Proposed Fiscal Year 2020 Operating Budget and Capital Improvement Program Fiscal Year 2020-2024

David A. Mekarski, Town Manager

March 20, 2019

Accomplishments Leading into Fiscal Year 2020 Budget

Fiscal Year 2019 in Partial Review

- Challenging year from an operational leadership standpoint
- Maintained AA/AAA Credit Rating from the major credit rating agencies
- Completed a comprehensive Administrative Organizational and Operational Assessment to review and assess the Town's organizational structure, operations and service delivery
- Completed Audit of the Police Department
- Initiated a Compensation and Classification Study
- Utility Cost of Service and Rate Study with Stantec underway (delivery expected summer to early fall)
- Received ICMA Performance Management Award

Town Council's Strategic Initiatives, Vision, Mission and Core Values

1) **Promote Community and Economic Well-Being**
2) **Practice Good Governance**
3) **Strengthen Community Partnerships**
4) **Fund the Future**

Purcellville's Proposed Fiscal Year 2020 Budget

- The total budget (General Fund, Parks and Recreation, Utility and CIP)
- Balances projected revenues and expenditures of $26.3 million
- Represents a 8% increase ($24.4 million adopted FY 2019 versus $26.3 million proposed FY 2020)

Fiscal Year 2020 Budget Highlights
ALL FUNDS

- Includes 3.0 % Indexed Pay Increase for employees
- No change in Local Choice Health Insurance Program rates
- Training Budget increased to 2% of departmental salaries for all employees
- Does not include funding for implementation of Classification and Compensation Study implementation as costs are currently unknown (anticipating $500,000 to $750,000 increase to wages and salaries annually across all funds)
- Presenting this year's budget from a Cost Center perspective rather than a line item analysis, with a focus on policy, Council Strategic Initiatives and Council's Guiding Documents
- This proposed budget represents a lean request of enhancements from FY2019, with the exception of the CIP funding for site selection analysis and preliminary planning processes associated with the construction of a new Police Department Headquarters

GENERAL FUND

GENERAL FUND
Highlights

Proposed Budget

- Proposed General Fund budget totals $11.9 million; increasing General Fund revenues and expenditures by $1.8 million (18%) over the adopted FY 2019 budget ($1.2 million of the increase is cash funded capital cost associated with the new Police Facility, which will be reimbursed with future debt service for the construction of the new Police Headquarters

Proposed Revenues

- Real Estate tax rate remains $0.22/$100 assessed value (a one cent change in the real estate tax rate is equivalent to $141,000)
- No other property tax rate increase is proposed in the General Fund
- Growth projected in property tax revenue (8%), and other local taxes which includes Meals Tax, Sales Tax and Business License (6%) categories, over anticipated FY 2019 collections
- New revenue reserve of $48,500 for anticipated grants

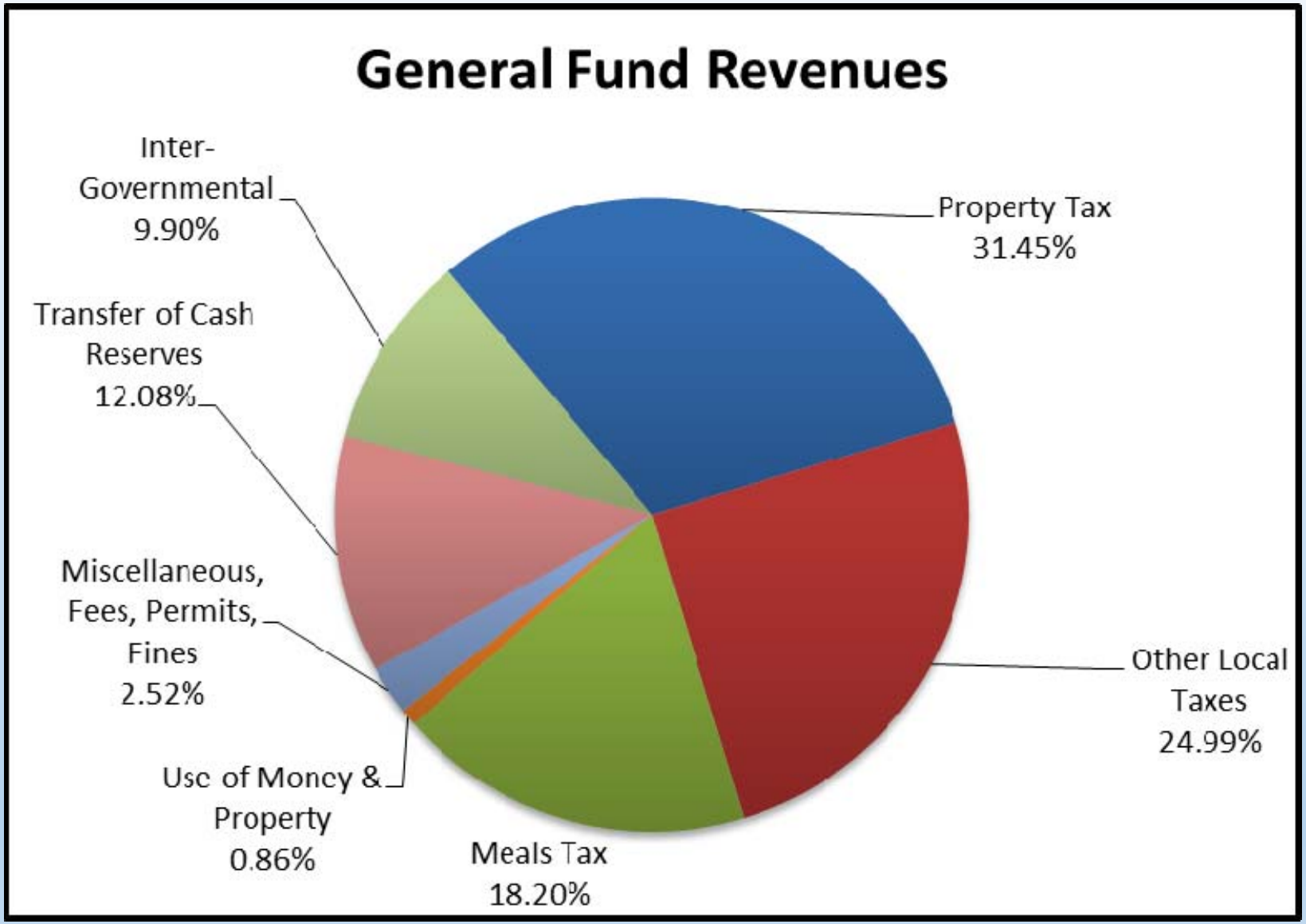
- Maintains FY 2018 & 2019 chargeback methodology (additional analysis forthcoming from the Utility Rate Consultant-maintaining the subsidy of water & sewer rates by $500k)
- Projected contingency/surplus of $65,015 for unexpected needs, emergency costs, or Council-directed priorities
- Proposed budget maintains current service levels in FY 2019

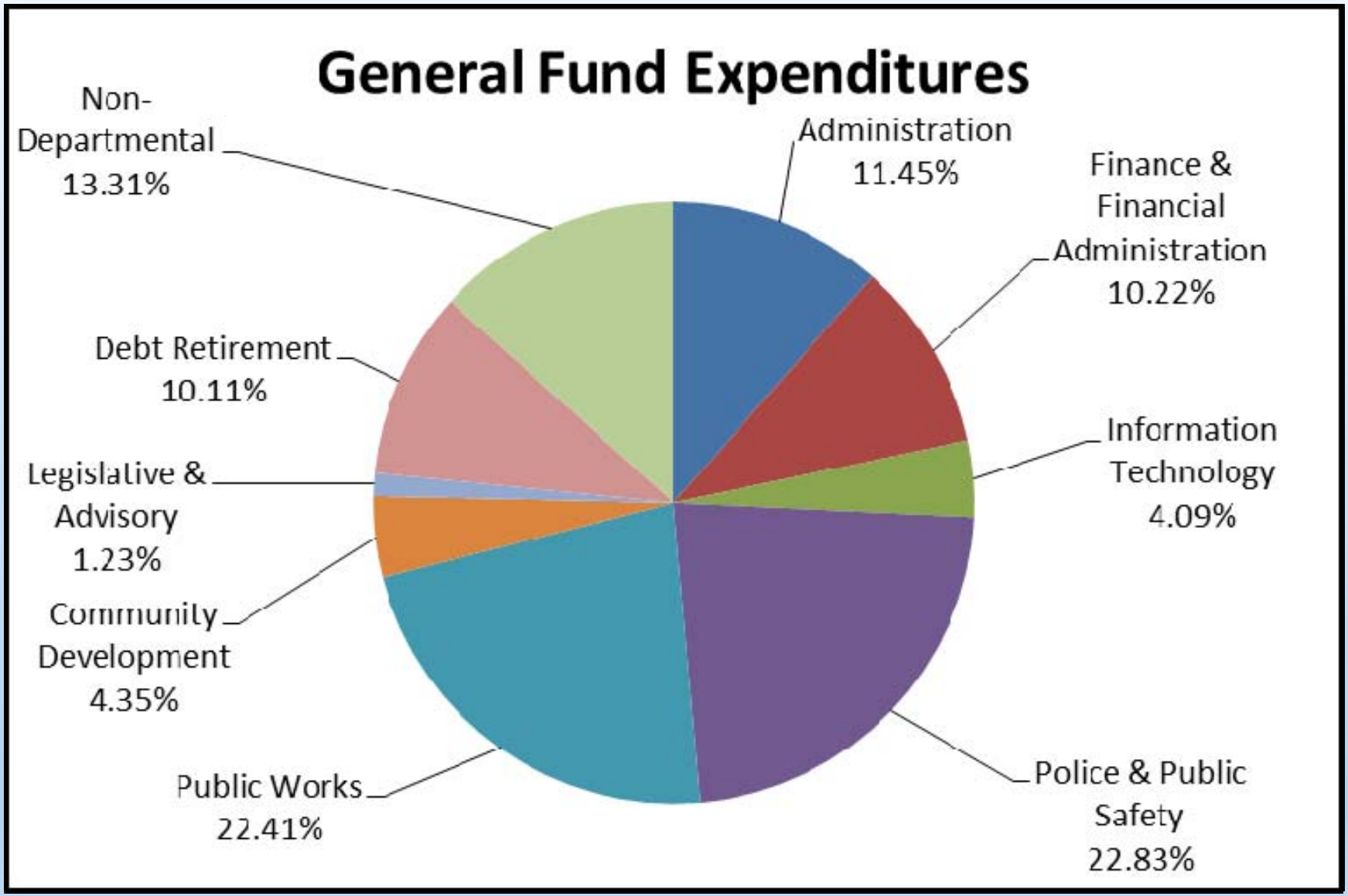
Proposed Expenditures/Personnel Costs

- Recommended 3.0% indexed pay increase for employees
- The proposed budget includes an increase of 3.8 FTE from the current staffing level:
  - One Patrol Officer and Overhire Authority for an additional Patrol Officer
  - Police Department Managerial Command Realignment
  - PD Accreditation Manager transitioned from PT to FT
  - One Financial Analyst
  - Maintenance Worker transition from part-time to full-time

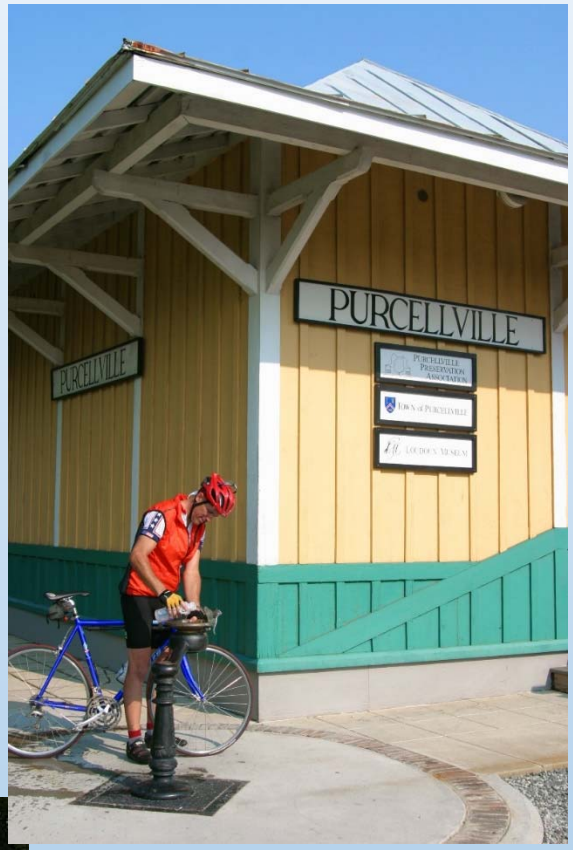
Other Proposed Major Expenditures

- Funding for new Police Facility - $1.2 million transferred to CIP from cash reserves expected to be reimbursed via future bond funds


General Fund Revenues
Inter-Governmental 9.90%
Property Tax 31.45%
Transfer of Cash Reserves 12.08%
Miscellaneous, Fees, Permits, Fines 2.52%
Other Local Taxes 24.99%
Use of Money & Property 0.86%
Meals Tax 18.20%


General Fund Expenditures
Non-Departmental 13.31%
Administration 11.45%
Finance & Financial Administration 10.22%
Debt Retirement 10.11%
Information Technology 4.09%
Legislative & Advisory 1.23%
Community Development 4.35%
Public Works 22.41%
Police & Public Safety 22.83%

PARKS & REC FUND



PARKS AND RECREATION FUND
Highlights

Proposed Budget

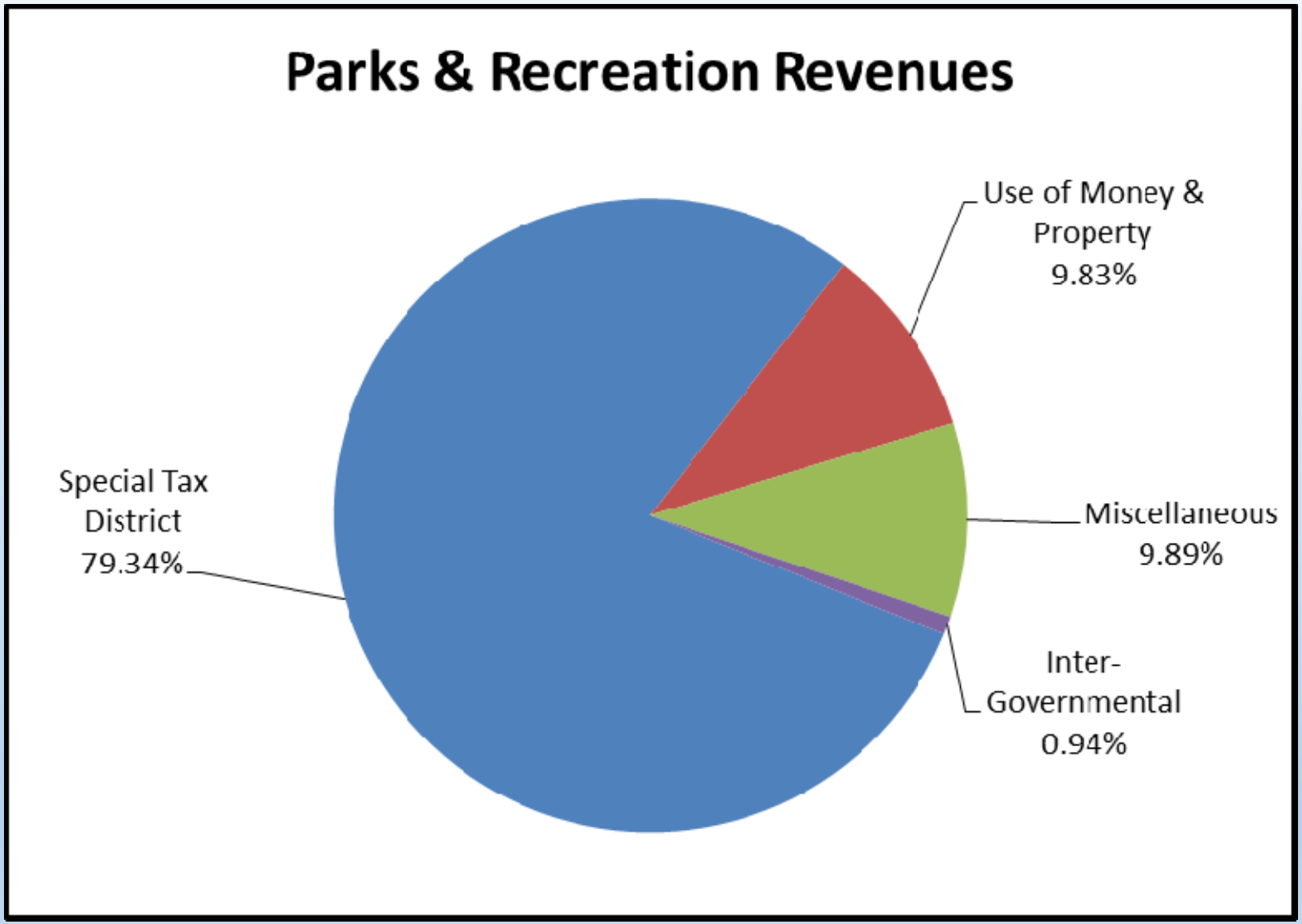
- Parks and Recreation Fund proposed budget of $583,854 is an increase of $6,009 over the adopted FY 2019 Budget

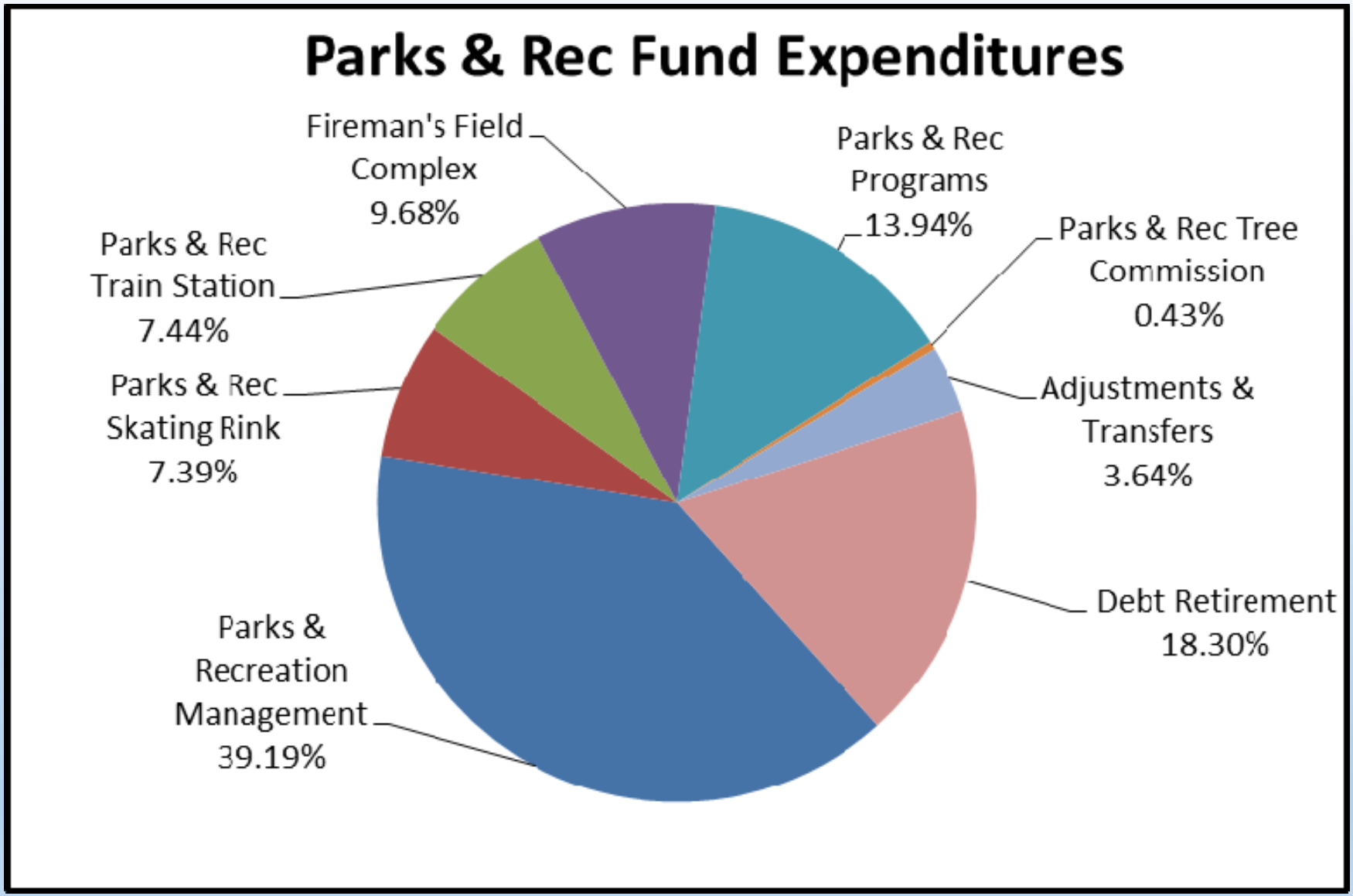
Proposed Revenues

- Fireman's Field Tax District rate remains at $0.03/$100 Assessed Valuation

Proposed Expenditures

- The proposed budget includes the requested upgrade of two part-time staff members to full-time
- A recommended 3.0% indexed pay increase for employees
- Allocates funding for meeting contractual responsibilities for HVAC maintenance and general repairs at the Bush Tabernacle
- Provides for $50,000 transfer from the fund balance to finance preliminary consulting services associated with the Sue Kane trail project (FY21/22 $315k with up to $240k reimbursed by the Virginia Recreation Trails Grant)


Parks & Recreation Revenues
Use of Money & Property 9.83%
Miscellaneous 9.89%
Inter-Governmental 0.94%
Special Tax District 79.34%


Parks & Rec Fund Expenditures
Fireman's Field Complex 9.68%
Parks & Rec Programs 13.94%
Parks & Rec Tree Commission 0.43%
Parks & Rec Train Station 7.44%
Parks & Rec Skating Rink 7.39%
Adjustments & Transfers 3.64%
Debt Retirement 18.30%
Parks & Recreation Management 39.19%

WATER FUND

WATER FUND
Highlights

The Proposed Budget

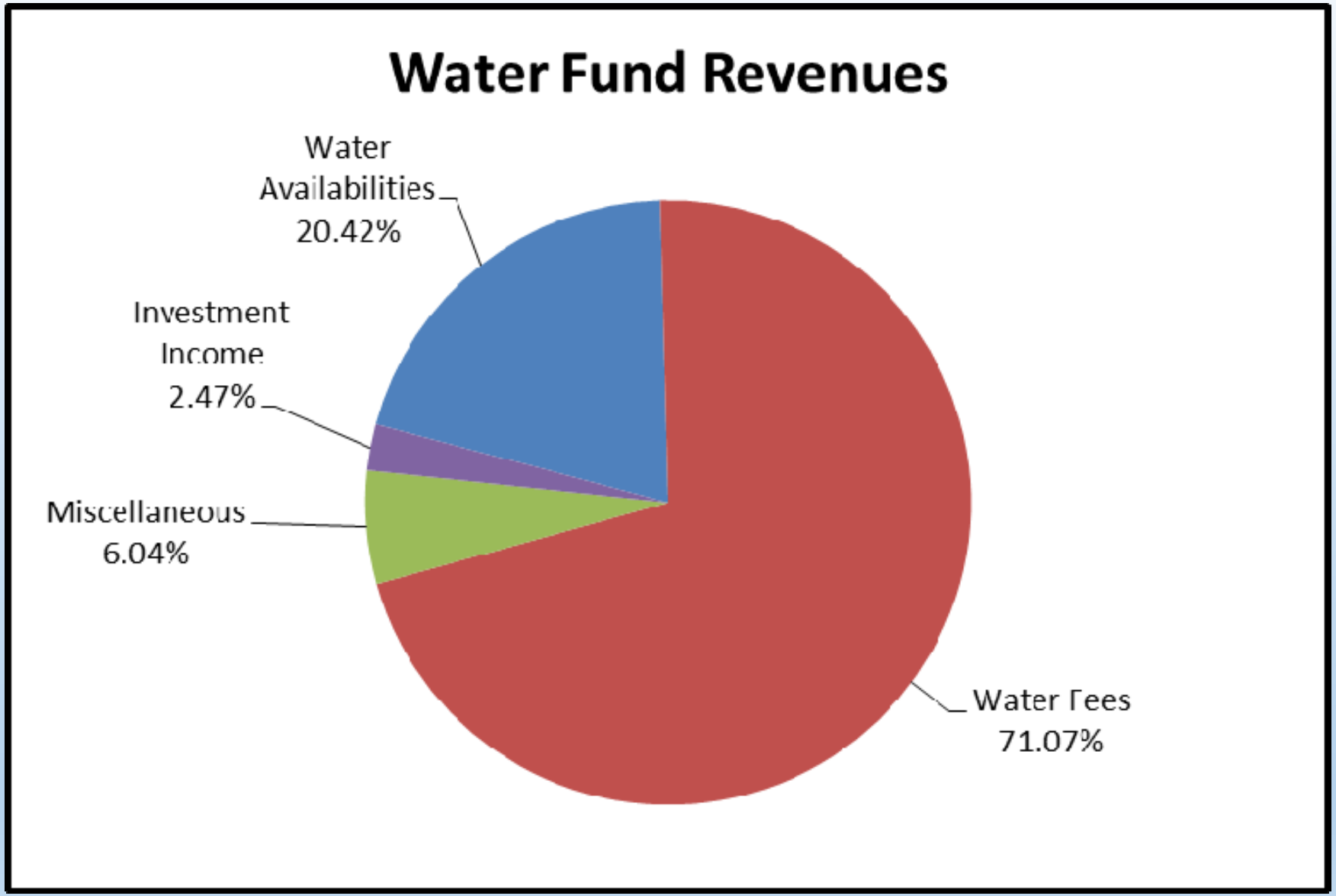
- Water Fund budget totals $3.237 million, a decrease of $2.058 million over the adopted FY 2019 budget due to a decrease in water availability revenue

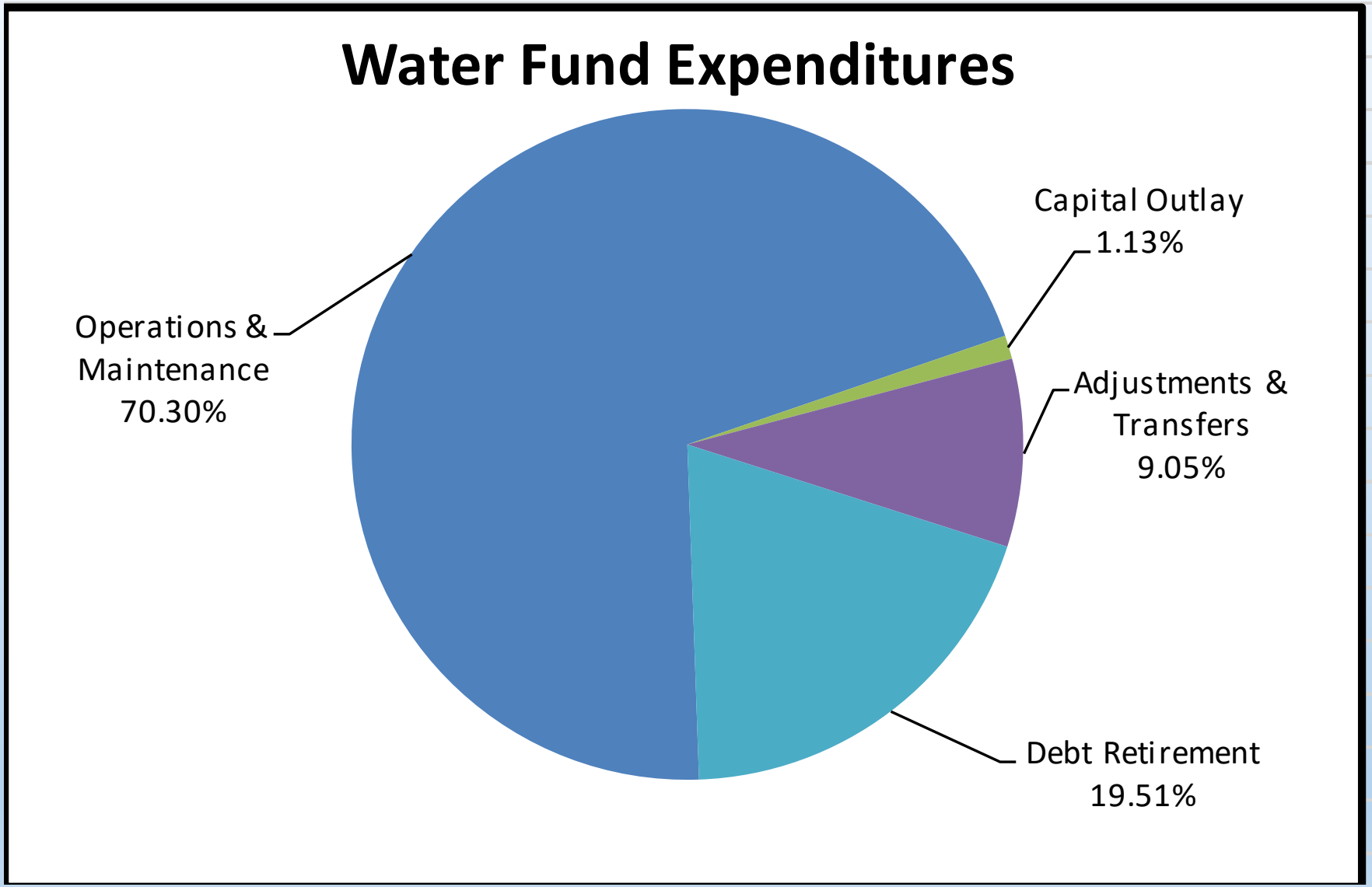
Proposed Revenues

- 3% proposed rate increase in water user fees

Proposed Expenditures

- No new or expanded positions
- A recommended 3.0% indexed pay increase for employees
- Maintains projected Charge Back cost of $493,226 to reimburse General Fund for Public Works personnel costs for providing water system support – under estimating chargeback by $250k
- Capital Improvement Program includes two projects valued at $220,000 funded from current revenue
- Operating contingency of $72,605 for unexpected needs, emergency costs, or Council directed priorities


Water Fund Revenues
Water Availabilities 20.42%
Investment Income 2.47%
Miscellaneous 6.04%
Water Fees 71.07%


Water Fund Expenditures
Capital Outlay
1.13%
Operations &
Maintenance
70.30%
Adjustments &
Transfers
9.05%
Debt Retirement
19.51%

WASTEWATER FUND

WASTEWATER FUND
Highlights

The Proposed Budget

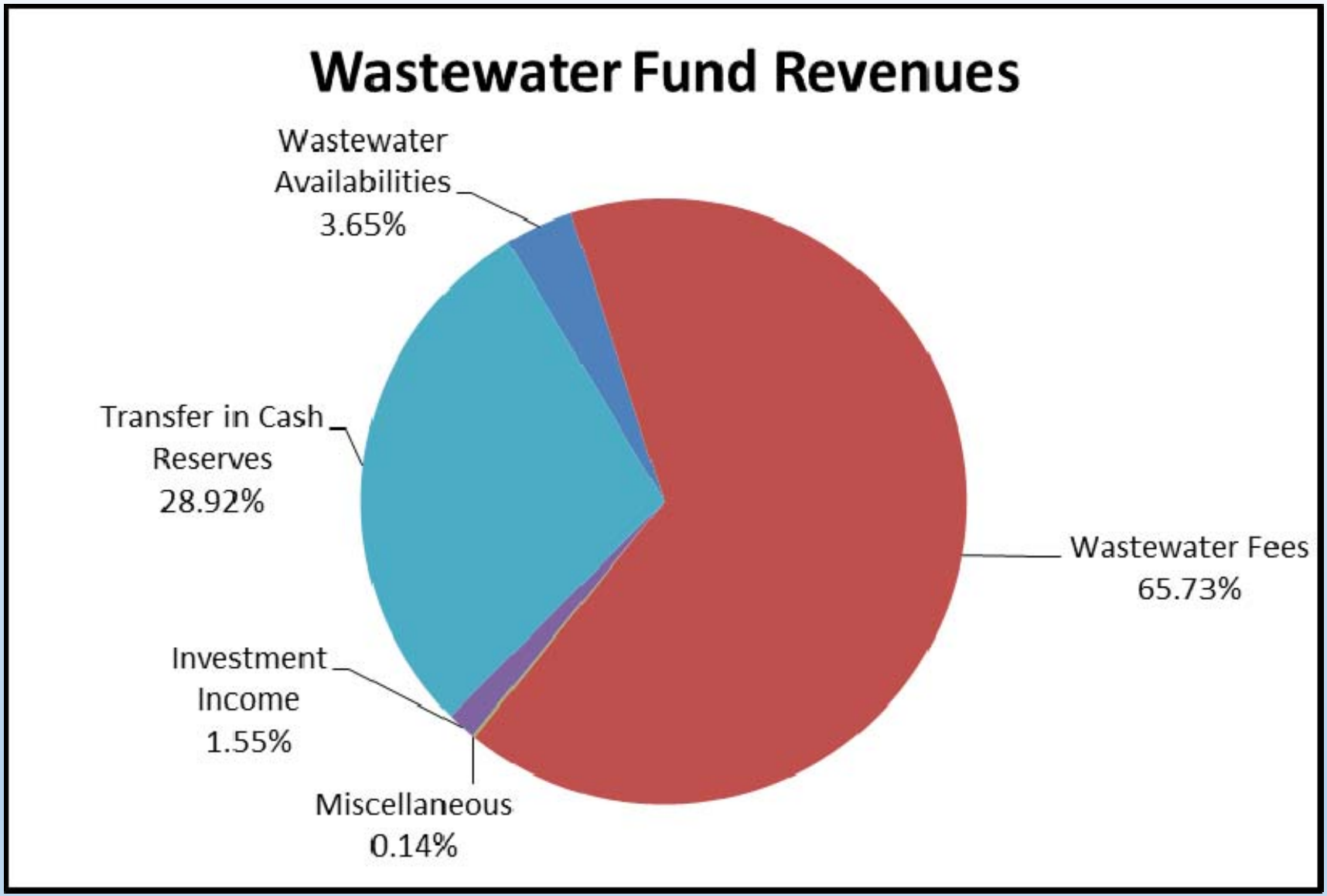
- Wastewater Fund budget totals $4.824 million, a decrease of $33,810 over the adopted FY 2019 budget due to decrease in availability revenue

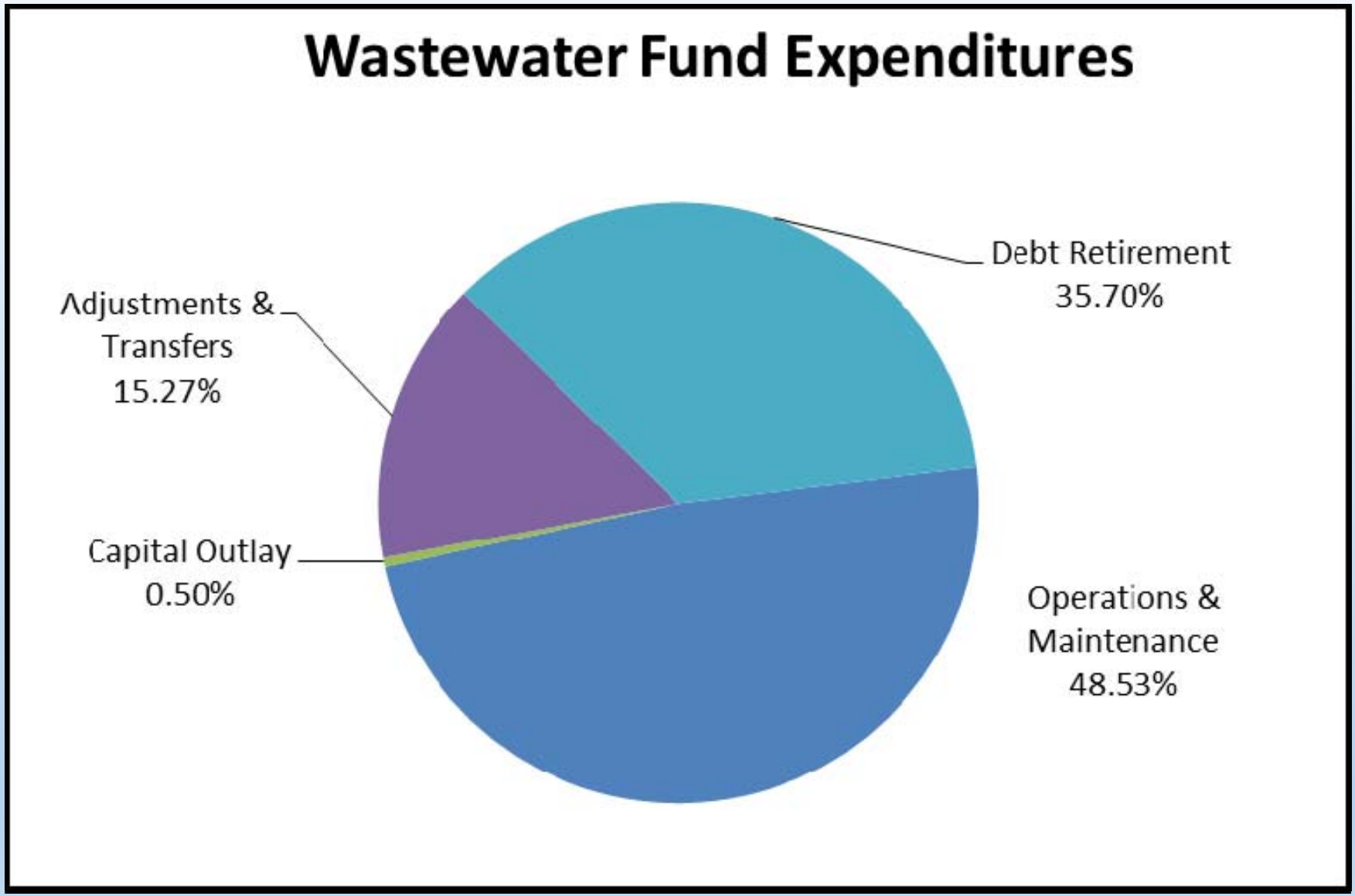
Proposed Revenues

- 3% proposed rate increase in wastewater user fees

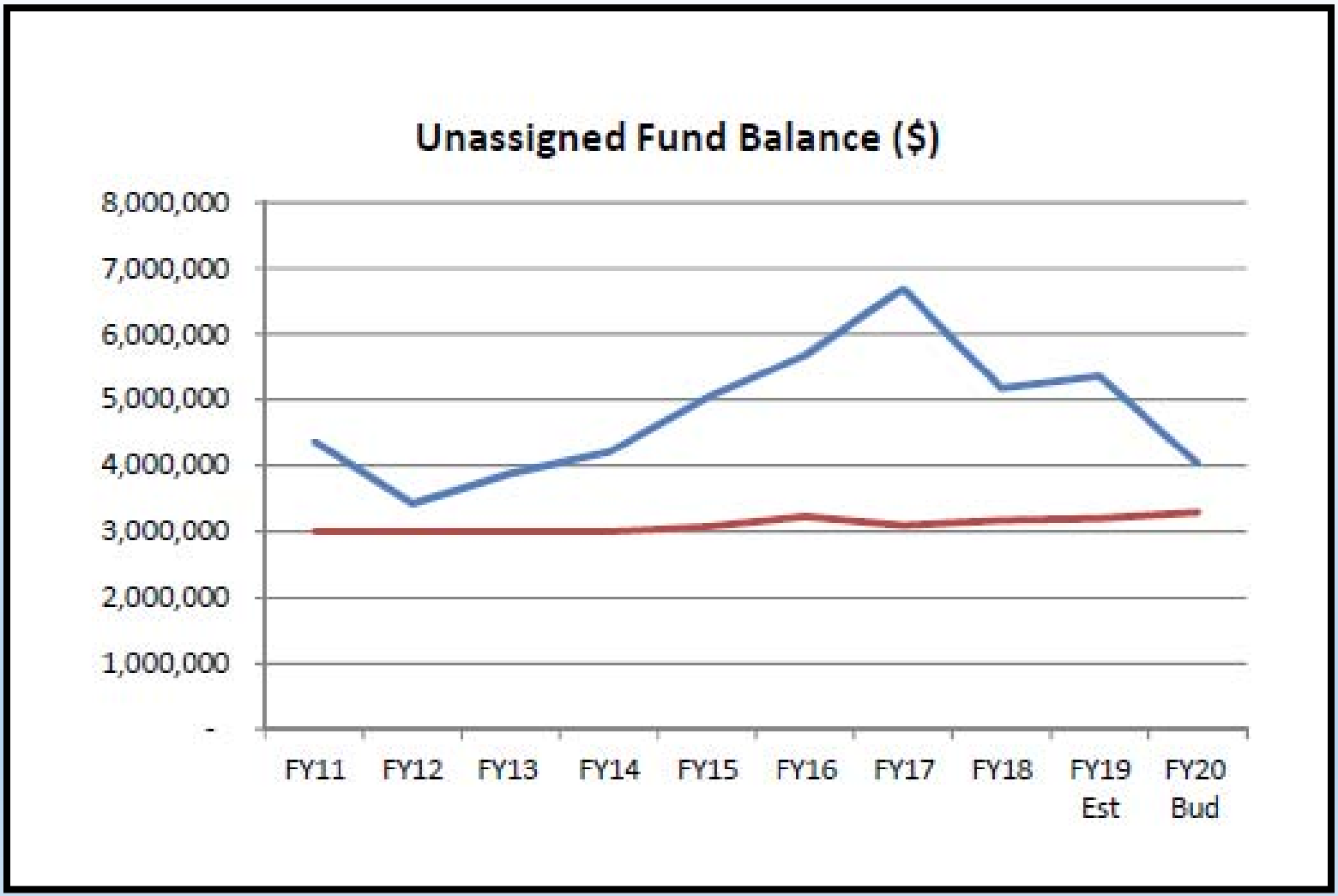
Proposed Expenditures

- No new or expanded positions
- A recommended 3.0% indexed pay increase for employees
- Maintains projected Charge Back cost of $493,226 to reimburse General Fund for Public Works personnel costs for providing water system support
- Capital Improvement Program includes three projects valued at $661,780
- Operating contingency of $75,001 for unexpected needs, emergency costs, or Council directed initiatives

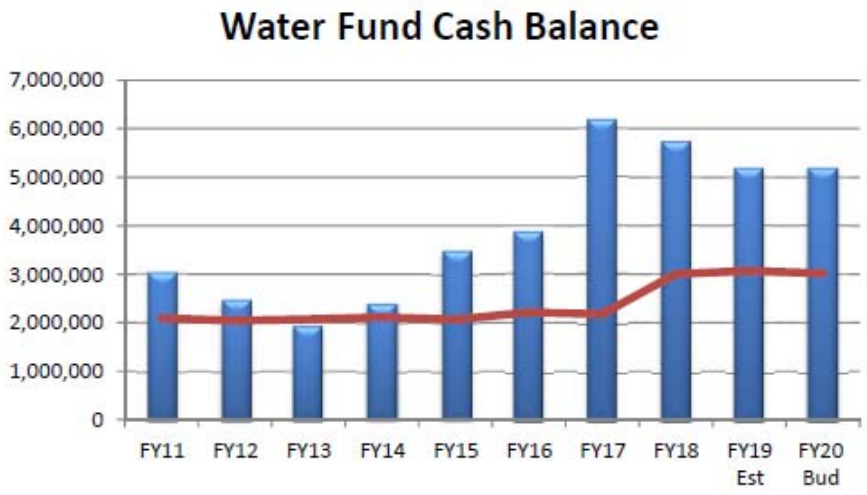

Wastewater Fund Revenues
Wastewater Availabilities 3.65%
Transfer in Cash Reserves 28.92%
Investment Income 1.55%
Miscellaneous 0.14%
Wastewater Fees 65.73%

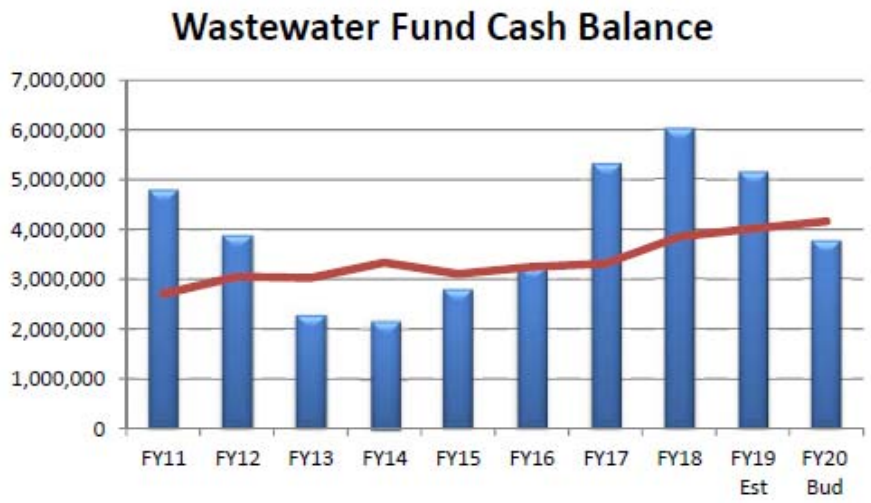

Wastewater Fund Expenditures
Debt Retirement
35.70%
Adjustments &
Transfers
15.27%
Capital Outlay
0.50%
Operations &
Maintenance
48.53%

GF Unassigned Fund Balance ($)



Water & Wastewater Fund Cash Balance





CHALLENGES

Identify revenue enhancement alternatives that allow the Town to structurally balance utility operations to address current needs and future capital costs with the significant decline of availability fees projected in the near future.

- Look at options of how to minimize or mitigate the impact of current and future utility rates on all customers
- Identify alternatives to supply the Town with the necessary capacity of 200k gallons of potable water
- Identify alternatives to supply potable water that does not necessitate the construction of the proposed $3.5m Aberdeen Well Head Treatment Plant
- Identify public and private options to sell the remaining capacity (650k) in the Town's wastewater plant to offset $31m of outstanding principle

CHALLENGES *(CONT'D)*

- Identification of revenue enhancement measures to finance the expected costs associated with the Employee Compensation and Classification Study to prevent a loss of talented, trained employees estimated to impact our three fund accounts by $500k to $750k annually
- Identification of revenue enhancement measures to finance the 48 recommendations of the Novak Administrative Assessment estimated at $1.2m in cash and $500k in in-kind contributions
- Identification of revenue to finance both a short term and long term CIP for Fireman's Field

CHALLENGES *(CONT'D)*

- As the community is nearing buildout, and restricted new economic/business expansion opportunities remain within the corporate limits, the Town needs to identify an economic development/redevelopment strategy for our commercial corridors that maximizes tax revenues to maintain General Fund service delivery
- Need to win community support to finance the construction of a new Police Headquarters and continue with the rebuilding of patrol and command positions to ensure current and future public safety requirements of our community

OPPORTUNITIES

- Growing commercial base
- Potential for redevelopment of our older commercial corridor and enhancement of our historic district
- Safe and attractive community to live or operate a business
- Municipal opportunities exist to expand our existing demand for wastewater treatment to enhance our annual revenue stream of our wastewater plant
- Public/Private opportunities exist for co-location of a “green tech” facility on Town property adjacent to our wastewater plant to utilize our excess capacity of treatment and purchase of our reclaimed water produced at the plant

OPPORTUNITIES *(CONT'D)*

- The Town is now evaluating multiple options to identify and purchase or develop new potable water sources to meet our 200k daily demand that does not necessitate the construction of the $3.5m Well Head Treatment Plant

- The Administration is now evaluating a "critical path" to construct a new cell tower at the wastewater plant to deliver a new revenue enhancement to offset our escalating debt service payments of the plant

RECOMMENDATIONS: Focus on Four Priorities

- Develop and adopt a long-term fiscal model of our three fund accounts to chart all future Revenues/Expenditures over a minimum of 10 years, and identify tax, user fees, and revenue enhancements to maintain long-term structural balance and sustainability of our service delivery
- Develop a community outreach campaign to win support of our residents for a moderate property tax increase to construct and staff a new police headquarters
- Identify a short-term and long-term wastewater debt management plan to stabilize this fund and achieve long term fiscal sustainability
- Identify sufficient funding to implement the recommendations of both the Novak Administrative Assessment and the Phase 2 Investigation and Audit of the Police Dept.

UPCOMING MEETINGS

- Thursday, March 28 at 7:00 pm, Budget Work Session
  - Public Works, Water & Wastewater
- Wednesday, April 3 at 7:00 pm, Budget Work Session
  - Community Development & Police Department
- Tuesday, April 9 at 7:00 pm, Town Council Meeting
  - Town Council to Adopt Real Estate Tax Rate, Fireman's Field Tax District, Personal Property Tax Rate and PPTRA
- Thursday, April 25 at 7:00 pm, Budget Work Session
  - Administration, Finance, Information Technology, Parks & Recreation
- Wednesday, May 1 at 7:00, Budget work Session
  - Long-term Planning Presentation-GF2030 Plan-Davenport & Stantec
- Tuesday, May 14 at 7:00 pm, Town Council Meeting
  - Public Hearing on Year End Budget Amendment (if needed)
  - Town Council to Adopt FY 2020 Operating Budget, Adoption/Appropriation Resolution, Master Tax & Fee Summary and Utility Rates