

MINUTES
PURCELLVILLE TOWN COUNCIL SPECIAL MEETING
NOVEMBER 16, 2016, 7:00 PM
TOWN HALL COUNCIL CHAMBERS

The special meeting of the Purcellville Town Council convened at 7:00 PM in Council Chambers.

PRESENT: Kwasi Fraser, Mayor
Karen Jimmerson, Vice Mayor
Kelli Grim, Council member
Nedim Ogelman, Council member
Doug McCollum, Council member
Chris Bledsoe, Council member

ABSENT: Ryan Cool, Council member

STAFF: Robert W. Lohr, Jr., Town Manager
Danny Davis, Assistant Town Manager
Sally Hankins, Town Attorney
Alex Vanegas, Director of Public Works
Liz Krens, Director of Finance
Tom Angus, Budget Specialist
Paula Hicks, Accounting Manager
Diana Hays, Town Clerk/Project Manager

CALL TO ORDER OF SPECIAL MEETING:

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

FINANCIAL OVERVIEW AND UPDATE PRESENTATION BY DAVENPORT AND COMPANY, LLC:

David Rose and Kyle Laux from Davenport were in attendance and provided a Financial Overview/Update (attached). Mr. Rose stated he has been working with the town for over a decade and reviewed their roles as financial advisors and Davenport's history.

TOWN COUNCIL QUESTIONS AND ANSWERS SESSION:

Council member Ogelman stated he is intrigued by the option to build a model to explore scenarios but feels for a model to be effective all of the assumptions need to be laid out. Council member Ogelman added that Council is trying to be transparent with the community and would like to ask the citizens about specific scenarios, and that it would be helpful if Davenport could help break things down into more concrete decisions. Mr. Rose stated he

anticipates starting by developing a template of the model to see where the variables are, and then have Council decide if growth pays for itself.

Council member Grim asked if there are any past models that were presented to Council to look at as a baseline. Mr. Rose stated there is a historic model that was not set up to be interactive but would be used as the starting point.

Council member Grim referenced the cost benefit analysis of the tax exempt bonds under debt portfolio observations for the general fund, and stated that a challenge is the tax exempt bond with the large debt on Fireman's Field. Council member Grim asked about a model that gave the pros and cons at the time when that was done. Mr. Rose stated a model was not done and would not be necessary now but would answer what is the relative costs for taxable approach versus tax exemption. Mr. Rose added that at that time there was no contemplation of using the Fireman's Field for private entity or to lease it out which would make it move towards taxable borrowing. Council member Grim talked about there were debt payments surging and there is not anything to use as a baseline in determining what can be done now. Council member Grim asked what the cost to the Town would be to evaluate the existing debt and to sell it in a taxable mode. Mr. Rose stated the cost would on an hourly basis and estimated about three to four hours.

Rob Lohr talked about why the analysis was not done at the time of financing and that majority of all government financing is tax exempt because you are operating traditional government functions. Mr. Lohr added that there was every indication and expectation that revenue would be generated from two sources which would cover the majority of the cost: a renegotiation of the County's lease and the concessionaire's lease which totaled approximately \$250,000 to \$300,000. At that time Council choose to keep it as it had been operating in the past. Mr. Lohr added the County decided they did not want to pay for a lease and had options at Woodgrove and Loudoun Valley and added lights to fields at Franklin Park, and that if Council wants to move in this direction that difference can be shown but it would need determined how to lock the revenue in and not convert tax exempt financing to taxable bonds and not generate the revenue to cover the expense. Mr. Lohr added that a sub-committee consisting of Council member Cool and Mayor Fraser with staff and Council as a whole to look at some management contracts which could take a year of intensive study. Once the revenue source is secured then a review of additional cost to switch from tax exempt to taxable bonds could be done.

Mayor Fraser referenced Parks and Rec and asked if there is a reason why the tax exempt portion cannot be refinanced today. Mr. Rose stated the reason is that there is not a substantial level of savings, and feels it is premature to refinance pieces of debt because of the federal laws in regards to how many times refinancing can be done. Mr. Rose stated Davenport continues to monitor the debt and recommended that over the next couple of months to understand the concerns of Council and assumptions as well as capital needs over the next few years. Mayor Fraser stated his concern with interest rates being high in four years and too late to refinance, and asked for insurance that as Davenport continues to monitor it if there is a way to show Council a report that includes today and future rates. Mr. Rose stated that rates just rose by half a percent in the past week and that the Town has refinanced over the years as rates have decreased, and that a report can be done that shows how much the Town has saved. Mr.

Rose talked about the continuing opportunities and the monitoring of debt by Davenport, and that Davenport is being proactive and providing options for Council to look at certain things to do with the debt that hasn't been requested by Council to include paying off debt versus refinancing and creating a report to look at assets.

Council member Grim stated that she expects of Davenport is working for the town that all of the debt be looked at as Council is looking at the total number, and that Council will look to Davenport for justification and recommendation for paying down debt and which would be best to pay down and why and how often it can be done so Council can review financial policies and why they are in place.

Mr. Rose again requested through the Town Manager that Council collectively provide what capital needs they have and how Council wants to look at general fund assets so that Davenport can report back to Council with a recommendation.

Rob Lohr stated that the current Council has not been through a budget process as a body. Mr. Lohr talked about projects that the Council has discussed that equal \$1.5m in cash reserves that the Town does not have funding or grant money for and talked further about CIP funds and talking about that in advance of the normal budget process.

Mr. Rose added that around mid-February or an agreed upon date that Davenport could show "what if" scenarios to see the cash flow impacts of decisions before going through the budget process.

Council member Ogelman agreed with Mr. Rose and that he understands and the different topics and proposed items and by seeing the models will be useful in getting up to speed. Mr. Rose added that the process is meant to be transparent.

Mayor Fraser asked when Council can expect to see the model and the cost. Mr. Rose stated he anticipates that the items would be compiled in January and able to meet with Council in a work session in February. Mr. Rose added that they work on an hourly basis and that a second phase would be the utility piece which the majority of this would be done by a consulting entity that would look at the options, and estimates that it could take a year.

Council member Jimmerson stated Council would need to work with staff on the deliverables that Davenport would ask of Council.

Council member Grim stated that over the years in budget meetings that she's heard from residents that that do not want to be held hostage to an only option of annexing and growing the town. Council member Grim added that assets should be considered on both the general and utility sides and if assets are sold would like for guidance on where to spread the money around and what debt to eliminate. Mr. Rose added that Davenport has not been asked to evaluate if an asset has been sold. Council member Grim asked about the Fireman's Field financing and a model that brought it to make the decision. Mr. Rose stated that there was no real model and it was that there was "x" dollars needed and how to get those dollars.

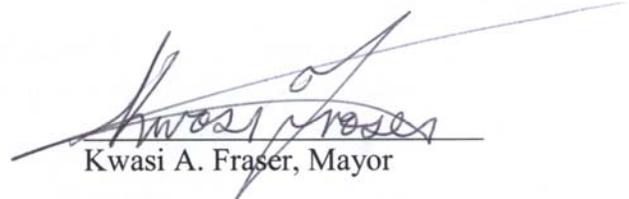
Mayor Fraser talked about today's bank balance. Mr. Rose cautioned the Mayor to not look at it that way because of outstanding expenses due for the month. Mayor Fraser asked about how to manage money left at the end of the month. Mr. Rose stated it is their job to provide those options.

DISCUSSION OF FUTURE MEETINGS:

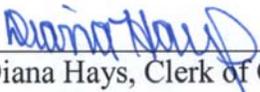
Danny Davis stated that the FY18 Budget Calendar will be proposed at the December 13th Town Council Meeting and that a February date may also be built into the schedule to continue discussions. Rob Lohr added that Council may wish to add additional meetings based on tonight's conversations.

ADJOURNMENT:

With no further business, Vice Mayor Jimmerson made a motion to adjourn the meeting at 8:35 PM. The motion was seconded by Council member Ogelman and approved with one absent.



Kwasi A. Fraser, Mayor



Diana Hays, Clerk of Council

DAVENPORT & COMPANY

Town of Purcellville, Virginia

Financial Overview/Update



November 16, 2016

November 16, 2016



Davenport's Role as Financial Advisor to the Town of Purcellville

DAVENPORT & COMPANY
Wednesday, November 16, 2016

Town of Purcellville, VA

Davenport's Role as Financial Advisor to Purcellville



- Davenport & Company LLC ("Davenport") serves as Financial Advisor to the Town of Purcellville (the "Town") in the following ways, amongst others:
 - Reports to the Town Council and Town Manager,
 - Complements Town Staff with Financial Planning, and
 - Interacts with Lending Institutions and the National Credit Rating Agencies when required.
- With the direction of Town Council, Davenport helps to determine the most cost-effective and flexible method of financing based on market conditions and what the impact of the borrowing will be on the Town.
- Davenport also reviews the Town's outstanding debt portfolio for refundings and alerts the Town of potential savings opportunities.
- Davenport does not:
 - Determine which projects are to be financed,
 - Underwrite any bond issue, or
 - Hold a financial interest in how a project is funded.

DAVENPORT & COMPANY
Wednesday, November 16, 2016

Town of Purcellville, VA

Public Finance Overview



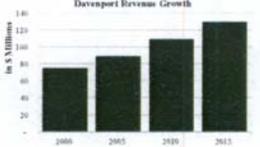
Founded in 1863 in Richmond, VA, Davenport recently celebrated its 150th anniversary.



Key Statistics

Employees:	400+
Client Assets:	\$18.1 Billion
Firm Assets:	\$125.5 Million
Firm Capital:	\$39.7 Million

Davenport Revenue Growth



Major Business Concentrations

- Public Finance
- Asset Management
- Investment Consulting
- Retail Brokerage
- Equity Research

DAVENPORT & COMPANY
Wednesday, November 16, 2016

Town of Purcellville, VA

Public Finance Overview, cont.

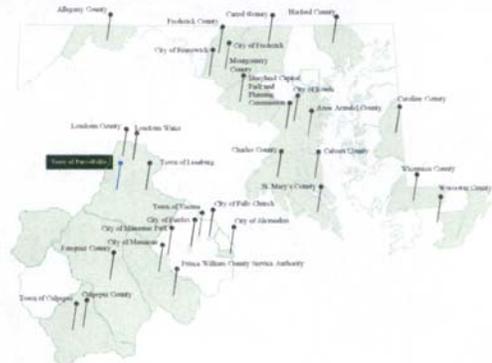


Davenport consistently ranks as the Top Financial Advisor in the Mid-Atlantic region.*



*Source: Thomas Reuters US Municipal Service for Maryland, Virginia, & North Carolina. View Chart at bit.ly/1888888 since 1/1/14. DAVENPORT & COMPANY, Wednesday, November 16, 2016, Town of Parceville, VA

Public Finance Overview, cont.



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Public Finance Overview, cont.



- Broad Range of Utility Financial Advisory Engagements:** Davenport's experience includes a wide variety of engagements including numerous revenue-based utility operations at both the local and regional levels.
- Diversity of Clients:** The size of our clients range from some of the largest in the Commonwealth such as Upper Occoquan Sewage Authority (over 450,000 connections) to Amherst County Service Authority (less than 7,500 connections).

Since 2008, Davenport has advised on nearly \$4.4 billion of Utility Financings



DAVENPORT & COMPANY, Wednesday, November 16, 2016, Town of Parceville, VA

Credit Ratings



DAVENPORT & COMPANY, Wednesday, November 16, 2016, Town of Parceville, VA

Why do Credit Ratings Matter



➤ The Town's existing Credit Ratings from the National Credit Rating Agencies provide the Town the following benefits:

- Credit Ratings act as barometers of the financial and economic health of the Town;
- Potential Town investors look to Credit Ratings Credit quality as key determinates in decisions as to whether to invest land and how to price the investment;
- Strong Credit Ratings increase the universe of potential investors for the Town;
- The Rating Agencies do not charge an annual fee to keep the Ratings outstanding, and;
- Strong Credit Ratings maximize the Town's ability to refund restructure for savings or cash-flow purposes.

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Wednesday, November 24, 2016
Town of Purcellville, VA

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"

*Fitch recently enhanced the outlook on the Town rating from "Stable" to "Positive."

DAVENPORT & COMPANY
Wednesday, November 24, 2016
Town of Purcellville, VA

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.

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Wednesday, November 24, 2016
Town of Purcellville, VA

Credit Rating Scale



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

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Wednesday, November 24, 2016
Town of Purcellville, VA



General Fund / Parks and Recreation Fund

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Wednesday, November 16, 2016
Town of Pittsfield, MA



Importance of Maintaining Solid Reserve Levels

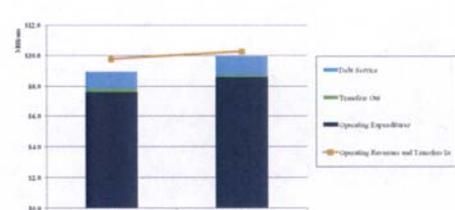
- Maintaining ample reserves helps the Town operate efficiently by virtue of the following:
 - No need for costly short-term cash-flow borrowing to manage typical local government revenue cycles.
 - No need for emergency borrowing in the event of a natural disaster or other emergency.
 - Provides a ready source of funding for Economic Development projects/incentives.
 - Interest earnings on reserves help ease pressure on Tax Rates; and,
 - Reserves are a Key Factor for Potential Lenders/Credit Markets in determining the cost of funds when borrowing for new Capital Projects.

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Wednesday, November 16, 2016
Town of Pittsfield, MA



Historical Financials – General Fund

- The Town has generated a surplus in the General Fund for the previous two Fiscal Years.
 - The net General Fund Surplus in FY 2015 was \$810,885.
 - The net General Fund Surplus in FY 2016 was \$322,259.
- The trend of surpluses demonstrates financial health in the General Fund.



Sources: 2015 CAFR and 2016 Draft CAFR.

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Wednesday, November 16, 2016
Town of Pittsfield, MA



General Fund Balance Trends

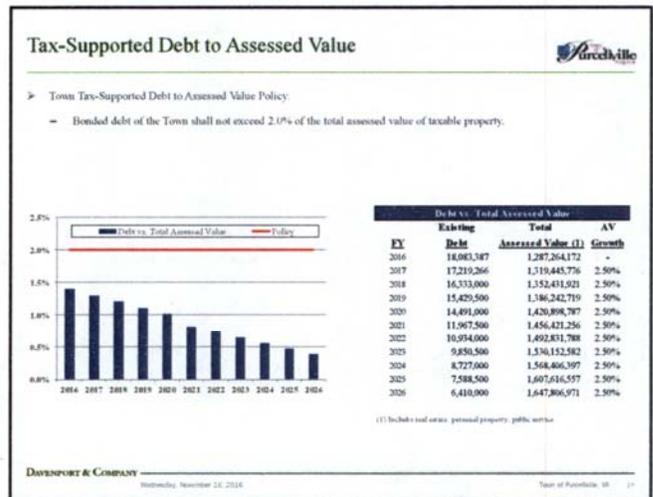
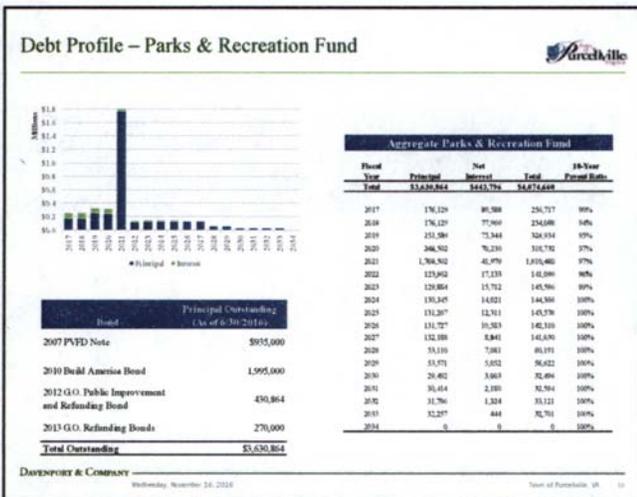
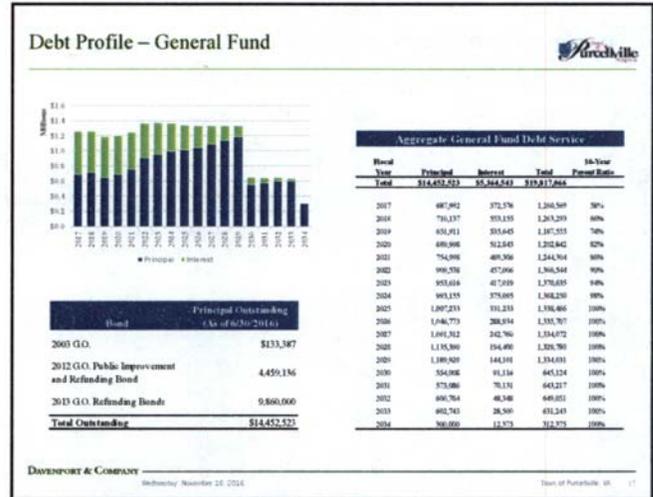
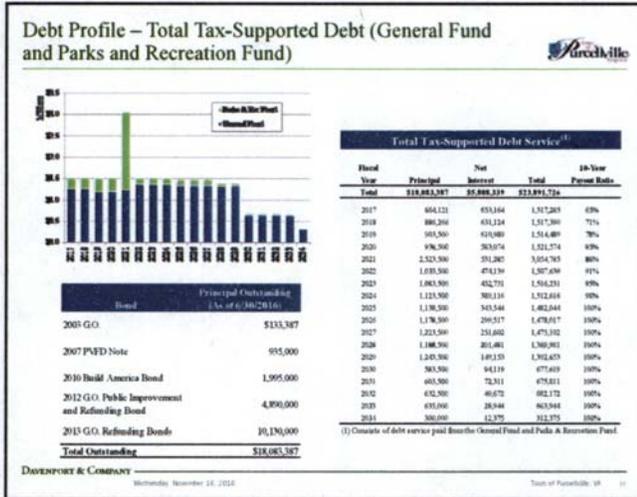
- Town Unassigned Fund Balance Policy:
 - The general fund unassigned fund balance should be maintained at a minimum of \$3 million or 30% of total general fund revenues, whichever is greater, given that the water and sewer enterprise funds are self supporting and the enterprise fund balances are maintained at a substantial level.

Fiscal Year	Unassigned Fund Balance	Operating Revenues	Fund Balance as % of Revenues
2005	1,725,713	4,891,901	35.3%
2006	2,137,481	6,310,708	33.9%
2007	2,599,404	6,666,485	39.0%
2008	3,145,905	6,780,133	46.4%
2009	3,968,574	6,887,060	57.5%
2010	4,415,059	6,938,874	63.6%
2011	4,348,340	6,962,946	62.7%
2012	5,427,576	7,123,070	76.2%
2013	4,573,689	7,997,299	57.2%
2014	4,231,964	8,263,801	51.2%
2015	5,045,286	8,733,399	57.8%
2016 E	5,617,146	9,242,971	60.8%



(1) Unassigned Fund Balance as % of Revenues. Unassigned as shown 2011 and forward per update OMB standards.
 (2) Revenues in 2007 and of \$1,075,107 of 2008. County 2008 Revenue.
 (3) Revenues in 2008 and of \$1,082,071 of 2009. County 2009 Revenue.
 (4) Revenues in 2011 and of \$1,196,475 of 2012. Revenue County 2011 Revenue.
 (5) Revenues in 2017 are not of \$1,200 million revenue from sale of Town Hall.

DAVENPORT & COMPANY
Wednesday, November 16, 2016
Town of Pittsfield, MA



Tax-Supported Debt Service to Expenditures

Town Tax-Supported Debt Service to Expenditures Policy:

- Debt service expenditures as a percentage of general fund expenditures should not exceed 15%.

FY	Debt Service vs. Expenditures		Growth
	Existing	Parks Rec Fund Expenditure	
2016	\$1,507,605	\$10,268,874	3.0%
2017	1,517,285	10,576,940	3.0%
2018	1,517,396	10,894,248	3.0%
2019	1,514,489	11,221,076	3.0%
2020	1,521,574	11,557,708	3.0%
2021	3,054,785	11,904,439	3.0%
2022	1,507,639	12,261,973	3.0%
2023	1,516,231	12,629,420	3.0%
2024	1,512,616	13,006,302	3.0%
2025	1,482,044	13,396,551	3.0%
2026	1,478,017	13,800,508	3.0%

Note: It is expected that the balloon maturity will be turned out or paid off prior to final maturity -- or some combination thereof. Paying off the principal would not count against the typical debt service to expenditures policy.

DAVENPORT & COMPANY
Wednesday, November 16, 2016
Town of Parkeville, VA

Debt Portfolio Observations

- Davenport monitors the Town's Debt Portfolio for potential refunding opportunities for Debt Service savings and/or strategic restructuring opportunities for cash-flow relief.
- Davenport's observations of the General Fund Debt Portfolio are as follows:
 - All debt carries interest rates fixed through final maturity.
 - Debt Service is essentially level for the foreseeable future.
 - Refunding(s) for Debt Service savings are minimal. Davenport will monitor opportunities as interest rates evolve and the time to call dates lessens.
 - The Town may want to consider strategically paying down defeasing selected debt in the near term to reduce the overall debt burden and free up the Town's General Fund cash-flow.
 - Consider a cost-benefit analysis of refunding Tax-Exempt bonds on a Taxable basis so as to identify the potential to free up Town assets for revenue producing opportunities.

DAVENPORT & COMPANY
Wednesday, November 16, 2016
Town of Parkeville, VA

Debt Portfolio Observations

- Davenport's observations of the Parks and Recreation Fund are as follows:
 - A Town-wide dedicated revenue source of 3.5 pennies via a Special Tax District currently covers this Debt Service.
 - A "Balloon" in FY 2021 of roughly \$1.645 million will need to be either 1.) Paid off in full or part; and 2.) "termed out" on or before FY 2021. (Note: Exact Final Maturity is flexible.)
 - Consider this valuable Town asset as a possible opportunity and, if so, use any proceeds from a sale or lease to pay-off the indebtedness. Also consider using up excess Fund Balance to pay down/defuse the Balloon payment.

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Town of Parkeville, VA

Water & Sewer Enterprise Utility Fund

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