loan from the Purcellville Volunteer Fire Department (from whom the Town bought the property).
- Based on increased revenues and limited spending, the Town has built up reserves in the General Fund and Parks and Recreation Fund above minimum policy levels. The plan calls for use of approximately \$2m in excess reserves over and above the Town’s policy to pay off debt with a balloon maturity of \$1.6 million due in FY2021 (similar to the Water and Sewer Utility funds).

- Remaining debt will be restructured to taxable debt, allowing the Town to achieve a fixed-rate, taxable debt interest rate of approximately 3.42% and elimination of private use restrictions.
- The resulting debt service payments will be approximately \$125,000 per year, which is a reduction of 55% from current debt service payments of \$280,000 per year.
- Issuing taxable debt will allow the Town to take advantage of creative revenue sources. The Town is preparing to issue a formal Request for Proposals (RFP) for management of the entire complex. This process could not happen in a cost-effective manner without restructuring the debt into taxable bonds.
- Through this and other creative revenue sources, the Town can further reduce the Special Fireman's Field Tax District rate (actual amount to be determined upon receipt and negotiation of the RFP responses).
- The Fireman's Field property will continue to be owned by the Town. There is no plan or discussion of selling the property. And any potential changes to the property are governed by a Conservation Easement, limiting what can and cannot be done. The Town will always abide by the deed and easement limitations and looks forward to maintaining Fireman's Field as a community asset for generations to come!

Please reach out to the Town of Purcellville Administration or Finance Department if you have any questions. You can reach us at 540-338-7421 or info@purcellvilleva.gov.

