MINUTES
PURCELLVILLE TOWN COUNCIL SPECIAL MEETING
MONDAY, MAY 1, 2023, 5:30 PM
TOWN HALL COUNCIL CHAMBERS

Meeting video can be found at the following link: https://purcellvilleva.new.swagit.com/videos/225305

COUNCIL MEMBERS PRESENT: Mayor Stanley Milan, Vice Mayor Christopher Bertaut, Council members Erin Rayner, Mary Bennett, Mary Jane Williams, Carol Luke, Ron Rise, Jr.

STAFF PRESENT: Interim Town Manager Glen Adams, Director of Finance Liz Krens, Financial Analyst Linda Jackson, Director of Administration Hooper McCann, Assistant Finance Director Connie LeMarr, Chief Cynthia McAlister, Director of Engineering, Planning & Development Dale Lehnig, Deputy Chief Dave Dailey, Director of Public Works Jason Didawick, Revenue Team Lead Stacy Werner, Town Clerk/Executive Assistant Diana Hays

CALL TO ORDER:

Mayor Milan called the meeting to order at 5:30 PM. The Pledge of Allegiance followed.

DISCUSSION:

a. Utility Revenue and Stantec Rate Models (based on proposed budget)

(a copy of the presentation is attached)

Connie LeMarr reviewed the FY24 Water Fund Budget, Compensation Usage Trends Year Over Year, the FY24 Wastewater Fund Budget, and the Comparison of Local Utility Bill Charges.

David Hyder, Senior Principal, Stantec, reviewed the FY24 Utility Rate Modeling presentation.

Kyle Laux, Davenport, reviewed the credit rating briefing presentation.

Vice Mayor Bertaut requested the model be rerun based on Council's suggested budget reductions. Linda Jackson will create the summary of changes recommended by Council members to be placed in the model. Council members are to provide their final recommendations to staff as soon as possible.

ADJOURNMENT:

With no further business, Vice Mayor Bertaut made a motion to adjourn the meeting at 7:15 PM.

Diana Hays, Town Clerk

Stanley J. Milan Sr., Mayor

FY24 Proposed Budget

Utilities Revenue and Rate Model

Work Session

May 1, 2023 at 5:30 PM

Agenda

1. General Comments (Liz, Director of Finance)
2. Water Fund (Connie, Assistant Director of Finance)
   - 2.a. Revenue Budget – Water
   - 2.b. Availabilities
   - 2.c. Consumption Trends
3. Wastewater Fund (Connie)
   - 3.a. Revenue Budget – Wastewater
4. Utility Bill Comparison (Connie)
5. Utility Rate Model Presentation (Stantec)
6. Credit Rating Briefing (Davenport)
7. Budget Work Session Schedule (Liz)

FY24 Budget – Water Fund

2.a. Water Revenue (pages 226-227)

- Proposed Revenue is $4,507,394 comprised of:
  - Water Fees of $2,395,853 or 53%
    - 47% of expenses are funded by non-user revenue
  - Cellular Lease of $265,807 or 6%
  - Misc. of $111,119 or 2%
    - investment income, penalties/interest, meter fees, p-card rebate
  - Availabilities of $405,626 or 9%
    - 5.25 Connections or 15.75 Equivalent Residential Units (ERU)
    - 5/8 connection fee= $25,754 In Town / $51,508 Out of Town
  - Use of Reserves to:
    - balance the Budget of $847,862 or 19%
    - cash fund CIP of $481,127 or 11%

FY24 Budget – Water Fund

2.b. Availabilities

- Availability charges are one-time fees to recover the cost of the infrastructure and capacity needed to provide water and sewer services. Paid initially upon connection or when existing connections expand service needs.
- Developers, not the Town, control the payment timing.
- As shown historically below, availabilities have been a large source of revenue but are slowing as the Town reaches build out.
- Given the uncertainties of this one-time revenue all forthcoming payments will be deposited in the Capital Reserve Fund for future uses.

- Water Availability History

WATER AVAILABILITIES HISTORY

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Number	11	30	45	37	94	103	40	22	24	5
Dollars	317,264	819,467	1,264,685	952,898	2,626,908	2,781,432	1,107,422	579,465	643,850	309,048

- Wastewater Availability History

WASTEWATER AVAILABILITIES HISTORY

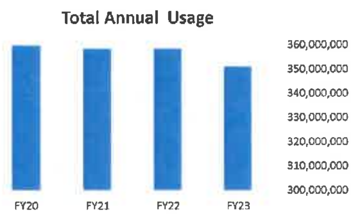
	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Number	11	30	45	37	95	103	40	22	24	5
Dollars	287,690	687,290	1,060,697	799,200	2,224,800	2,332,800	786,738	59,814	540,000	259,200

Revenue impacted by West End Development agreement

Consumption Usage Trends Year over Year

2.c. Combined Residential & Commercial usage by fiscal year

- Annual usage declining
  - Conservation, consumer usage pattern in relation to increasing bills, efficient fixtures/appliances, COVID impacts (return to schools and business patronage)



Combined Residential & Commercial Consumption

	AUG	OCT	DEC	FEB	APR	JUN	Total Usage	Annual Change	Monthly Average
FY23	61,431,840	56,789,680	58,462,070	60,772,940	52,115,330	61,748,640	351,320,500	-2%	59,364,133
FY22	58,304,130	63,766,320	60,169,470	58,343,430	55,439,510	62,581,840	358,604,700	-0.02%	59,204,572
FY21	60,644,030	63,003,447	61,387,990	55,959,370	56,756,010	60,915,440	358,666,287	-0.38%	59,550,169
FY20	64,087,108	63,274,190	56,048,410	58,714,214	60,347,870	57,548,530	360,020,322		60,494,358
		New 4 Tier Structure Effective				June 2023 is average FY21 & FY22			

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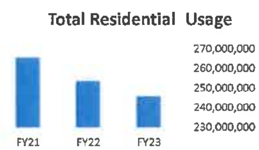
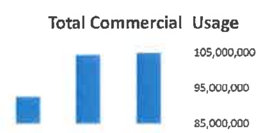
Consumption Usage Trends Year over Year

2.c. Residential & Commercial usage by fiscal year

- Residential Usage Decreasing
  - 20m gallon less from FY21 to FY23
  - COVID, conservation, efficient fixtures, rates
  - 2,693 accounts (2678 In / 15 Out of town)



- Commercial Usage Increasing
  - 12.5m gallon more from FY21 to FY23
  - Rebound from COVID (schools, businesses)
  - 336 accounts (307 In / 2 Out / 27 Town)



- Bi-Monthly usage cycles vary due to:
  - Number of days in the cycle, seasonal patterns (pools, landscaping, rainfall), increased gatherings (holidays, college/school kids home)

Number of Days per Billing Cycle

	AUG	OCT	DEC	FEB	APR	JUN	Annual # of Days
FY23	63	58	62	63	56	62	364
FY22	60	63	63	64	56	62	368
FY21	60	63	63	59	60	59	364
FY20	63	63	58	62	62	59	367

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FY24 Budget – Wastewater Fund

3.a. Wastewater Revenue (pages 235-236)

- Proposed Revenue is $5,071,666 comprised of:
  - Wastewater Fees of $3,569,250 or 70%
    - User charges are based on water consumption
  - Misc. of $96,534 or 2%
    - investment income, penalties/interest, meter fees, p-card rebate
  - Availabilities of $340,200 or 7%
    - 5.25 Connections or 15.75 Equivalent Residential Units (ERU)
    - 5/8 connection fee= $21,600 In Town / $43,200 Out of Town
  - Use of Reserves to:
    - balance the Budget of $471,182 or 9%
    - cash fund CIP of $594,500 or 12%

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Comparison of local utility bill charges

4. Loudoun County utility bill comparison

- 8,000 Gallons = average Purcellville residential usage
- In-Town Residential bill calculation
- Out of Town shown when are majority of system users billed
- Bill adjusted to Monthly for comparison
- Leesburg and Loudoun Water bills show large system economy of scale

Town	BILL MONTHLY
Lovettsville (950) (10 out of Town Sewer Only)	**$196.86**
Middleburg (500) 495 In Town - 5 Out of Town	**$152.00**
Purcellville (3029) 2985 In & 17 Out of Town; **27 TOP**	**$119.24**
Round Hill (1825) 250 In Town (14%) **1575 Out of Town** (83%)	$ 73.92 **$110.92**
Hamilton (762) 246 In Town (32%) **464 Out of Town (61%)** 52 Out of Town sewer only (7%)	$ 82.36 **$105.56**
Leesburg (16,452)	**$ 58.73**
Loudoun Water (82,387)	**$ 48.48**

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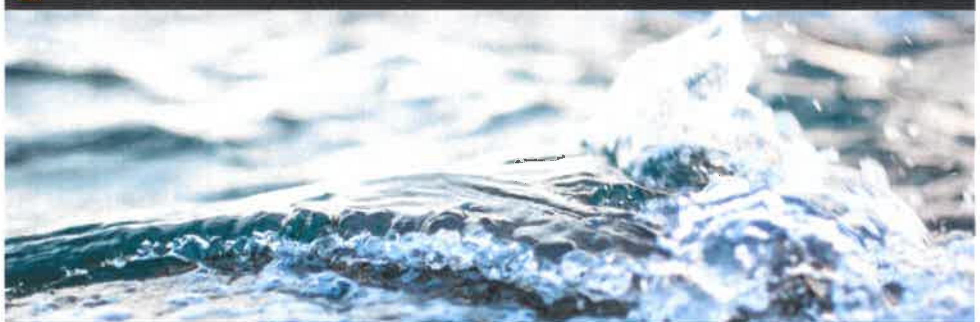
Utility Rate Model

5. Utility Rate Model Presentation (Stantec)

6. Credit Rating Briefing (Davenport)

Budget Work Session Schedule – Upcoming Meetings

Date	Meeting/ Work Session	Topics for Discussion/Action	PH Notice
Wed 5/3	Special Mtg/ Budget WS #17	Additional information as needed	-
Tue 5/9	Regular TC Meeting WS	Town Council to Adopt & Appropriate FY24 Budget Town Council to Adopt 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 Adopt & Appropriate FY24 Budget - Fallback date Town Council to Adopt Ordinance for Master Tax & Fees -Fallback date	



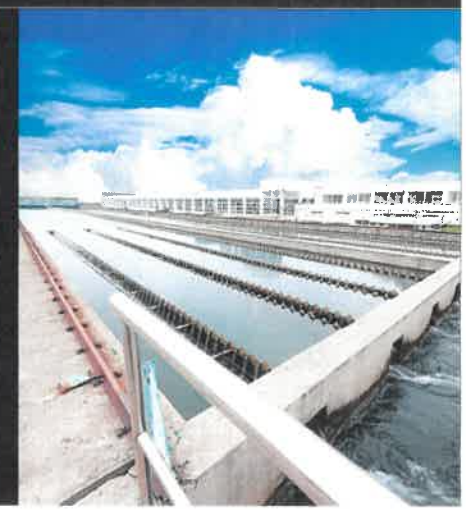
Town of Purcellville

FY 24 Utility Rate Modeling

May 1, 2023

Agenda

1) Financial Plan Overview
2) Water Fund Forecast
3) Sewer Fund Forecast
4) Alternative Scenarios with CIP

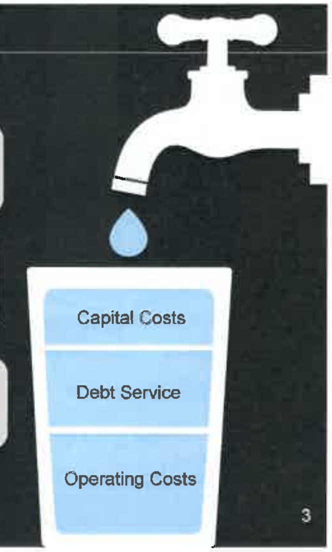


Financial Plan

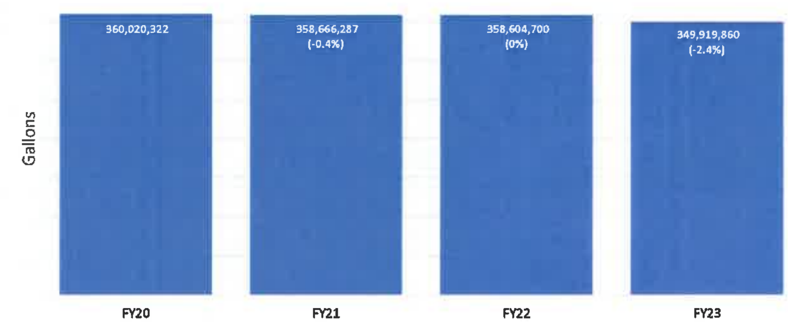
Revenue Requirements
- Forecast of system operating expenditures
- Forecast of capital investments including existing debt obligations

Revenue Forecast
- Forecast of system demands and customer counts
- Development of revenue forecast with existing rates and fees

Evaluate Key Metrics
- Sufficiency of revenue to meet revenue requirements
- Ability to fall within range of reserve targets
- Meet debt service coverage requirements

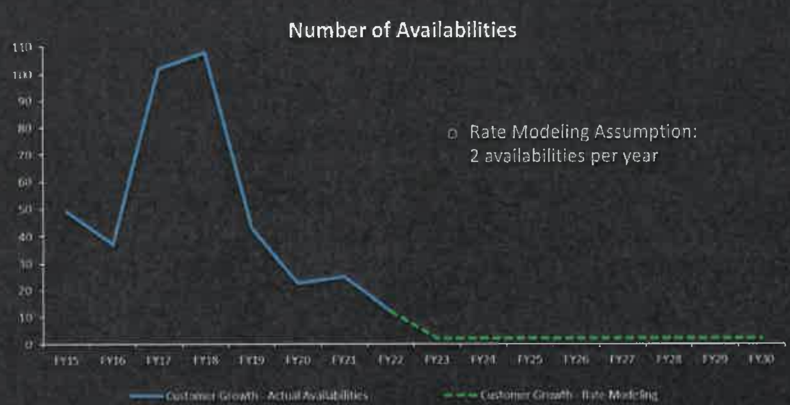


Water and Sewer Usage Trends and Assumptions



- Billing records demonstrate a 2.8% decline in consumption from FY20 - FY23
- Billable consumption is forecasted with a 1.5% decline per year per account FY24 – FY27; 1% decline FY27 – FY32
- Prior year forecasts assumed 1% decline each year

Customer Growth Assumptions



- Rate Modeling Assumption: 2 availabilities per year

Basic Equivalents

Revenues
- 1% increase in Water Rates = $23,000 in Additional Water Revenue
- 1% increase in Sewer Rates = $34,000 in Additional Sewer Revenue

Expenditure Impacts
- 4.4% rate increase required for every $100k in additional Water Exp
- 2.9% rate increase required for every $100k in additional Sewer Exp

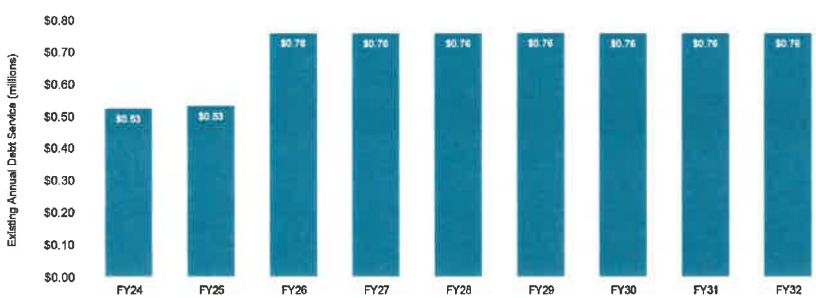
Water Forecast

Water Operating and Maintenance Costs

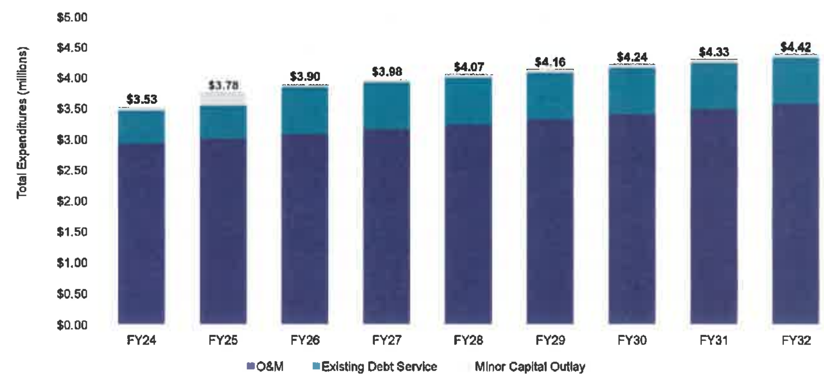
- Model uses FY24 budgeted expenditures as starting point for forecast
- FY24 Budget includes new positions and inflationary increases **(13% increase over FY23 / $340k)**
- Future expenditures escalated at 2.5% per year consistent with prior modeling

*Increases in FY24 O&M budget has **significant** impact on financial forecast / rate modeling*

Water Existing Debt Service



Water Expenditure Forecast



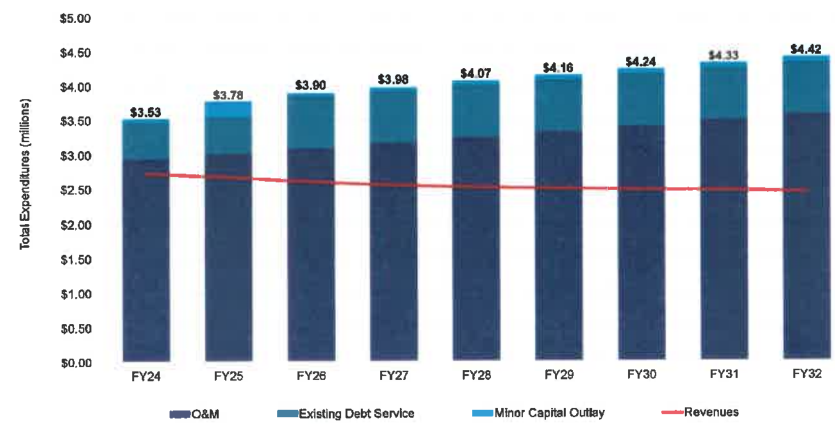
Water: Current Revenues vs. Expenses

Expenses (millions)	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Operating and Maintenance	$2.94	$3.02	$3.09	$3.17	$3.25	$3.33	$3.41	$3.50	$3.59
Minor Capital	$0.06	$0.23	$0.05	$0.05	$0.06	$0.07	$0.07	$0.07	$0.07
Existing Debt Service	$0.53	$0.53	$0.76	$0.76	$0.76	$0.76	$0.76	$0.76	$0.76
Total Expenditures	**$3.53**	**$3.78**	**$3.90**	**$3.98**	**$4.07**	**$4.16**	**$4.24**	**$4.33**	**$4.42**

Revenues, current rates (millions)	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
User Rates	$2.25	$2.23	$2.20	$2.17	$2.16	$2.14	$2.12	$2.11	$2.09
Other Revenues	$0.41	$0.39	$0.35	$0.33	$0.31	$0.31	$0.31	$0.31	$0.31
Availability Fees	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05	$0.05
Total Revenues	**$2.72**	**$2.67**	**$2.60**	**$2.55**	**$2.52**	**$2.50**	**$2.48**	**$2.47**	**$2.45**

Future rate adjustments are required to align revenues with annual expenditures = achieve structural balance

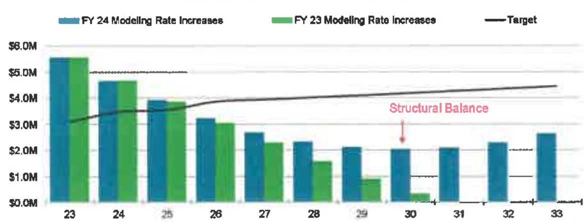
Water Expenditure Forecast vs. Current Revenues



Water: Rate Plans and Results (No CIP)

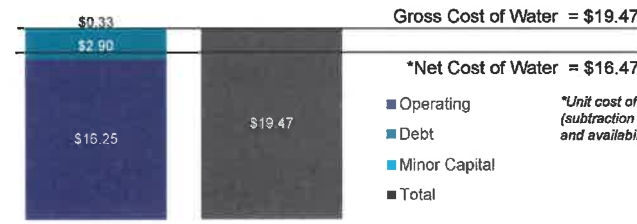
	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Total Expenses (millions)	$4.62	$3.53	$3.78	$3.90	$3.98	$4.07	$4.16	$4.24	$4.33	$4.42
FY23 Modeling Rate Increase	3.0%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Revenues (millions)	$2.81	$2.86	$2.96	$3.05	$3.16	$3.30	$3.45	$3.60	$3.77	$3.96
*Monthly Water Bill**	*$43.4*	*$46.2*	*$49.2*	*$52.4*	*$55.8*	*$59.4*	*$63.3*	*$67.4*	*$71.8*	*$76.5*
FY24 Modeling Rate Increases	3.0%	6.5%	10.0%	10.0%	10.0%	10.0%	9.0%	7.0%	7.0%	7.0%
Revenues (millions)	$2.81	$2.86	$3.04	$3.22	$3.44	$3.70	$3.95	$4.16	$4.38	$4.62
*Monthly Water Bill**	*$43.4*	*$46.2*	*$50.8*	*$55.9*	*$61.5*	*$67.7*	*$73.8*	*$79.0*	*$84.5*	*$90.4*

**Assuming 4,000 gallons per month*



- Primary difference between FY23 and FY24 modeling is result of FY24 budget increases
- FY23 Expenses include funding CIP Projects in Progress (12th St, F St, Hall Ave and APRA fund projects)
- FY24 use of cash to finish 12th St watermain, $239K)

Water: FY 2024 Unit Cost per 1,000 gallons



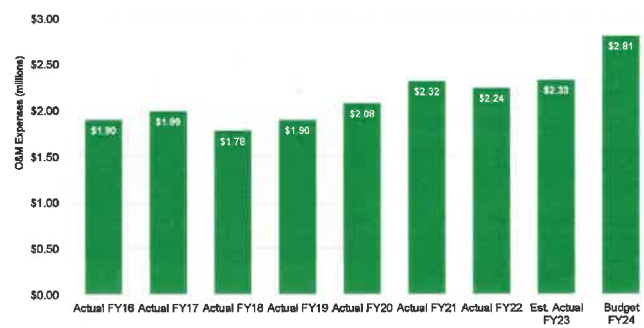
**Unit cost of water to be collected from rates (subtraction of miscellaneous other revenues and availability fees of $460k)*

FY24 Rates: Residential Customer Pays: **$11.55** per 1,000 gallons
- Assumes 8,000 gallons per bi-monthly period

FY24 Rates: High Using Residential Customer Pays: **$16.46** per 1,000 gallons
- Assumes 24,000 gallons per bi-monthly period

Sewer Forecast

Sewer Operating and Maintenance Costs

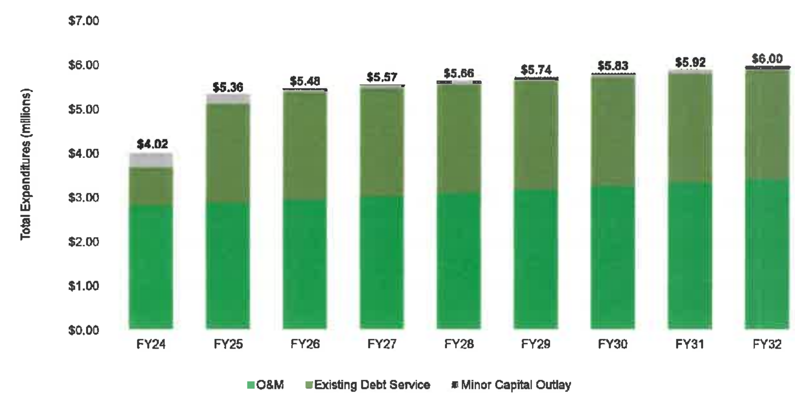


- Model uses FY24 budgeted expenditures as starting point for forecast
- FY24 Budget includes new positions and inflationary increases **(20% increase over FY23 / $480k)**
- Future expenditures escalated at 2.5% per year consistent with prior modeling

*Increases in FY24 O&M budget has **significant** impact on financial forecast / rate modeling*

Sewer Existing Debt Service

Sewer Expenditure Forecast



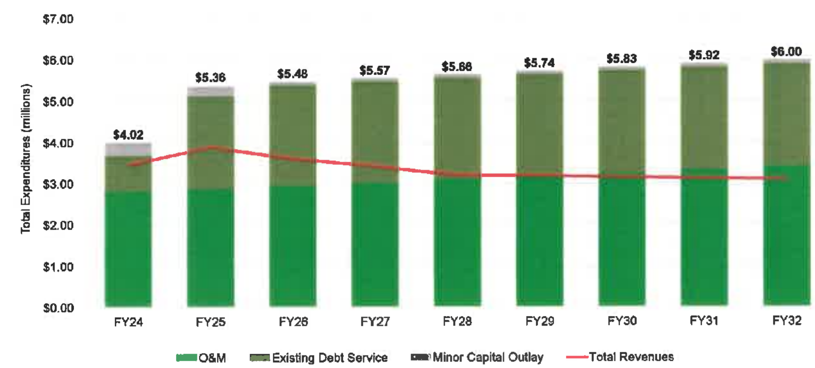
Sewer: Current Revenues vs. Expenses

Expenses (millions)	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Operating and Maintenance	$2.81	$2.88	$2.95	$3.03	$3.10	$3.18	$3.26	$3.34	$3.42
Minor Capital	$0.34	$0.23	$0.09	$0.09	$0.09	$0.09	$0.09	$0.09	$0.10
Existing Debt Service	$0.87	$2.25	$2.44	$2.46	$2.47	$2.47	$2.48	$2.48	$2.48
Total Expenditures	**$4.02**	**$5.36**	**$5.48**	**$5.57**	**$5.66**	**$5.74**	**$5.83**	**$5.92**	**$6.00**

Revenues, current rates (millions)	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Current User Rates	$3.29	$3.25	$3.21	$3.17	$3.14	$3.12	$3.09	$3.06	$3.04
Other Revenues	$0.13	$0.11	$0.06	$0.03	$0.03	$0.03	$0.03	$0.03	$0.03
Availability Fees	$0.04	$0.04	$0.04	$0.04	$0.04	$0.04	$0.04	$0.04	$0.04
Nutrient Credit	-	$0.50	$0.30	$0.19	-	-	-	-	-
Total Revenues	**$3.46**	**$3.90**	**$3.62**	**$3.43**	**$3.22**	**$3.19**	**$3.17**	**$3.14**	**$3.11**

Future rate adjustments are required to align revenues with annual expenditures = achieve structural balance

Sewer Expenditure Forecast vs. Current Revenues

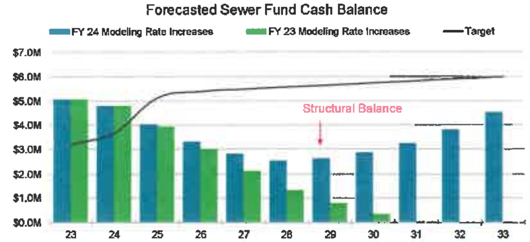


Sewer: Rate Plans and Results (No CIP)

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Total Expenses (millions)	$4.46	$4.02	$5.36	$5.48	$5.57	$5.66	$5.74	$5.83	$5.92	$6.00
FY23 Modeling Rate Increase	5.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	5.0%	5.0%	5.0%
Revenues (millions)	$3.58	$3.75	$4.50	$4.54	$4.71	$4.85	$5.20	$5.40	$5.60	$5.81
*Monthly Sewer Bill**	*$75.9*	*$82.7*	*$90.1*	*$98.2*	*$107*	*$116.6*	*$127.1*	*$133.5*	*$140.2*	*$147.2*
FY24 Modeling Rate Increase	5.0%	9.0%	12.0%	12.0%	12.0%	12.0%	10.0%	5.0%	5.0%	5.0%
Revenues (millions)	$3.58	$3.75	$4.60	$4.76	$5.07	$5.38	$5.84	$6.06	$6.30	$6.55
*Monthly Sewer Bill**	*$75.9*	*$82.7*	*$92.6*	*$103.7*	*$116.1*	*$130.0*	*$143.0*	*$150.2*	*$157.7*	*$165.6*

**Assuming 4,000 gallons per month*

Forecasted Sewer Fund Cash Balance



- Primary difference between FY23 and FY24 modeling is result of FY24 budget increases
- FY23 Expenses include funding CIP Projects in Progress (East End Pump Station, West End Gravity Sewer, Hatcher Ave Force Main)

Sewer: FY 2024 Unit Cost per 1,000 gallons

Gross Cost of Sewer = $22.57

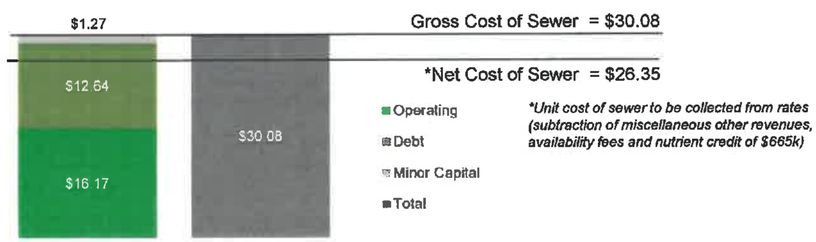
*Net Cost of Sewer = $21.83

**Unit cost of sewer to be collected from rates (subtraction of miscellaneous other revenues and availability fees of $74k)*

FY24 Rates: Residential Customer Pays: **$20.68** per 1,000 gallons

- Assumes 8,000 gallons per bi-monthly period

Sewer: FY 2025 Unit Cost per 1,000 gallons



FY24 Rates: Residential Customer Pays: **$20.68** per 1,000 gallons

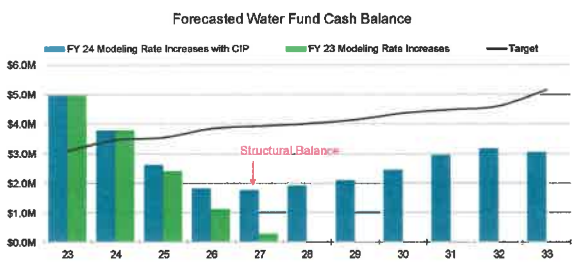
- Assumes 8,000 gallons per bi-monthly period

Alternative Scenarios with CIP

Water: Rate Plans and Results (with Budgeted CIP)

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Total Expenses (millions)	$4.62	$4.01	$4.32	$4.31	$3.98	$4.13	$4.35	$4.47	$4.59	$5.15
Rate Increase with CIP	3.0%	6.5%	16.0%	16.0%	16.0%	11.0%	8.0%	8.0%	7.0%	7.0%
Revenues (millions)	$2.81	$2.84	$3.15	$3.50	$3.93	$4.27	$4.54	$4.82	$5.09	$5.37
*Monthly Water Bill**	*$43.4*	*$46.2*	*$53.6*	*$62.2*	*$72.2*	*$80.1*	*$86.5*	*$93.4*	*$99.9*	*$106.9*

**Assuming 4,000 gallons per month*

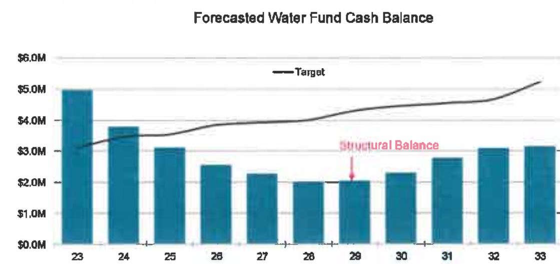


- FY24: $481K use of cash for 12th St, Dechlorination Bdg., Short Hill Wells
- FY25 and FY26: $1M use of cash for F St, Holly Lane, Short Hill Wells
- FY27 to FY32: $19.7M in bonding for various projects

Water: Rate Plan and Results (with Modified CIP)

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Total Expenses (millions)	$4.62	$4.01	$3.78	$3.90	$3.98	$4.30	$4.45	$4.54	$4.66	$5.22
Rate Increase with Modified CIP	3.0%	6.5%	13.0%	13.0%	13.0%	13.0%	13.0%	9.0%	9.0%	9.0%
Revenues (millions)	$2.81	$2.84	$3.09	$3.36	$3.68	$4.05	$4.48	$4.80	$5.14	$5.52
*Monthly Water Bill**	*$43.4*	*$46.2*	*$52.2*	*$59.0*	*$66.7*	*$75.4*	*$85.2*	*$92.9*	*$101 3*	*$110.4*

**Assuming 4,000 gallons per month*



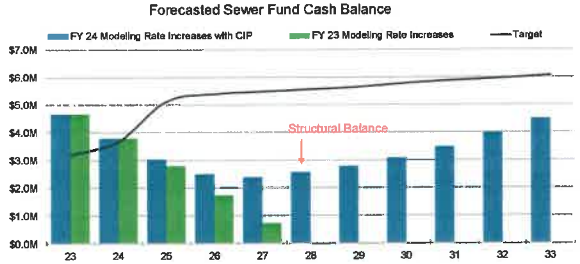
- FY24 maintain $481K use of cash for 12th St, Dechlorination Bdg., Short Hill Wells
- FY25 and FY26 projects (F St, Holly Lane, Short Hill Wells, Hurst Reservoir Culvert) delayed to FY27/28 and use bond funds ($1M)
- Future total borrowing $20.7M

Sewer: Rate Plan and Results (with Budgeted CIP)

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Total Expenses (millions)	$4.46	$4.61	$5.48	$5.60	$5.69	$5.77	$5.90	$6.01	$6.09	$6.19
Rate Increase Budgeted CIP	5.0%	9.0%	16.0%	16.0%	16.0%	12.0%	4.0%	4.0%	4.0%	4.0%
Revenues (millions)	$3.58	$3.75	$4.73	$5.06	$5.58	$5.95	$6.13	$6.31	$6.50	$6.69
*Monthly Sewer Bill**	*$75.9*	*$82.7*	*$95.9*	*$111.2*	*$129.0*	*$144.5*	*$150.3*	*$156.3*	*$162.6*	*$169.1*

**Assuming 4,000 gallons per month*

Forecasted Sewer Fund Cash Balance



- FY23 Expenses include funding CIP Projects in Progress (East End Pump Station, West End Gravity Sewer, Hatcher Ave Force Main)
- FY24 use of $475k for Valley PS & annual cash funding of Membrane Project $119k per year
- FY28 and FY32 bonds totaling $2.9M

Sewer: Rate Plan and Results (with Modified CIP)

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Total Expenses (millions)	$4.46	$4.49	$5.36	$5.48	$5.57	$5.86	$5.78	$5.89	$5.98	$6.07
FY23 Modeling Rate Increase	5.0%	9.0%	14.0%	14.0%	14.0%	14.0%	4.0%	4.0%	4.0%	4.0%
Revenues (millions)	$3.58	$3.75	$4.66	$4.91	$5.32	$5.76	$5.93	$6.10	$6.28	$6.47
*Monthly Sewer Bill**	$75.9	$82.7	$94.3	$107.5	$122.6	$139.8	$145.4	$151.2	$157.2	$163.5

**Assuming 4,000 gallons per month*

Forecasted Sewer Fund Cash Balance

- FY23 Expenses include funding CIP Projects in Progress (East End Pump Station, West End Gravity Sewer, Hatcher Ave Force Main)
- FY24: maintain $475K cash funding of Valley PS
- **No cash-funded CIP for FY25 or beyond (eliminating Membrane Project)**
- FY28 and FY32 bonds totaling $2.9M

?

Additional Questions/Discussion

Stantec

David Hyder
Senior Principal
(202) 585-6391
David.Hyder@Stantec.com

Operating Cost Comparisons – Similar Sized

Utility	Type	State	Charges for Service ($1.5-$6M) 2021	Net Capital Asset Value 2021	Operating Expense / Capital Assets 2021	Operating Expenses 2021
Purcellville, Town of	WW	VA	$ 3,078,277	$ 41,536,986	6%	$ 2,331,573
Purcellville, Town of	W	VA	$ 2,151,594	$ 17,840,102	13%	$ 2,352,847
American Canyon Utilities	WW	CA	$ 4,722,446	$ 24,969,076	12%	$ 3,086,833
Clearfield City Utilities	W	UT	$ 3,911,404	$ 19,320,719	15%	$ 2,953,553
Clearfield City Utilities	WW	UT	$ 4,685,539	$ 10,364,544	39%	$ 4,020,013
McCook, NE	W	NE	$ 2,346,771	$ 8,841,607	16%	$ 1,449,305
McCook, NE	WW	NE	$ 1,518,213	$ 6,335,184	12%	$ 778,293
Erwin Utilities	WW	TN	$ 1,747,231	$ 13,626,335	8%	$ 1,117,613
Erwin Utilities	W	TN	$ 2,336,674	$ 16,602,426	10%	$ 1,723,176
Wayne, NE	WW	NE	$ 1,750,693	$ 7,975,714	12%	$ 944,542
West Bountiful Utilities	W	UT	$ 5,810,603	$ 26,049,675	12%	$ 3,241,353
Watertown, NY	WW	NY	$ 4,265,276	$ 31,220,177	15%	$ 4,663,242
Watertown, NY	W	NY	$ 3,984,830	$ 19,773,810	20%	$ 3,885,490
Washington, MO	WW	MO	$ 2,707,564	$ 19,048,432	6%	$ 1,097,437
Washington, MO	W	MO	$ 1,948,753	$ 7,601,536	15%	$ 1,148,606
Traverse City, City of	W	MI	$ 5,074,185	$ 16,054,861	15%	$ 2,447,072
Kalispell, City of	W	MT	$ 3,599,528	$ 35,027,263	6%	$ 2,165,348
Syracuse, City of	WW	NY	$ 5,185,581	$ 15,126,926	16%	$ 2,361,647
Lynn Haven, City of	W	FL	$ 4,129,513	$ 15,859,749	15%	$ 2,423,596
Lynn Haven, City of	WW	FL	$ 3,625,427	$ 25,124,673	10%	$ 2,457,391
Coldwater Board of Public Utilities	WW	MI	$ 5,596,028	$ 29,476,916	7%	$ 2,103,954
Coldwater Board of Public Utilities	W	MI	$ 3,715,130	$ 16,348,928	14%	$ 2,289,759
Davenport, IA	W	IA	$ 3,266,239	$ 15,517,605	17%	$ 2,572,065
Milwaukie, City of	W	OR	$ 4,490,866	$ 12,452,397	27%	$ 3,319,450
Montpelier, City of	WW	VT	$ 4,375,103	$ 33,487,064	10%	$ 3,468,290
Montpelier, City of	W	VT	$ 2,467,834	$ 15,297,101	12%	$ 1,873,057
Beatrice Board of Public Works	WW	NE	$ 2,195,891	$ 9,141,989	12%	$ 1,108,125
Beatrice Board of Public Works	W	NE	$ 2,709,019	$ 7,546,191	24%	$ 1,777,048
Calaveras County Water District	WW	CA	$ 5,014,962	$ 40,739,268	15%	$ 6,273,308
Newton Water Works	W	IA	$ 3,542,672	$ 5,973,183	50%	$ 2,976,659
South Kingstown, City of	WW	RI	$ 3,689,274	$ 15,637,[illegible]	20%	$ 3,128,425
Portales, City of	W/WW	NM	$ 4,478,687	$ 38,080,406	8%	$ 3,099,712
Roswell, City of	W/WW	GA	$ 4,167,681	$ 25,470,189	13%	$ 3,331,377
Taos, Town of	W/WW	NM	$ 3,831,543	$ 21,297,174	12%	$ 2,607,817
Batavia, City of	W	IL	$ 5,519,726	$ 29,265,733	12%	$ 3,434,758
Highland Park, City of	WW	IL	$ 2,527,580	$ 22,701,531	12%	$ 2,730,797
Winnetka Water and Electric Department	WW	IL	$ 1,656,312	$ 3,210,204	21%	$ 672,476
Average of Utility with Sales $1.5-$6M			$ 3,422,427		15%	$ 2,526,958

Operating Cost Comparisons – Virginia Only

Utility	Type	State	Charges for Service 2021	Net Capital Asset Value 2021	Operating Expense / Capital Assets 2021	Operating Expenses 2021
Purcellville, Town of	WW	VA	$ 3,078,277	$ 41,536,986	6%	$ 2,331,573
Purcellville, Town of	W	VA	$ 2,151,594	$ 17,840,102	13%	$ 2,352,847
Albemarle County Service Authority	W/WW	VA	$ 30,024,727	$ 170,984,482	17%	$ 28,703,694
Augusta County Service Authority	W/WW	VA	$ 21,554,591	$ 133,546,646	9%	$ 12,431,570
Chesapeake Dept. of Public Utilities	W/WW	VA	$ 79,692,035	$ 490,119,405	10%	$ 47,542,711
Chesterfield County Department of Utilities	W	VA	$ 55,700,571	$ 464,939,081	8%	$ 36,063,007
Chesterfield County Department of Utilities	WW	VA	$ 53,242,953	$ 429,060,152	6%	$ 23,833,388
Fairfax County Water Authority	WW	VA	$ 216,447,771	$ 1,743,347,907	6%	$ 109,195,101
Goochland County	W/WW	VA	$ 6,180,762	$ 95,031,853	6%	$ 5,691,986
James County Service Authority	W/WW	VA	$ 18,258,783	$ 153,656,124	9%	$ 13,410,884
Western Virginia Water Authority	W	VA	$ 33,308,323	$ 394,742,898	4%	$ 17,586,051
Western Virginia Water Authority	WW	VA	$ 32,949,793	$ 308,685,312	6%	$ 18,538,395
Virginia Beach Public Utilities	W/WW	VA	$ 129,173,798	$ 720,383,962	13%	$ 92,818,626
Hampton Roads Sanitation District	WW	VA	$ 325,817,000	$ 1,604,841,000	11%	$ 181,511,000
Hanover County	W/WW	VA	$ 27,022,238	$ 226,375,375	9%	$ 19,839,941
Henrico County Public Utilities	W/WW	VA	$ 125,959,451	$ 1,484,132,363	5%	$ 69,202,142
Newport News Waterworks	W	VA	$ 88,753,766	$ 414,127,580	13%	$ 54,345,807
Norfolk Utilities Department	WW	VA	$ 32,120,068	$ 300,475,540	4%	$ 11,984,085
Norfolk Utilities Department	W	VA	$ 95,238,963	$ 587,929,664	7%	$ 39,939,002
Spotsylvania County Dept. of Utilities	W/WW	VA	$ 35,557,554	$ 322,558,748	7%	$ 21,828,822
Richmond, City of	WW	VA	$ 84,026,579	$ 490,330,036	11%	$ 52,608,326
Richmond, City of	W	VA	$ 73,269,515	$ 385,054,070	12%	$ 44,615,462
Prince William County Service Authority	W/WW	VA	$ 120,192,707	$ 1,062,841,249	8%	$ 89,860,259
Loudoun Water	W/WW	VA	$ 106,619,383	$ 1,759,911,904	4%	$ 63,955,462

DAVENPORT & COMPANY

Town of Purcellville, Virginia

Credit Rating Briefing

May 1, 2023

Davenport's Role as Financial Advisor to Purcellville

- Davenport & Company LLC ("Davenport") serves as Financial Advisor to the Town of Purcellville (the "Town"). In our capacity as Financial Advisor, Davenport:
  - Reports to the Town Council and Town Manager;
  - Complements Town Staff with annual Budgetary, Capital, and general Financial Planning; and
  - Interacts with Lending Institutions and the National Credit Rating Agencies on behalf of the Town.
- Part of our role as Financial Advisor is to periodically educate the Council on a variety of financial related topics which impact the Town (i.e. overall financial standing, market / interest rate trends, rating agency updates, amongst others).

- At the request of the Town, the materials herein are meant to provide a briefing on the Town's of Credit Ratings, review the most recent Rating Agency commentary, and discuss the Key Drivers of Credit Ratings.

Why 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 determinants in decisions as to whether to invest/lend and how to price the investment;
  - Strong Credit Ratings increase the universe of potential investors for the Town; and
  - Strong Credit Ratings maximize the Town's ability to refinance/restructure for interest rate savings or cash-flow purposes.

Credit Rating Scale

- The Town obtained initial credit ratings in Fall 2013 from the three National Credit Rating Agencies.
- The Town received a rating upgrade from Fitch in 2019.

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

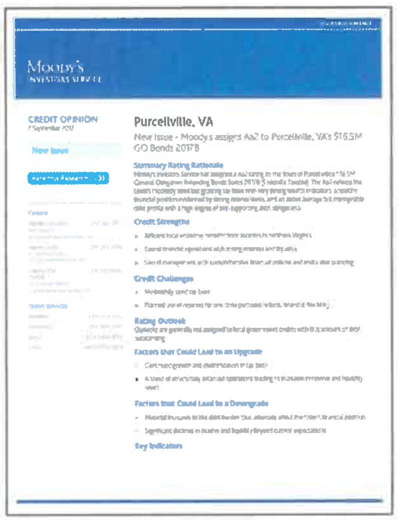
Current Town Ratings

Initial Town Ratings

Rating Agency Commentary

Moody's Credit Opinion – September 7, 2017

Rating Report and Scale


CREDIT OPINION

Purcellville, VA

New Issue - Moody's assigns Aa2 to Purcellville, VA's $16.5M GO Bonds 2017B

Summary Rating Rationale

Credit Strengths

Credit Challenges

Rating Outlook

Factors that Could Lead to an Upgrade

Factors that Could Lead to a Downgrade

Key Indicators

Rating Overview

- Credit Strengths
  - Affluent local economy;
  - Sound financial operations with strong reserves and liquidity; and
  - Sound management with comprehensive financial policies.
- Credit Challenges
  - Moderately sized tax base.
- What Could Make the Rating Go Up
  - Continued growth and diversification in tax base; and
  - Trend of structurally balanced operations.
- What Could Make the Rating Go Down
  - Significant declines in liquidity and reserve levels.

Moody's Rating Agency Criteria

Methodology Update

- On November 2, 2022, Moody's updated its US Local Governments General Obligation Debt methodology and assumptions. Under the new methodology, an initial indicative rating is calculated from a weighted average of four key factors. Below the line qualitative adjustments can be made after the initial indicative rating.
- The Town's 'Aa2' rating was affirmed as part of this update process.

Previous Scorecard		New Scorecard		Difference
1. Economy		1. Economy		
Full Value	10%	Resident Income	10%	
Full Value Per Capita	10%	Full Value Per Capita	10%	
Median Family Income	10%	Economic Growth	10%	
Subtotal	30%	Subtotal	30%	0%
2. Finances		2. Financial Performance		
Fund Balance % of Revenue	10%	Available Fund Balance Ratio	20%	
5-Yr $ Change Fund Balance % of Rev.	5%	Liquidity Ratio	10%	
Cash Balance as a % of Revenue	10%	(All Governmental and Enterprise Funds)		
5-Yr $ Change Cash Balance % of Rev.	5%			
Subtotal	30%	Subtotal	30%	0%
3. Management		3. Institutional Framework		
Institutional Framework	10%	Institutional Framework	10%	
5-Yr Avg. (Operating Rev./Operating Exp.)	10%			
Subtotal	20%	Subtotal	10%	-10% ⬇
4. Debt/Pensions		4. Leverage		
Net Direct Debt/Full Value	5%	Long-term Liabilities Ratio	20%	
Net Direct Debt/Operating Rev.	5%	Fixed-Costs Ratio	10%	
3-Yr Avg. ANPL/Full Value	5%	(All Governmental and Enterprise Funds)		
3-Yr Avg. ANPL/Operating Rev.	5%			
Subtotal	20%	Subtotal	30%	10% ⬆
Grand Total	100%	Grand Total	100%	

Notes
- Moody's Methodology published 11/02/22.

Rating Agency Commentary

S&P Summary Analysis – September 11, 2017

- "S&P Global Ratings assigned its 'AAA' rating, and stable outlook, to the Town of Purcellville, Va.

- The GO rating reflects our opinion of the following factors for the Town:

  - Very strong economy, with access to the broad and diverse Washington-Arlington-Alexandria metropolitan statistical area (MSA);
  - Very strong management, with strong financial policies and practices under our financial management assessment (FMA) methodology;
  - Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2016;
  - Very strong budgetary flexibility, with an available fund balance in fiscal 2016 of 61% of operating expenditures, including a relatively small portion of committed reserves that we understand could be reclassified with council approval;
  - Very strong liquidity, with total government available cash at 118.7% of total governmental fund expenditures and 9.0x governmental debt service;
  - Very weak debt and contingent liability position, with debt service carrying charges at 13.2% of expenditures and net direct debt that is 191.2% of total governmental fund revenue; and
  - Very strong institutional framework score."

S&P Rating Agency Criteria

- Standard & Poor's US Local Government General Obligation Ratings methodology is shown below.

- An initial indicative rating is calculated from a weighted average of seven key factors:

	US Local Governments General Obligation Ratings Methodology	
1	Institutional Framework	10%
	Legal and practical environment in which the local gov't operates	
2	Economy	30%
	Total Market Value Per Capita	
	Projected per capita effective buying income as a % of US projected effective buying income	
3	Management	20%
	Impact of management conditions on the likelihood of repayment	
4	Budgetary Flexibility	10%
	Available Fund Balance as a % of Expenditures	
5	Budgetary Performance	10%
	Total Government Funds Net Result (%)	
	General Fund Net Revenue	
6	Liquidity	10%
	Total Gov't Available Cash as a % of Total Gov't Funds Debt Service	
	Total Gov't Cash as a % of Total Gov't Funds Expenditures	
7	Debt and Contingent Liabilities	10%
	Net Direct Debt as a % of Total Governmental Funds Revenue	
	Total Governmental Funds Debt Service as a % of Total Governmental Funds Expenditures	

Notes
- Rating Agency Criteria from Standard & Poor's.

Rating Agency Commentary

Fitch Rating Action Commentary – December 11, 2019

- "Fitch has upgraded the town's Issuer Default Rating (IDR) to 'AA+' from 'AA'.
- **Key Rating Drivers:**
  - Revenue Framework: 'aaa'
    - General fund revenues increased in line with national economic expansion over the past decade, after adjusting for tax policy action.
  - Expenditure Framework: 'aa'
    - Fixed carrying costs are moderate at an adjusted 18% of governmental spending in fiscal 2018.
  - Long-Term Liability Burden: 'aaa'
    - Long-term liabilities are low at 9% of personal income. Personal income metrics benefit from residents' access to the very strong regional economy.
  - Operating Performance: 'aaa'
    - The town's superior budget flexibility and ample general fund balance position it to comfortably manage through economic downturns without diminishing overall financial flexibility.
- **Rating Sensitivities:**
  - A change in the established practice of self-support for utility system debt service that required general fund support would weaken the long-term liability assessment and could put downward pressure on the rating."

Fitch Rating Agency Criteria

- Fitch's Key Rating Factors are shown below.
- Fitch explicitly does not weight the assessments of individual key rating factors in coming to an overall rating conclusion. There is no standard formula to link these inputs into an exact rating.

U.S. Tax-Supported Rating Criteria
1. Revenue Framework
Growth Prospects for Revenues Without Revenue-Raising Measures
Independent Legal Ability to Raise Operating Revenues Without External Approval
2. Expenditure Framework
Natural Pace of Spending Growth Relative to Expected Revenue Growth
Flexibility of Main Expenditure Items
3. Long-Term Liability Burden
Combined Burden of Debt and Unfunded Pension Liabilities in Relation to Resource Base
4. Operating Performance
Financial Resilience Through Downturns
Budget Management at Times of Economic Recovery

Notes
- Rating Agency Criteria from Fitch.
Additional Considerations:
- In cases where an entity relies heavily on third-party funding (e.g. from a higher level of government) in support of core functions that likely would continue at the same level even without the external support, an evaluation of the associated risk informs the assessment.
- The analysis of an issuer's expenditure framework also considers potential funding pressures, including outstanding or pending litigation, internal service fund liabilities and contingent obligations.
- The liability burden assessment could be negatively affected by high levels of derivatives exposure, short-term debt, variable-rate debt or bullet maturity debt or an exceptionally large OPEB liability without the ability or willingness to make changes to benefits. An exceptionally large accounts payable backlog can also negatively affect the long-term liability burden assessment.
- The operating performance assessment could be negatively affected by liquidity or market access concerns (in general, liquidity becomes a concern if the government-wide days cash on hand metric has or is expected to fall below 60 days); the risk of an outside party (e.g. another level of government) having a negative impact on operations; evidence of an exceptional degree of taxpayer dissatisfaction, particularly in environments with easy access to the voter-initiative process; or management weaknesses not captured above.

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