

MINUTES
PURCELLVILLE TOWN COUNCIL SPECIAL MEETING
BUDGET WORK SESSION
WEDNESDAY, MARCH 16, 2022, 7:00 PM
TOWN HALL COUNCIL CHAMBERS

Meeting recording can be found at the following link: <https://purcellvilleva.new.swagit.com/videos/156808>

COUNCIL MEMBERS PRESENT:

Kwasi Fraser, Mayor
Christopher Bertaut, Vice Mayor (arrival 7:02pm)
Tip Stinnette, Council Member
Stan Milan, Council Member (arrival 7:04 pm)
Joel Grewe, Council Member
Mary Jane Williams, Council Member
Erin Rayner, Council Member

STAFF PRESENT:

David Mekarski, Town Manager
Hooper McCann, Director of Administration
Elizabeth Krens, Director of Finance
Linda Jackson, Financial Analyst
Connie LeMarr, Assistant Director of Finance
Chief Cynthia McAlister, Police Department
Deputy Chief Dave Daily, Police Department
Christa Kermode, Administrative Assistant/Records Specialist
Several members of the Police Department
Shannon Bohince, Director of IT
Dale Lehnig, Director of Engineering, Planning & Development
Jason Didawick, Director of Public Works
Bernie Snyder, Water Superintendent
Barry Defibaugh, Superintendent
Lindey Sibert, Senior Laboratory Technician
Amie Ware, Division Manager-Parks and Recreation
Don Dooley, Director of Planning and Economic Development
Diana Hays, Town Clerk/Executive Assistant

STAFF PRESENT REMOTELY:

Sally Hankins, Town Attorney
Sharon Rauch, Director of Human Resources
Tassea Smith, Human Resource Analyst
Stacie Werner, Senior Accounting Technician
Stacie Alter, Senior Hydrogeologist
Cheryl Chirillo, A/P Accounting Technician
Kimberly Bandy, Deputy Town Clerk

CALL TO ORDER:

Mayor Fraser called the meeting to order at 7:00 PM. The Pledge of Allegiance followed. Mayor Fraser requested a moment of silence to recognize the passing of former Purcellville Police Officer James B. Simms and the current devastation of circumstances in Ukraine.

PRESENTATION: (attached)

a.) Town Manager's Proposed Budget for FY2023

David Mekarski, Town Manager, gave the presentation. Ann Antonsen, Director from Baker Tilly, gave a presentation on the completed 2019 Class & Compensation Study.

DISCUSSION/INFORMATIONAL ITEMS: (attached)

a) Summary of Budget Changes

Linda Jackson, Financial Analyst, gave the presentation.

b) Q & A Process


Linda Jackson, Financial Analyst, gave the presentation.

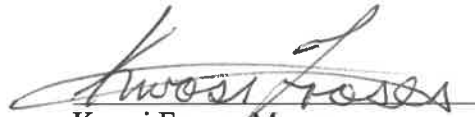
c) Review of Upcoming Budget Work Session Schedule

Linda Jackson, Financial Analyst, gave the presentation.

ADJOURNMENT

With no further business, Council member Grewe made a motion to adjourn the meeting at 9:40PM and unanimously carried 7-0-0.


Kimberly Bandy, Deputy Town Clerk


Kwasi Fraser, Mayor



Proposed Fiscal Year 2023
Operating Budget and Capital Improvement
Program Fiscal Year 2023-2027

David A. Mekarski, AICP, Town Manager

Wednesday, March 16, 2022

7:00 PM

Accomplishments Leading into
Fiscal Year 2023 Budget



*Distinguished
Budget
PRESENTATION
Award*



*Certificate
of Achievement
FOR EXCELLENCE IN
Financial Reporting*

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



BUDGET COMPARISON PRE & POST PANDEMIC

The total proposed budget for FY23 across all funds, including operations and CIP, is \$23.987M

	Pre-Pandemic	Pandemic	Post Pandemic			Pre/Post Pandemic
	FY20 Adopted Budget	FY22 Adopted Budget	FY23 Proposed Budget	FY23/FY22 \$	FY23/FY22 %	FY23/FY20 %
Budget	\$23.729M	\$22.432M	\$23.987M	\$1.554M	6.9%	1.1%

BUDGET SUMMARY

✓ Total Proposed Operating Budget is \$21.441M:

• General Fund	\$12.8M
• Parks and Recreation Fund	\$728K
• Water Fund	\$3.8M
• Wastewater Fund	\$4.0M

✓ Capital Improvement Program (CIP) expenditure of \$2.545M *(all fund accounts, excluding ARPA funds)*

CAPITAL IMPROVEMENT PLAN

5-Year CIP Plan (FY23-27) includes 28 projects at a cost of \$22.5M: *(includes \$4.1M ARPA)*

• General Fund	12 projects	\$13M
• Parks and Rec Fund	3 projects	\$.7M
• Water Fund	9 projects	\$7.9M
• Wastewater Fund	4 projects	\$.9M

*Approximately 95% is funded with dollars **other** than local revenues, coming from taxes or fees.*

CAPITAL IMPROVEMENT PLAN (CONT'D)

For FY23, the CIP Plan calls for 11 projects totaling \$2,545,000 *(excludes ARPA)*:

- General Fund CIP \$917K
- Parks and Recreation Fund CIP \$586K
- Water Fund CIP \$778K
- Wastewater Fund CIP \$265K

Governmental Funds are offset by approx. 61% by grants from VDOT, NVTa, Loudoun County & other state agencies.

/

TAXES, RATES & FEES

- Strong growth rates in Meals Tax (\$405K) and Sales Tax (\$162K)
- Maintains current Utility Rates (decoupled from CIP) 3% for Water, 5% for Wastewater
- Maintains \$0.03 for special park district from previous fiscal year
- Total assessment value increases by 11.72% generating \$412K in new General Fund revenue at the \$0.22 tax rate

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FY23 TOWN MANAGER-FUNDED ENHANCEMENTS

- Despite departmental necessity, our ability to consider enhancements or new positions is severely constrained
- Only advancing 8 non-wage enhancements;
 1. Replacement HVAC for Wastewater lab
 2. Zero-turn mower deck for Water Department
 3. Two new events for Parks & Rec with a small revenue offset
 4. Two leased F-350 trucks for Public Works Maintenance
 5. Two leased vehicles for Police Department
 6. ERP software to transition from on-premise service to cloud-based
 7. Cybersecurity enhancements for incident management & multi-factor authentication
 8. New Systems Analyst position in IT
 - i. Support current and new software
 - ii. Enhance security/cyberattacks
- As Manager, I could not fund \$1.1M in departmental requests.

FY23 UNFUNDED ENHANCEMENTS

- Unable to fund \$1.1M of department requests at current tax rate and user fees
 1. \$349K for 5 additional full-time equivalents
 2. \$444K for professional consulting on various vehicular and pedestrian transportation studies, security enhancements, facility maintenance and repair
 3. \$313K for Capital Asset Replacement Program (CARP)

OPTIONS TO REDUCE 2022 REAL ESTATE TAX RATE

- The Town Council requested reducing the current Property Tax Rate from \$0.22/100 of assessed value to \$0.21/100
 - By lowering our tax rate by a penny, our net revenue gain from assessments is \$238K, a loss of a potential \$174K in new revenue.
 - While we could consider this option, this reduction would not be advisable, nor sustainable, in light of the unfunded department requests and challenges I have identified in the following fiscal years.

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FUND RESERVES

All Fund Accounts in a Strong Fiscal Position

- Governmental Unassigned Fund Balance is well in excess of Policy in the amount of \$3.6M (Requires a minimum of 30% of Operating)
- Utility Funds cash balance is projected above Fiscal Policy
 - Water Fund is in excess of Policy at \$3.2M
 - Wastewater Fund is in excess of Policy at \$1.1M

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REGIONAL FISCAL RECOGNITION

Purcellville has long been recognized for fiscal management . . .

- ✓ Highest credit rating from Standard & Poor's
- ✓ Second highest credit rating from Moody's & Fitch
- ✓ Very strong management
- ✓ Strong fiscal policies and practices
- ✓ Strong budgetary performance with operating surpluses
- ✓ General Fund Reserve levels and liquidity
- ✓ Very strong budgetary flexibility
- ✓ Strong wealth and income indicators

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CHALLENGES

1. Identify necessary revenue to complete over \$21M in water infrastructure improvements
 - ARPA funding \$10.5M
 - Council's commitment to budget up to \$8.1M in ARPA funds, substantially reduces CIP funding needed through FY29
 - In order to keep Water and Sewer Rates in single digits, we need to identify revenue enhancements, ideas, grants, and/or low interest loans to meet the remaining \$13M in water capital for FY30 to FY39

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CHALLENGES (CONT'D)

2. Implementation of Grand Strategy

- Ensure municipal services are supported by taxpayers proportionately
 - 70% from residential < Our Goal
 - 30% from commercial
 - Currently at a 83%/17% ratio
 - 83% of our Reserve is currently from the residential sector rather than local commerce.
 - Need to fund Economic Development
 1. Economic Base Study
 2. Full-Time Economic Development Position
 3. Comprehensive Marketing Strategy: Business Retention, Expansion, Recruitment

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CHALLENGES (CONT'D)

3. Managing our #1 Asset: "Our Employees"

- Defining a Compensation Philosophy and Creating a Sustainable Funding Plan

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MANAGING OUR #1 ASSET “OUR EMPLOYEES”

- Inflation – U.S. Dept. of Labor February, 2022 **7.9%**
- Annual COLA (Social Security Administration) **6%**

Manager’s FY23 Budget Includes:

- 6% COLA for all employees
- 0-5% pay for performance salary additive
- 2019 Compensation & Classification adjustments for;
market rate 2nd tier (50%) and 3rd tier (75%) **\$137,565**

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TOWN OF PURCELLVILLE’S COMPENSATION PHILOSOPHY FOR EMPLOYEE RECRUITMENT & RETENTION

- 2019 Compensation/Classification Study – Out of date to regional market conditions
 - Examples:
 - 2018 – Starting Salary Patrol Officer > \$42,500
 - 2019 – Comp & Class Study > \$52,500
 - Current Regional Market Rate > \$62,500
- Need to Update all Salaries to New Post Pandemic Market Realities

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Ann Antonsen, Director

March 16, 2022



Strategy

- Establish and maintain an equitable and defensible compensation system and strategy
- Meets requirements of Federal and State legislation
- Attract and retain quality, qualified employees
 - Candidates with desired skill sets
 - Reduce employee turnover
- Ensures equitable internal pay relationships
- Competitive with established market
- Provides information to make defensible decisions on employee wages
- Delivery of services in a fiscally sound and efficient manner

Strategy

- Employees are an organization's most valuable resource; they should be treated fairly and equitably
- Creates a culture of fairness, consistency and transparency

Objectives

- Review and evaluate the current classification and compensation system
- Create opportunities for input at all levels
- Develop up to date job descriptions for all positions
- Determine current relationship relative to the labor market
- Evaluate the internal ranking of all positions
- Develop compensation system and strategy
- Develop implementation strategies

Recruitment and Retention

- Impacts of turnover/job vacancies
 - Organizational effectiveness
 - Advertising costs
 - Diversion of remaining employees from day-to-day responsibilities
 - Increased overtime costs
 - Impact on service levels and productivity
 - Affects employee commitment to the organization
 - Frustration of staff and the public which is served
 - Missed deadlines
 - Cost of training new employees
- Recruitment
 - Candidate pools are small, candidates may not meet minimum job requirements
 - Liability to Town with inexperienced staff

Methodology

- Discussions with the Town Manager, Human Resources and Department Heads
- Employee informational meetings
- Collection of data – Position Analysis Questionnaires
- Develop job descriptions
- Conduct comprehensive market survey
- Evaluate positions based on job requirements

Methodology

- Development of compensation plan
- Assignment of positions to pay grades
- Development of implementation options

Market Survey– Benchmarks– 17 Entities

- | | |
|-------------------------------|----------------------|
| ▪ Clark Town | ▪ Town of Middleburg |
| ▪ Fairfax Town | ▪ Town of Roundhill |
| ▪ Frederick Town | ▪ Town of Vienna |
| ▪ Loudoun Town | ▪ Town of Warrenton |
| ▪ Loudoun Town Public Schools | ▪ City of Fairfax |
| ▪ Prince William Town | ▪ City of Leesburg |
| ▪ Town of Berryville | ▪ City of Manassas |
| ▪ Town of Herndon | ▪ City of Winchester |
| ▪ Town of Lovettsville | |

Salary Survey

- 50 positions surveyed, 46 used in the analysis
- Town salary ranges were compared to market ranges and were found to be below average when comparing minimum, midpoint and maximum salaries
- Data is now aged and to ensure the Town is competitive with market an update of the market data needs to be completed

Job Evaluation

- Determine relative value of positions using a consistent, defensible and objective process
- Evaluate positions using the SAFE® system

Training and Ability	Experience Required
Level of Work	Human Relations Skills
Physical Demands	Working Conditions
Independence of Actions	Impact on End Results
Supervision Exercised	

Pay Philosophy

- Comprehensive, long-term focus, supports the Town's long-range strategic goals
- Defines the Town's market comparables and where the Town is positioned within that market
- Balance external market and internal equity
- Maintain competitive pay structure with consideration of the Town's fiscal resources
- Concepts
 - Provides fair and equitable pay to employees
 - Establishes pay rates which allows the Town to compete successfully for new employees within your established labor market
 - Supports consistent application of policies and procedures throughout the organization

Development of Compensation Plan Proposed Pay Scales

- Implements the Town's pay philosophy
- Developed utilizing the respondents survey data to be consistent with the other jurisdictions and to provide internal equity
- Contains thirty (30) pay grades with a 5% separation between grades
- Each grade is an open range system
- Proposed scale provides a minimum, midpoint and maximum salary consistent with the survey responses
- The pay plan is shown in Appendix III

Implementation

Transitional movement onto proposed pay plan

- **Move to 25th/50th/75th percentile based on years of service**

- Min to 24th: 0-1 year

- 25th to 49th: 2-4 years

- 50th to 74th: 5-14 years

- 75th to 99th: 15+

- Annual cost - \$137,565** (included in FY23 Proposed Budget Enhancements)

- Due to the age of the proposed pay plan data (2019), Baker Tilly will re-survey benchmark entities
- Baker Tilly will return to Town Council in April-May 2022 to present their findings

Recommendations

- Adopt the proposed salary schedule
- Adopt the position placement which aligns positions both internally and based on market
- Adopt an implementation option which meets the goals of the Town and falls within financial resources
- Provide support for ongoing administration
 - Establish guidelines for base adjustments
 - Adjust pay ranges and wages of employees



Conclusions

- Fair and equitable compensation to employees in a competitive and changing labor market
- Compensation that addresses internal equity and external market competitiveness
- Establish a market position that is fiscally responsible with public resources
- Consistent administration of pay policies and procedures among all Town Departments



FY 2023 Proposed Budget

Discussion Items



March 16, 2022 at 7 PM
Town Council Budget Work Session



Table of Contents

- Summary of Changes
- Questions & Answers
- Upcoming Budget Work Session Schedule



FY23 Proposed Budget and Preliminary List of Changes

SUMMARY OF CHANGES TO THE FY 2023 BUDGET March 16, 2022


Operating Budget		FY23 Manager Proposed 3/16/2022	Revised Recommendation 3/16/2022	Change \$	Change %	Notes
by Fund	Revenue Account # Account Title					
GF Operating Budget	18130000 405820 CPAC	\$0	\$500	\$500		CPAC new in FY23 per 3/9/22 email
GF Operating Budget	19400040 405415 Leased Veh-Police	\$89,134	\$92,300	\$3,166	4%	PD #220 & #222 Unfunded to funded and #221 & #225 to Unfunded
GF Operating Budget	11211000 406180 Vehicle Maint	\$500	\$0	(\$500)	-100%	Vehicles moved from Admin to EP&D
GF Operating Budget	11211000 406185 Vehicle Fuel	\$200	\$0	(\$200)	-100%	Vehicles moved from Admin to EP&D
GF Operating Budget	18105000 406180 Vehicle Maint	\$1,500	\$7,000	\$5,500	33%	Vehicles moved from Admin to EP&D
GF Operating Budget	18105000 406185 Vehicle Fuel	\$1,600	\$1,800	\$200	13%	Vehicles moved from Admin to EP&D
GF Operating Budget	19400020 405415 Leased Veh-Admin	\$4,800	\$0	(\$4,800)	-100%	Vehicles moved from Admin to EP&D
GF Operating Budget	19400052 405415 Leased Veh-Eng Pl &	\$4,600	\$9,400	\$4,800	104%	Vehicles moved from Admin to EP&D
TOTAL OPERATING BUDGET CHANGES						
GF Operating Budget		\$102,334	\$106,000	\$3,666	4%	
WF Operating Budget		\$0	\$0	\$0		
WWF Operating Budget		\$0	\$0	\$0		




Questions & Answers (Q&A)

Q1 CM Stinnette, 11/10/21: What is the % equivalent of key budget expenditure assumptions?

- A
- 1% increase in Employee Compensation is \$74K
(i.e., \$58K General, \$2K P&R, \$8K Water, and \$7K Wastewater)
 - 2% is \$149K
 - 3% is \$223K
 - 4% is \$298K
 - 5% is \$372K
 - 6% is \$447K *Note: Social Security COLA for 2022 is 5.9%*
 - 7% is \$521K
 - 8% is \$596K *Note: Feb 2022 inflation rate is 7.9%*
 - 9% is \$670K
 - 1% increase in non-wage cost is \$95K
(i.e., \$38K General, \$4K P&R, \$21K Water, and \$31K Wastewater)

 <h2>Q1: Key Budget Assumption Impacts</h2>						
Revenue Impact	Total	General	P&R	Water	Wastewater	Notes
One-cent Real Estate Tax rate	174,000	174,000				No rate increase in Budget.
+1% Meals Tax	530,000	530,000				No Meals tax increase in Budget.
Refuse Offset	594,000	594,000				Not in Budget. This would create a new revenue and reduce the Use of Reserves by \$594,000.
+1% Usage Rate	57,000	-		23,000	34,000	+3% for Water & +5% for Wastewater was included in the Budget.
Expenditure Impact	Total	General	P&R	Water	Wastewater	Notes
5% One-time Performance Incentive	334,150	261,520	7,374	34,932	30,325	Salary & PICA for 5% increase
- Salary & PICA for +1%	66,830	52,304	1,475	6,966	6,065	Salary (excludes CCB, Vacancies, Enhancements) x 1.0765 for Payroll loadings (Social Security 8.2%, Medicare 1.45%)
6% COLA	446,982	349,826	9,864	46,728	40,565	Employee Compensation for +6% Salary
- Employee Compensation for +1%	74,497	58,304	1,644	7,788	6,761	Salary x 1.2 for Payroll loadings (Hybrid Disability 5.28%, Workers Comp 1.017%, Group Life Insurance 1.34%, VRS Retirement 8.79%, Social Security 6.2%, Medicare 1.45%)
Travel & Training @ 1.5% of Salary	93,840	74,166	1,926	9,472	8,277	FY22-\$55K. Target objective is 2% of Salary. Council Guidance on 11/10/21 was 1.5% of Salary
FY22 Budget - Non-wage 1% increase	94,905	38,054	4,232	21,421	30,797	For order of magnitude purposes.
<p>Expense Equivalents: 1% increase in Employee Compensation is \$74K (i.e., \$58K General, \$2K P&R, \$8K Water, and \$7K Wastewater. 1% increase in non-wage cost is \$95K (i.e., \$38K General, \$4K P&R, \$21K Water, and \$31K Wastewater).</p>						
<p>Legend: Included in the FY23 Proposed Budget</p>						

 <h2>Questions & Answers (Q&A)</h2>	
Q2	Council, 3/8/22: What is the impact of passing-through the cost of Refuse?
A	<p>The FY23 Budget offset is \$594,000. This would create new revenue and reduce the Use of Reserves by \$594,000.</p> <p>There is a cost savings for our residents to be covered under the Town's contract for trash and recycling services.</p> <ul style="list-style-type: none"> ○ Currently, our contract is \$18.25 a month per unit for 2,634 units. ○ The standard monthly rate for individual customers in our area is \$36.95 for once a week trash and recycle service or \$147.80 a month. Customers would also have to pay for any bulk, special pickup items, and appliances. Those prices can range from \$20 to around \$125. ○ There is a cost savings difference of ~\$130 per month (i.e., \$147.80 - \$18.25). <ul style="list-style-type: none"> ▪ Real Estate taxes are deductible for Itemized Income Tax purposes. However, direct trash expenditures are not.



Questions & Answers (Q&A)

Q3 Council, 3/8/22: Potential budget offsets to support 1 cent Real Estate tax cut.

- A
- A penny on the Real Estate tax rate is \$174K.
 - Reduce Police Department Employee Compensation by (\$150,000) for potential Vacancies.
 - Modify the Enhancement for the One-time Performance Incentive from 5% to 4% Performance Incentive. For the General Fund, this is a reduction of (\$28K).
 - Before Council takes action to reduce the real estate tax rate:
 - The list of unfunded enhancements should be considered (See pages 33-44 totaling \$764K in the General Fund). Although identified as needs by departments, the Town Manager was unable to fund these programs in the budget at the recommended \$0.22 tax rate. While the decision was made to defer these requests, this cannot be done indefinitely. Other fiscal impacts should also be assessed such as costs associated with deferred maintenance or asset replacement (e.g., facilities, vehicles) and risk factors (e.g., cyber and facility security, staff resources and retention).
 - Note that our financial advisors have warned in the past, the small amount of short-term goodwill achieved by a reduction in tax or other user rates will be more than offset if those lowered rates or current service levels cannot be maintained in the future.



Meetings - FY23 Budget (Subject to change)

Date 7PM	Meeting/ Work Session	Topics for Discussion/Action	PH Notice
✓ Tue 10/12	Regular TC Meeting WS	ARPA Spending Plan and Appropriation (Admin)	-
✓ Tue 10/26	Regular TC Meeting WS	Workforce Overview (Town Manager & HR)	-
✓ Wed 11/10	Special Mtg / Budget WS #1	FY23 Pre-Budget	-
✓ Wed 11/17	Special Mtg / Budget WS #2	ARPA, CIP Prioritization, and funding discussion	-
✓ Tue 2/8	Regular TC Meeting WS	Town Council to <u>Adopt</u> Ordinance for "2022 Personal Property Tax Rate and PPTRA" to allow County to prepare tax bills.	2/8 PH not required
✓ Tue 3/8	Regular TC Meeting	<u>Public Hearing</u> for "2022 Real Estate Property Tax Rates - Equalized"	2/4 PH Ad (30 day notice if changes)
Wed 3/16	Special Mtg/ Budget WS #3	Town Manager presents proposed FY23 Budget	-
Tue 3/22	Regular TC Meeting WS	Town Council to <u>Adopt</u> Ordinance for "2022 Real Estate Property Tax Rates" (including Fireman's Field Tax District) to allow County to prepare tax bills.	See 3/8 PH
Wed 3/30	Special Mtg/ Budget WS #4	FY23 Proposed Budget Q&A	-
Tue 4/12	Regular TC Meeting	<u>Public Hearing</u> for FY23 Budget	3/25 & 4/1 PH Ad (7 day notice)
Tue 4/12	Regular TC Meeting	<u>Public Hearing</u> for Master Tax & Fee, if changes	3/25 & 4/1 PH Ad (5 day notice if changes)
Tue 4/26	Regular TC Meeting WS	Town Council to <u>Adopt</u> & appropriate FY 2023 Budget Town Council to <u>Adopt</u> Ordinance for Master Tax & Fees • Optional date is May 10 or 24	See 4/12 PH See 4/12 PH

Legend:

Regular TC Mtg = Regular Town Council meeting on 2nd Tuesday of the month
S/BSWS=Special Meeting / Budget Work Session

Spring Break week is 4/21-25

Regular TC WS = Regular TC Work Session on the 4th Tuesday of the month
Admin Mtg Budget Work Session Council Mtg

