



FY24 Proposed Budget Work Session

March 22, 2023

5:30 PM



Agenda

1. Interim Town Manager Comments (John)
2. Budget Cost Drivers
 1. Personnel & Benefits (John & Sharon)
 2. Major Operating Costs
 1. Funded/Unfunded Enhancements (Linda)
 2. Major Operating Cost Factors & Procurement (Linda)
 3. Debt (Paula)
3. General Fund Revenues (Liz & Connie)
4. Budget Organization (Liz)
5. Budget Work Session Schedule (John)



Town Manager Comments

- Use of budget drivers is a private sector practice which balances financing of functions with the entity's operations by creating a framework for planning around operational results and is a relatively new process for the Town.
- The process involves constant monitoring of market changes (what is influencing operational and project cost as a driver), matching up those market (operational and project cost) changes with potential revenues (also market analyzed) and developing outcomes that maintain or improve the end product – in this case service to the citizens.
- Service levels are noted in the proposed budget for each department through the Town's performance dashboard system which evaluates workload factors and performance measures and outcomes and results for each department.
- Tonight staff will outline the major expenditure and revenue drivers, enhancements proposed for funding by the Town Manager and unfunded enhancements to the budget –those items identified as needs/wants by departments that could not fit within revenue estimates and the Town's financial plan.



Budget Cost Drivers - Personnel

- **Personnel Cost is 49% of Total Operating Budget:**
 - 58% for General Fund, 28% Parks & Rec, 40% Water, & 34% Wastewater
 - Average for State Municipalities ranges from 44% to 70% including benefits.
 - Personnel cost includes Salaries/Wages and Benefits.
 - Budget proposes 3 new positions (in accordance with Staffing Analysis).
- **Benefits:**
 - Federal Social Security & Medicare Payroll Tax – Town to contributes 7.65%; Employee contributes 7.65%
 - Virginia Retirement System (VRS) – Town contributes 9.21%; Employee contributes 5.0%
 - VRS Life Insurance – Town contributes 1.34%
 - Worker’s Compensation – Federal Requirement – Policy provided by Virginia Risk Sharing Association (VRSA) and factored on Town’s experience rating and assigned rate per job category.
 - Health Insurance – Pooled policy offered by the Local Choice Network (TLC) consortium of Virginia local governments. March 14, 23 Council approved continued participation and the related rate increase: 4.59% active employees and 2.42% for Retirees.



Budget Cost Drivers - Personnel

FY24 Budget Recommendations for COLA and Performance Incentive					
Jurisdiction	COLA	Merit	Other	Total Est	Notes
Middleburg	4%	2%	-	~6%	*Merit given at various amounts based on performance review
Leesburg	3%	up to 5%	-	~8%	
Lovettsville	1%	3.50%	4% on average	~8.5%	*Pending market analysis for salary adjustments
Ashland	3.5-4.5%	1.5-2.5%	-	~7%	5-6% combined average
Round Hill	3%	2%	-	~5%	Council considering closer to 7%-not sure on split
Warrenton	-	-	10%	10%	Result of C&C Study. First one since 2015
Purcellville	5%	0-4/5%		>5%	2022 inflation 6.5% (avg infl.was 8.0 using CPI)
State of VA	7%	Add'l incentives	>7%	>7%	provision in budget bill to stabilize state workforce

Every day, more than 12 million dedicated public servants in federal, state and local government provide critical services to the American public. Most people take these services, overwhelmingly provided effectively and efficiently, for granted. Public sector turnover and hiring challenges have put government's ability to deliver essential services at risk. Persistent understaffing, flight risks and possible retirements have worsened the current workforce crisis.

Problems attracting and retaining talent in the Town affects citizens where they live, literally. These factors make it important to retain employees and to help employees keep some of the buying power that they have lost in the current economy by granting a COLA increase.

Our employees are dedicated to the Town and to the jobs they perform. They value the appraisal system and their ability to be recognized and rewarded for their dedicated service delivery with a performance incentive.



Budget Cost Drivers – Enhancements

- **Funded Enhancements – \$1.7M included in proposed budget**
 - *See Budget Book pages 26-31.*
 - Personnel Enhancements of \$1.107M:
 - \$445K Cost of Living Adjustment (COLA),
 - \$379K Pay for Performance, and
 - \$284K for new 3 additional FTE.
 - Non-Wage Enhancements of \$569K:
 - \$133K for Operating & Maintenance (O&M)
 - Includes \$10,000 Software Maintenance Services; \$5,000 Bike Park recurring maintenance, \$20,000 Bush Tabernacle Floor Maintenance, \$48,000 Village Case; \$8,000 Water Bldg., \$28,000 Filter Rehab; and \$14,000 Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) monitoring.
 - \$436K Capital Asset Replacement (CARP)
 - Includes \$62,464 for four Leased Vehicles; \$12,000 mower; \$76,200 Fireman’s Field (batting cage & fence, HVAC press box); \$30,000 Water HVAC; and \$190,000 Belt Press, \$20,694 Grinder Chamber, \$30,000 Electrical, \$15,000 PE Flow Meter in Wastewater.



Budget Cost Drivers – Enhancements

- **Unfunded Enhancements - Unable to fund \$3.1M of department requests**
 - *See Budget Book pages 32-42.*
 - Unfunded Personnel requests were comprised of \$329K for COLA, \$101K for Pay for Performance, and \$511K for 5.4 new FTE.
 - Unfunded Non-Wage requests were \$546K for Operating plus \$1.572M for CARP.
 - Examples of unfunded enhancements include: COLA at 8.7%; 5.4 new FTE; Pullen House demolition, Water Treatment Plant Preliminary Engineering Report and Assessment of Existing WTP; 21st Street public parking lights; facilities, painting, HVAC, training, leased vehicles, Leaf Vac Truck, Boom Bucket Truck; ADA Self-Assessment and Transition Plan Description, Transportation Plan, Economic Base Analysis, equipment.



Major Operating Cost Factors & Procurement

- Competitive Procurement Requirements per the Virginia Public Procurement Act (VPPA) & Town Procurement Policy.
- Utility Costs – purchased via cooperative purchasing
 - Electricity – Dominion purchased through Virginia Energy Purchasing Governmental Association (VEPGA)
 - Water facility purchased through Northern Virginia Electric Coop (NOVEC)
 - Communications providers are Verizon, Comcast, AT&T/FirstNet, GoTo, Hosted Backbone for a total of \$159,500.
 - Verizon is used for alarms and internet at some facilities.
 - Comcast provides connectivity for some facilities
 - AT&T/FirstNet is the provider for cell phones.
 - GoTo provides the Voice Over Internet Protocol (VOIP) phone system.
 - Hosted Backbone provides fiber network connections between town sites and internet connectivity.



Major Operating Cost Factors & Procurement

- Municipal Insurance – \$178,500 and increase of \$18,500
 - Coverage for auto, general & excess liability, public officials & law enforcement liability, property and no fault property coverage, cyber liability, misc. equipment & machinery coverage, and fidelity/crime coverage – also includes consulting and support w/risk management, HR, public safety, communications, & local government operations, training, safety grants & more.
 - Workers Comp and Line of Duty Act coverages budgeted separately.
- Rent – \$138,453 for Police Headquarters
- Chemical costs for water and sewage treatment
 - Similar to last year, the Town’s chemical suppliers are recommending a 20% increase in next year’s budget to account for inflation and supply chain issues. Due to the price increases incurred over the past year, the Wastewater department has an increase of 31% in next year’s budget to address inflation and supply chain issues.



Budget Cost Drivers – Debt

See Budget Book pages 120-122 & pages 435-438.

- **General Fund:**

- FY24 Debt service - \$1,308,966
- Debt service decreases by \$29,696 in FY25
- Final maturity of current debt is 2034

- **Parks & Rec Fund:**

- FY24 Debt service - \$106,866
- Debt service decreases in FY28 to \$86,866
- Final maturity of current debt is 2037

- **Water Fund:**

- FY24 Debt service - \$525,131
- Debt service increases in FY25 and FY26 to \$760,093 (+ \$260K)
- Final maturity of current debt is 2038
- Searching for ways to address debt service increase in FY 2025

- **Wastewater Fund:**

- FY24 Debt service - \$871,622
- Debt service increases in FY25 and FY26 to \$2,440,405 (+ \$1.5M)
- Annual debt service remains over \$2.4M through final maturity
- Final maturity of current debt is 2040
- Searching for ways to address debt service increase in FY 2025



Budget Cost Drivers – Debt

- **Future Debt Service Payments are Fixed Amounts:**
 - The repayment schedule is negotiated as part of the debt issuance
 - Since the payment amounts are fixed, they are not impacted by inflation
- **Fiscal Policy Compliance:**
 - Subject to state statutory debt limit of 10% of total assessed value of real property
 - Currently at 3%
 - Fiscal Policy Compliance:
 - Debt service as a percentage of general fund expenditures is 10% versus 15% policy limit
 - General Fund debt is 0.56% of the total assessed value of taxable property versus 2.0% policy limit



General Fund Revenues – Top Five Drivers

See Budget Book pages 129-130 & pages 101-119.

- **Real Estate Tax:**

- \$3.987M or 29% of Total GF Revenues
- Recommend \$0.21/\$100, no change from prior year which was reduced by 1 cent
- 2023 Assessments increased 9.3% (+9.11% for existing properties & +0.19% for new construction)
 - \$1.9B Taxable Property valuation
 - Continued valuation strength but some economic uncertainty on horizon with increasing interest rates and sector volatility
 - What goes up sometimes comes down; lost 20% value during the Great Recession (1.2B to 954M)
- Average Residential assessment is \$555,749 & median household income of \$140,536
 - Increase of \$100 on average tax bill of \$1,167
- Equalized tax rate = \$0.192 but does not support any enhancements or inflationary pressures
- Penny on tax rate = \$181,000
- Plan to adopt next Tuesday, March 28 in accordance with County tax billing agreement to allow time to prepare tax bills

- **Meals Tax:**

- \$2.959M or 21% of Total GF Revenues
- Proposes no change to the 5% rate (set in 2013)
- 11% increase over prior year
 - Strong consumer-based tax growth due to current inflation levels



General Fund Revenues – Top Five Drivers

- **Sales Tax:**

- \$1.735M or 13% of Total GF Revenues
- State tax rate is 6% in our area (4.3% state, 1% local, 0.7% NVTa)
 - Tax collected by State with 1% local portion remitted to Loudoun County to distribute to Town's according to state formula based on school aged children (declining numbers and percentage of County)
 - No ability to change the rate
- 14% increase over prior year
 - Strong consumer-based tax growth due to current inflation levels

- **Business License Tax:**

- \$998K or 7% of Total GF Revenues
- Based on businesses gross receipts
- Proposes no change to rates
 - Last significant rate change in 2001; must change rate before Jan. 1
 - State code sets business categories and rate limitations
- 13% increase over prior year
 - Strong consumer-based tax growth due to current inflation levels

- **Tangible Personal Property Tax (Vehicles & Business Property):**

- \$770K or 6% of Total GF Revenues
- 10% increase over prior year
- Council set the \$1.05/.55 rates in February per County tax billing agreement to allow time to prepare tax bills
- County applied an assessment ratio of 95% in March due to offset increase in vehicle valuations



General Fund Revenues – Other

- **Bank Franchise Tax-** \$395K; 8 banks; pay in lieu of BPOL only on accounts opened in town
- **Utility Tax-** \$218K; local share of tax on electric consumption per state regulation
- **Cigarette Tax-** \$192K; 75 cents per pack @ state max rate; sales declining by +2%
- **Vehicle License Fee-** \$171K; \$25 fee at Loudoun County rate on vehicle tax bills
- **Right of Way Fees-** \$101K; use of public right away; includes \$48K Segra contract thru 2025
- **Investment Income-** \$80K; tied to interest rates and excess cash levels
- **Police Revenue-** \$72K; traffic related fines paid to Circuit Ct & local paid non-moving violations
- **Police E-Citations-** \$6K; \$5 court fee to support electronic summons system; by local ordinance
- **Zoning Fees-** \$64K; fees fluctuate with related building activity (fence, sign, occupancy)
- **Rent on Property-** \$27K; Makersmith lease on old maintenance building
- **Maintenance Charges to Others-** \$10K; charges to other localities for use of town equipment/labor
- **Payment In-Lieu of Taxes-** \$2,500; Patrick Henry College pays in lieu of real estate tax per verbal agreement



General Fund Revenues – Other

- **Intergovernmental (State):**

Budget Book pages 109-111.

- Street Funds- \$768K
- Personal Property Tax Relief (PPTR)- \$201K; fixed amount set by State in 2006
- Police/599 Funds- \$130K
- Communications Tax- \$110K; telephone/cable tax collected by State and distributed to localities
- Fire Funds- \$38K; passthrough to Purcellville Volunteer Fire Department
- Other/local car rental tax- \$9,800
- Litter Grant- \$4,500
- Art Grant- \$4,500

- **Draw on Reserves:**

- Balance the Budget- \$150K
- Cash Funded CIP- \$588K; Hirst Pond
- Fiscal Policy Compliance: Anticipated Unassigned Fund Balance based on this budget is above policy by \$3.8M.



Budget Organization

- **Virginia Auditor of Public Accounts (APA):**

- **Uniform Financial Reporting Manual (UFRM)** – Virginia localities are required to report financial data based on the State chart of accounts established by the Virginia Auditor of Public Accounts and documented in the UFRM.
- **Comparative Report Transmittal-** In accordance with Code of Virginia §15.2-2510, localities with a population exceeding 3,500 are required to provide the APA a detailed statement of revenues and expenditures (transmittal data) accompanied by the locality’s audited financial report by December 15th each year.
- The structure of the Town’s financial reports and budget align with the State’s UFRM guidance.

- **Segregated Funds:**

- Major fund segregations are required by the State UFRM and Governmental Accounting Standards Board (GASB) accounting rules.
 - **General Fund-** Used to account for the ordinary operations of the government financed through taxes and other revenues. Includes all government activities not accounted for in a separate fund due to legal, contractual, statutory, or financial management requirements. Generally accepted accounting principles preclude the use of more than one general fund.
 - **Park and Recreation Special Revenue Fund** – Used where legal or contractual requirements restrict the use of resources to specific purposes. Town Code 74-230 Fireman’s Field Service Tax District ordinance restricts use of tax district proceeds to the Fireman’s Field complex, parks, recreation and cultural facilities and activities.
 - **Utility Enterprise Funds (Water & Wastewater)** – Used to account for operations supported by user charges that are financed and operated in a manner similar to private business enterprises.
 - **Capital Improvements Fund** – Used to account for acquisition or construction of major capital facilities or assets with a value in excess of \$50,000 and a useful life of 5 years or more.

- **Budget Document:**

- Key elements and structure of the document is based on Governmental Finance Officers Association (GFOA) award criteria.



Meetings - FY24 Budget (Subject to Change)

Date	Meeting/ Work Session	Topics for Discussion/Action	PH Notice
Tue 5/24/22	Regular TC Mtg/Budget WS #1	Utility Rate Model based upon FY23 Adopted Budget	-
Tue 11/15	Regular TC Mtg/Budget WS #2	Utility Rate Model – Review of May 24 th Stantec Presentation with Proformas and Q&A	-
Tue 12/13	Regular TC Meeting	Auditors present FY22 Annual Financial Report	
Tue 1/10/23	Special TC Mtg / Budget WS #3	Zero Base Budget	
Tue 1/24/23	Regular TC Mtg / Budget WS #4	CIP Prioritization and funding	-
Tue 2/14	Regular TC Meeting	Town Council to <u>Adopt</u> Ordinance for “2023 Personal Property Tax Rate” to allow County to prepare tax bills.	1/26 & 2/2 PH Ad (7 day notice if changes)
Tue 3/14	Regular TC Meeting	<u>Public Hearing</u> for “2023 Real Estate Property Tax Rates - Equalized”	2/2 & 2/9 PH Ad (After rate calc; 30 day notice if changes)
Wed 3/15	Special Mtg / Budget WS #5	Town Manager presents proposed FY24 Budget	-
Wed 3/22	Special Mtg / Budget WS #6	FY24 Budget Drivers and General Fund Revenue	-
Tue 3/28	Regular TC Meeting WS	Town Council to <u>Adopt</u> Ordinance for “2023 Real Estate Property Tax Rates” (includes Fireman’s Field Tax District) for County tax bill preparation.	See 3/14 PH
Wed 3/29	Special Mtg/ Budget WS #7	FY24 Budget for Legal services; Public Works	-
Mon 4/3	Special Mtg/ Budget WS #8	FY24 Budget for Police Department	-
Wed 4/5	Special Mtg/ Budget WS #9	FY24 Budget for Engineering, Planning, and Development including Asset Management/Facilities	-
Wed 4/10	Special Mtg/ Budget WS #10	FY24 Budget for Admin (Town Manager; Clerk; Human Resources; Administration); Information Technology; Finance	-

3/22/23

Legend:

Regular TC Mtg = Regular Town Council meeting on 2nd Tuesday of the month
 Regular TC WS = Regular TC Work Session on the 4th Tuesday of the month

Spring Break week is 4/3-7
 S/BWS=Special Meeting / Budget Work Session

Budget Work Session

Council Mtg 17



Meetings - FY24 Budget (Subject to Change)

Date	Meeting/ Work Session	Topics for Discussion/Action	PH Notice
Tue 4/11	Regular TC Meeting	<u>Public Hearing</u> for FY24 Budget	3/23 & 3/30 PH Ad (7 day notice)
Tue 4/11	Regular TC Meeting	<u>Public Hearing</u> for Master Tax & Fee	3/23 & 3/30 PH Ad (5 day notice 2 successive weeks, if changes)
Wed 4/12	Special Mtg/ Budget WS #11	FY24 Budget for Legislative & Advisory; General Fund Debt; Non-departmental;	-
Mon 4/17	Special Mtg/ Budget WS #12	FY24 Budget for Water and Wastewater	-
Wed 4/19	Special Mtg/ Budget WS #13	Utility Revenue and Stantec Rate Models (based upon Proposed Budget); Q&A	See 4/11 PH
Mon 4/24	Special Mtg/ Budget WS #14	Parks and Recreation Revenue and Expense	-
Wed 4/26	Special Mtg/ Budget WS #15	Additional information as needed	-
Mon 5/1	Special Mtg/ Budget WS #16	Capital Improvement Program (CIP)	-
Wed 5/3	Special Mtg/ Budget WS #17	Additional information as needed	-
Tue 5/9	Regular TC Meeting WS	Town Council to <u>Adopt</u> & Appropriate FY24 Budget Town Council to <u>Adopt</u> Ordinance for Master Tax & Fees • Fallback date is May 23	See 4/11 PH See 4/11 PH
Tue 5/23	Regular TC Meeting WS	Town Council to <u>Adopt</u> & Appropriate FY24 Budget - Fallback date Town Council to <u>Adopt</u> Ordinance for Master Tax & Fees -Fallback date	

3/22/23

Legend:

Regular TC Mtg = Regular Town Council meeting on 2nd Tuesday of the month
Regular TC WS = Regular TC Work Session on the 4th Tuesday of the month

S/BWS=Special Meeting / Budget Work Session

Budget Work Session

Council Mtg 18