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MEMORANDUM - BUDGET DEVELOPMENT

TO: MAYOR AND COUNCIL MEMBERS
FROM: DANNY DAVIS, ASSISTANT TOWN MANAGER
THROUGH: ROBERT W. LOHR, JR., TOWN MANAGER
SUBJECT: BUDGET REDUCTION OPTIONS
DATE: APRIL 8, 2016

At the April 5th Budget Work Session, Council requested staff to review the proposed budget for possible expenditure reductions to keep the Real Property Tax rate at the current level of \$0.22 per \$100 assessed value. Council provided some suggested reductions, and staff has reviewed all department budgets for opportunities to find additional reductions.

During the Budget Work Sessions, staff has continued to emphasize – and we believe Council has supported – the need for the personnel enhancements included in the Proposed Budget. These staffing needs fill key roles and provide critical support in our daily operations.

Below is a table of proposed reductions/changes from staff that would more than meet the Council's target of \$240,000 in order to maintain the current Real Property Tax rate. Discussion on each reduction is below the table.

<u>Department</u>	<u>Line Item</u>	<u>Reduction Amount</u>	<u>Revised Line Item Amount</u>
Overall/General Fund	Health Insurance	\$55,000	(Crosses All Depts.)
Overall/General Fund	Pay and Benefits Miscalculations in Proposed Budget	(\$50,000)	(Crosses All Depts.)
Administration	Legal Expenses	\$30,000	\$109,000
Administration	Insurance	\$10,000	\$110,000

Administration	Consulting	\$5,000	\$10,000
Administration	Public Information	\$5,000	\$5,000
Police/Public Works	Police Station Feasibility Study	\$50,000	\$0
Police	Capital Outlay – Vehicles; Reduce from 2 to 1 replacement vehicles	\$42,000	\$42,000
Public Works - Administration	Compensation Recalculation	\$20,000	\$318,542
Public Works - Administration	Engineering/Consulting	\$10,000	\$20,000
Public Works - Engineering	Engineering/Consulting	\$10,000	\$50,000
Public Works - Maintenance	State Fund Expenditures	\$50,000	\$478,000
Public Works - Maintenance	Town Street Maintenance	\$5,000	\$214,500
	<u>TOTAL PROPOSED REDUCTIONS:</u>	<u>\$242,000</u>	

Overall/ General Fund

The Health Insurance savings has been discussed previously. In addition, this category shows the adjustments necessary across the proposed budget to account for miscalculations of salary and health benefits throughout the proposed budget.

Administration

Legal Expenses are proposed to be reduced by \$30,000. This matches the budgeted amount for FY 2016. We believe this is achievable for two reasons. First, we have seen significant litigation in FY 2016 and hope that will subside in FY 2017. Second, we believe the paralegal enhancement will result in savings by not having to use outside counsel as much. We believe this is an appropriate and achievable reduction.

Also in Administration, we have received a revised annual quote from VML on our Insurance which saves \$10,000. We have proposed reducing the Records Management Consultant amount by \$5,000 and Public Information services by \$5,000.

Police

As discussed with Council, we have shown the removal of the feasibility study for a new Police Station, and we have proposed reducing the vehicle replacement from two vehicles to one.

Public Works Administration

Due to changing personnel in this division, we believe the compensation line for Public Works Administration can be reduced by \$20,000. There is no change in employees or organization of the department at this time, but we believe there will be a cost savings in FY 2017. We have also reduced Engineering/Consulting by \$10,000. This may impact Council's ability to conduct as many studies as it has in the past. Nonetheless, should new projects come up that need review/study, Council can consider those during the year and propose a Budget Adjustment, if necessary.

Public Works Engineering

We have proposed reducing the Engineering/Consulting line by \$10,000 similar to the PW-Admin line discussed above. As a result, the total amount budgeted for Engineering/Consulting between the two divisions for FY 2017 will be \$70,000. In the proposal presented here, we have *restored* the needed vehicle in Public Works Engineering. We believe this vehicle replacement is very important to safe operations and will avoid costly repairs to our current vehicle that is 12 years old and has a history of challenges (electrical problems, etc).

Public Works Maintenance

In reviewing past years' expenditures, staff has identified that the line item for direct expenditures on State roads may have been overstated. The Town receives \$667,540 in revenue from the State for road maintenance on State roadways. The Town can charge staff time costs, Town equipment costs, and direct costs (contractors/materials) to this revenue line. In reviewing past years' expenditures for State roads, we have seen that we charge a significant amount of equipment and staff time to this revenue source, and we don't have as many direct costs as budgeted. We are proposing to reduce the direct cost expenditure line (100-4041350; Maintenance Streets – State) by \$50,000. This does not mean we are doing less work on State roads; instead, it means that we are more accurately reflecting the Town's expenditures for State roads across the various line items. Without this change, we are putting Town revenues toward State road maintenance.

Staff is also proposing to reduce Town Street Maintenance expenditures by \$5,000 to match the FY 2016 budgeted amount. This will not impact current or proposed projects.

Conclusion

In conclusion, staff has proposed \$242,000 in reductions for Council to consider. These proposed changes fix the issues identified in the proposed budget document, account for savings identified by Council, and provide additional savings in current operational costs.

Staff also would like to note that the tax rate Council is hoping to achieve - \$0.22 – is actually **lower** than the equalized tax rate. Due to the slight decrease in existing properties' assessments, the equalized tax rate would be \$0.222. We hope this information is helpful as Council makes its decision on the Real Property Tax rate at the April 12th meeting. We are ready to respond to any questions you may have.