

**MINUTES
PURCELLVILLE TOWN COUNCIL SPECIAL MEETING
MARCH 18, 2020, 7:00 PM
TOWN HALL COUNCIL CHAMBERS**

The meeting of the Purcellville Town Council convened at 7:00 PM in Council Chambers with the following in attendance:

PRESENT: Kwasi Fraser, Mayor
Tip Stinnette, Vice Mayor
Nedim Ogelman, Council member
Ted Greenly, Council member
Joel Grewe, Council member
Ryan Cool, Council member (Remote participation)
Chris Bledsoe, Council member

STAFF: David Mekarski, Town Manager
Sally Hankins, Town Attorney
Elizabeth Krens, Director of Finance
Linda Jackson, Financial Analyst
Diana Hays, Town Clerk/Executive Assistant
Kimberly Bandy, Deputy Town Clerk

CALL TO ORDER

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

The option of a GoTo meeting was posted for the public.

AGENDA AMENDMENTS/APPROVAL

Council member Grewe commented that in light of the fact that the public couldn't physically be present and that the ability to remotely participate was only disseminated early that day, he proposed that they defer any votes they were planning on taking until the meeting on 24th March to allow the public to be aware, engage and participate. Mayor Fraser noted the request to defer any votes until the following week. Council member Ogelman remarked that when they last met there was a stated urgency to do this and asked if there was any consequence to deferring the vote by a week. David Mekarski, Town Manager, responded that there would be if they were planning to advertise for utility rates on 20th March and noted that Liz Krens, Director of Finance, would elaborate that they would hold the public hearing on 14th April. David Mekarski added that there is some flexibility to postpone this and that he would like more time for the Council to go through the Stantec models, who will be attending on 24th March to present some of the models that have been worked on. Liz Krens stated that they have already advertised the real estate Fireman's Field tax rate changes and that the public hearing will be held on 24th March. Liz Krens continued that the other public hearings related to the budget are the actual budget public hearing as well as the tax and fee public hearing, stating that there is some flexibility around the timing on this.

Liz Krens, Director of Finance, stated that they would have to advertise in next Friday's paper if the public hearing is to be held on 14th April but given the current situation and they've built a budget that is likely to change drastically, she explained David Mekarski, Town Manager, would like more time, feedback and direction before advertising.

Council member Ogelman remarked that if there weren't any other consequences then he would be fine with deferring. Vice Mayor Stinnette referred to Council member Grewe's comment, stating that he felt they

didn't make a decision on this immediately and that they first need to discuss the issue with this evening's meeting. Vice Mayor Stinnette asked what the redress was if they agree there is a problem, and suggested they discuss whether they need to redress tonight's agenda. Council member Grewe confirmed that his next comment was due to be about tonight's meeting. Vice Mayor Stinnette said that Council member Grewe had made a proposal to remove any voting from the meeting, stating that he felt they first need to look at how they conduct meetings without the opportunity for the public being physically represented. Once that discussion had been had, Vice Mayor Stinnette suggested they then return to Council member Grewe's proposal, which Council member Grewe agreed with.

Council member Ogelman commented that while the public couldn't be physically present, they were physically represented by the Town Council members. Vice Mayor Stinnette stated that Council member Grewe was concerned about the Council taking votes without offering the public the opportunity to attend physically.

Vice Mayor Stinnette asked Sally Hankins, Town Attorney, if they need to offer the community physical access to the meetings to hold a vote. Vice Mayor Stinnette noted Council member Grewe's point was that the message they had put out earlier in the day had excluded everyone from the meeting and that they were therefore selecting a population that have Internet access, thereby excluding a portion of the population. Vice Mayor Stinnette asked if they could rightfully form a meeting, have a discussion and vote without giving at least a portion of the community the ability to attend in person. Council member Grewe added that this also looked at not only the method but also the notice as the public were given very little time regarding attending. Sally Hankins began by stating that she was unable to give a clear answer as this question hadn't been answered in the statute or case law. Ms. Hankins said almost all local governments were limiting how many people may attend meetings, and as the statute doesn't contemplate limiting numbers or preventing attendance outright, they are in a grey area. Sally Hankins stated that they have to assess the risk and consequences and see if they are willing to accept the consequences should they get this wrong.

Sally Hankins, Town Attorney, expressed that if they feel they can proceed without the public in attendance and they feel they can vote, the question would be what the consequences are of getting it wrong, the vote may not be valid, and they would have to return to the vote at a later valid meeting. Looking at Freedom of Information Act violations, Sally Hankins noted that there are some monetary penalties attached but these are only imposed when the government wilfully violates FOIA, which she confirmed wasn't the case here. Ms. Hankins confirmed that they are trying their best to give the public access without increasing the risk to public health by making livestreaming available and allowing for real-time questioning. Sally Hankins stated that they mitigated the harm of leaving the public out of the room to the maximum extent possible.

Mayor Fraser noted that he had received 2 text messages stating that the GoToMeeting link wasn't working.

Vice Mayor Stinnette summarized that this wasn't a question of whether they vote or not but whether they meet and that they are in unprecedented times with every municipality facing the same problem so they need to make the best judgements they can. Vice Mayor Stinnette continued that if it was determined in the future that they made the wrong guess then they may have to go back and redo some actions. Vice Mayor Stinnette stated that if they let in some and turned others away then they were still operating in a grey area. Sally Hankins agreed with the summary provided.

Council member Grewe raised one issue with Sally Hankins's statement was that any limitation puts them into a grey zone, stating that they usually limit attendance due to fire codes. Ms. Hankins noted that the capacity in the room is statutory but that there is nothing statutory about limiting attendance for public health reasons, and therefore any exclusion would put them in a grey area. Council member Grewe followed this up by noting that Loudoun County supervisors had set a safe limit for the room and any spare seats after Council and staff are for the public, and there therefore is an attempt to allow the public to attend. Council member Grewe felt they could get the safety they were looking for with that model rather than just excluding

everyone. Council member Grewe added that he felt they should continue with the meeting, but he wondered if there was a preferable option in how to operate. Sally Hankins countered that they considered the interim options but there was no time to create a formula and they therefore decided to take the safest option and state that only staff and council enter the room for this particular meeting. Sally Hankins added that for future meetings they can decide on the formula, noting that a first come, first served policy doesn't necessarily mean those without Internet access can get into the room so a system would need to be in place.

Mayor Fraser noted that there were currently 11 present in the Council chamber and asked if they were therefore in violation of the executive order. Sally Hankins confirmed that the executive order applies only to restaurants, theatres and fitness centres, and that everyone else is encouraged to keep gatherings to 10 or fewer people. Council member Ogelman commented that he had participated in a telephone conference with the Loudoun County area managers, where they debated whether they should follow the rule of 10. Council member Ogelman continued that Loudoun County have interpreted the guidance as the governor's order is for social gatherings and the specified businesses, so they are therefore looking at a rule of 50. All those in the room are encouraged to sit 6 feet apart.

Vice Mayor Stinnette commented that they were fine with the proposed agenda regarding the measures in place with staff appropriately advised by the legal counsel and the best judgement has been made in the allotted amount of time when considering the safety of the community. Vice Mayor Stinnette suggested that going forward there was the potential that they will receive further guidance that will apply additional restrictions and therefore they shouldn't spend time today on how to get a select number of people into the room. Vice Mayor Stinnette noted the virtual capability was in place for the community and stated that he would welcome anyone making complaints to file a FOIA against the town for what has been done on behalf of their public safety. Vice Mayor Stinnette continued that he was loathe to react and say that the meeting had been diminished as he felt staff had done their due diligence.

Mayor Fraser asked Vice Mayor Stinnette if he would recommend them tabling the vote. Vice Mayor Stinnette confirmed that he wouldn't, stating that the question was whether they meet or not. Mayor Fraser clarified that this was because of the dynamic situation and staff had done their best to allow them to meet. Council member Greenly referred to Sally Hankins's comment regarding any violation being fixable and that he was therefore in agreement. Council member Bledsoe agreed and stated that he felt they were taking the correct steps in terms of serving the community. Council member Bledsoe added that while they could do the vote, they needed to consider whether they should, based on feedback from Linda Jackson, Financial Analyst, and David Mekarski on whether this needs to be discussed further. Council member Cool suggested that they move forward and that any potential invalid votes could be corrected. Mayor Fraser clarified that this evening's vote was on scales rather than the rate. Council member Grewe commented that he was in alignment with the discussion and he had raised the issue due to the significant feedback he had received and he wanted to ensure it was recorded that it was clearly addressed.

Mayor Fraser confirmed that the item would therefore remain on the agenda.

Council member Ogelman commented that he was comfortable to vote or defer providing that there aren't consequences for staff.

David Mekarski, Town Manager, reassured the public that the 4 members of staff and 6 Council members present were all 6-feet apart.

CITIZEN/BUSINESS COMMENTS

None.

PRESENTATION(S)

a. Town Manager's Proposed Budget FY 2021 (Presentation of FY 2021 Budget on file at the Clerk's office)

David Mekarski, Town Manager, explained that the budget book and message being delivered represents the culmination of 5 months of preparation, analysis, and predictions made from the proposals submitted by department heads. The work was completed in mid-February to prepare for the submittal. The state of emergency issued in the last 2 weeks for the nation, state, county and town have the potential to radically change business, and the projections for both revenue and expenditure must therefore be drastically revised. David Mekarski provided the example of meals and sales taxes, noting that these are the second and third largest revenue streams, and they may come in significantly below FY21 estimates and the remaining months of FY20. The pandemic may therefore necessitate additional positions necessary for public safety that haven't been budgeted for FY21 and may cause the town to exceed projections across multiple departments. Mr. Mekarski confirmed that it would be necessary to revise the budget work session schedule to allow for the additional time to revise both expenditure and revenues.

David Mekarski stated that Purcellville has long been recognized for fiscal management and it can boast the highest credit rating. Rating agency reports state out a number of fluency factors, including Purcellville's strong economy, management, financial positions, policies, practices, performance, general fund reserve levels and budgetary flexibility. The FY21 proposed total town budget is \$21,670,331 for all funds, which consists of a general fund of \$11,818,313, a water fund of \$3,402,321, a wastewater fund of \$4,274,338, a parks and rec fund of \$652,179, and a capital improvement fund of \$1,523,180. David Mekarski noted that while the operating expenses have increased by 4% from FY20, the adopted budget represents a 9% decrease from FY20. This reduction is primarily from significant deferrals in capital improvement, particularly within the water fund. The factors that have given rise to the town's strong credit rating are under significant pressure, and while the budget is balanced, the deferments require that future councils make large and unavoidable investments in the town's infrastructure.

Mr. Mekarski, Town Manager, remarked that it's important that the Town Council and public are aware of the reality, but the budget also represents a step in the 10-year plan towards solving some long-standing problems. It brings the water and sewer enterprise funds into structural balance provided they reach a consensus on an acceptable 10-year rate plan. It's creates more equitable water and sewer rate tiers and a sustainable fund for the long-term maintenance of Fireman's Field and maintains all current service delivery across all departments.

Mr. David Mekarski stated that in order to deliver the balanced budget, it was necessary to assume a 2¢ increase in the real property tax rate, which will cost a homeowner of a house valued at \$400k approximately \$80 annually, or 21¢ per day. Without an adopted rate plan for the next 10 years, it was necessary to drastically cut the investment in the town's capital infrastructure, and this would be corrected if they could achieve an acceptable rate plan for FY22 and the next 9 years.

Mr. Mekarski admitted that he was concerned about the deferral of capital investments in the budget and stated that his message was intended to convey to the council and community what they both can and can't fund in FY21 due to budgetary constraints that existed before the scope of the pandemic was realised. FY21 represents one of the leanest budgets in recent years and it postpones the commitment to their 90 employees to implement the compensation classification study, which would give valuable information about the town's compensation levels relative to competing communities in Virginia. It was found that town employees fall below the median market salary of 50%, and a particular concern was that employees were paid a salary of 25% or more below the median salary. The goal is to get each town employee up to a salary that is at least 25% below the median market, with the long-term goal to get each employee earning a salary

equal to the median. Budgetary constraints have caused the administration to postpone its goal of adjusting salaries and its goal of implementing a pay for performance plan and provide bonus incentives.

The proposed budget requests no increase in the number of employees and it proposes a freeze on the commitment to add new police officers for patrol although this must be reevaluated in light of the current emergency. The budget also includes no request for enhancements for IT hardware or software and it places a freeze on the leased vehicle replacement schedule. The budget defers the majority of the capital recruitments required for the water treatment plan and its related infrastructure beyond goals set out in the risk reduced 10-year capital improvement plan introduced last year. On the \$22m 10-year water capital improvement, the capital that will be prioritized will be the least risky to the health and welfare of the town, and the budget will be reduced to just above \$13m. With this reduced figure, this couldn't be realized in this year's budget.

The budget continues the practice of failing to account for the value of labor provided by employees on the general fund to the benefit of the water and wastewater funds. The value of the labour is \$1.6m, the water and sewer funds repay only \$1m of the amount, and therefore the general fund revenue is subsidising ratepayers \$600k. The budget represents an austerity capital improvement budget across all funds. The General Fund Capital Improvement Plan is 92% below the FY20 budget, for Water Capital Improvements a 95% reduction and for wastewater a 71% reduction. While it is recognized they have to find a new temporary Police Head Quarters in less than 10 months, the budget doesn't contain an appropriation for the rental of a facility to house the department for the next 3-5 years, nor does it contain the anticipated bill for the facility. The Police Department is working with architects to complete a qualitative and quantitative cost analysis on the top 3 sites for council and public review within the next few months. Upon final selection, they will request separate appropriation from the General Fund unassigned fund balance for the Council to pay an associated reimbursement resolution that will allow the cost of the temporary facility to be incorporated with the debt instrument.

Mr. David Mekarski, Town Manager, next looked at what the budget accomplishes, including creating water and sewer rates to meet the debt service obligations and water and sewer funds, a more equitable rate structure by decreasing the existing 17-rate tiers to 4, and it establishes a tax rate for Fireman's Field that will fund its long-term maintenance. It will also maintain the healthy fund reserves for emergencies. Over past years, residential water and sewer rates have been heavily subsidised by rates assessed against multi-family, commercial and institutional properties, and David Mekarski recommended that they adopt a new utility rate structure to reduce the subsidy. Over time, this would achieve equitable and fair rates as required by Virginia statute. Mr. Mekarski noted that he was professionally required to provide the Council with recommendations for a utility rate increase to pay for the cost of services and ensure there are sufficient revenues to pay for the sanitary sewer debt escalation. This debt escalation will be an additional \$252k in the budget, and a further \$237k above this for FY22, and an additional \$824k for FY23, a total of \$1.3m over the next 3 years.

Mr. David Mekarski provided the Council with his recommendation for a 10-year fiscal plan that will finance an adequate water and sewer capital over the budget work sessions in the next 2.5 months. David Mekarski stated that his office and team are prepared to recommend scenarios to accomplish all 3 objectives.

Looking to the Fireman's Field, Mr. Mekarski proposed a tax rate to return to the rate of tax year 2017 of 3.5¢, representing an additional halfpenny for \$100 of assessed value, and will result in an additional \$75k for the town's asset management programme and the capital improvements required. This amount is consistent with the 5-year obligation. The approximate cost to a homeowner of a home valued at \$400k would be \$20 annually.

Mr. Mekarski remarked that they were facing one of the greatest pandemics in recent history, which may stretch the capacity of every municipality to deliver basic services to citizens. Over the coming weeks and months, they will be tested to maintain the solemn oath to protect the health and welfare of residents,

businesses and non-profit partners. David Mekarski confirmed that they were therefore taking great pains to be conscientious of preserving their unassigned fund balance for the general fund, the special parks and rec fund, as well as the 2 enterprise utility funds. The general fund has achieved a 96% reduction in the use of the reserve account compared to FY20, 86% for special parks and rec fund, and 98% for wastewater. This has resulted in an unassigned fund balance for the general fund remaining at \$6.2m, \$310 for the special parks and rec fund, the water fund has \$11.3m and wastewater has \$14.4m. David Mekarski stated that these reserves and net positions are essential to manage the state of emergency and ensure the continued staffing of essential personnel. It will also allow the continued operation of the 4 central services.

Mr. David Mekarski, Town Manager, noted that while the message represents the beginning of the budget, they have a responsibility to prepare the community for a national emergency, and the staff will remain unified in containing and mitigating the threat currently faced. Mr. Mekarski added that they would no longer take the attitude of business as usual as they can't afford the loss of time to prepare, respond, protect and serve.

Mr. Mekarski then took the Council members through some highlights of the budget. David Mekarski reminded the public of the Council's Strategic Initiatives and core values as to promote the community and economic wellbeing, to practice good governance, to strengthen community partnerships, and fund the future. David Mekarski highlighted the focus on CAP to maintain the operational requirements and noted the significant deferrals away from capital improvements across all funds. David Mekarski provided an overview of the revenues that support the general fund, with 36.64% of revenues coming from property tax, which is currently set at 22¢ per \$100 of assessed value. Meals tax is the second largest tax at 24.51%. David Mekarski noted that the emergency will affect local businesses and restaurants and highlighted the \$3m in meals tax. With 4 more months of the current fiscal year, they could be set to lose up to 25% of the revenue should the majority of business be deferred from local restaurants during the crisis and could equate to a loss of around \$800k.

Looking at the general fund expenditure, David Mekarski highlighted 3 critical areas in terms of essential services. Police and public safety is 24% of the budget, public works 32%, finance and administration 9.43%, and administration is 12.47%. On parks and rec, the special tax district produces 81% of the fund's revenue, and out of its entire tax, it only supports 9.51% of Farmer's Field, the rest of which goes through the general parks and rec activities.

Water revenue fees support 72% of the budget. Water fees have a direct correlation on expenditures equal to 72%, and while fees currently support expenditures, there is a whole array of other issues. 79% of wastewater budget comes from fees, the remainder of which comes from availabilities, transfers and investment income. Expenditures don't have a direct correlation on operation and maintenance, and a significant portion of the budget is the remaining debt retirement of over \$30m.

Looking to the pending emergency, Mr. David Mekarski highlighted the fiscal prudence of the council and its management in protecting the general fund's unassigned fund balance and the net positions of the utility funds. David Mekarski showed a similar picture in the water and wastewater fund where the policy is that they have a stronger requirement of 100% of operating budget and debt service. They are still carrying a water fund net position of around \$5.6m, and around \$5m for wastewater.

Mr. David Mekarski, Town Manager, next noted the upcoming challenges, the first of which is the COVID-19 emergency. David Mekarski stated they must rearrange their priorities to concentrate on their emergency response. For the temporary police HQ, there is a short window of 10 months to vacate the building and therefore select a cost-effective location. They may also need to authorise the 2 new patrol officers, which was originally deferred, but in light of the COVID-19 crisis, this deferral now needs to be considered by the Council. The current police department is understaffed by 40% of their authorised staffing needs, and a commitment was previously made to recruit 2-6 new patrol officers each year. They will also have to continue to provide the town with the necessary capacity of 200k gallons of public water supply, and there

may be some opportunities to achieve at least 50% of the goal to lower the cost without having to spend \$5m for the treatment plan. On wastewater, there is a continued need to identify public and private options to sell the remaining capacity in the town's plant to offset the \$31m of outstanding principle. This was explored with the Town of Hamilton, but this has now been shelved as Hamilton is going independent, but there could be further opportunities.

Mr. Mekarski stated that they will also need to strengthen the Town's economic base, which is being addressed through the comprehensive plan while still limiting residential housing. The Town will however have to identify economic and redevelopment strategies to maximize tax revenues to help build the assessed value of the town.

Mr. David Mekarski noted that the Vice-Mayor had previously requested a strategy for both the temporary and permanent Police Headquarter, and despite the emergency, this is an objective that needs to be accomplished. A community outreach campaign will be developed to win the support from residents for a moderate property tax increase to construct a new Town hall.

Mr. Mekarski presented the schedule of upcoming meetings, noting that they would need to re-evaluate this with the entire management team and examine the revenue and expenditure assumptions.

Mr. David Mekarski next presented an overview of what would be addressed in the meeting on 24th March. Stantec are scheduled to discuss some of the financial models for this year's budget, adding that they have now identified a further 4 models on how to achieve structural balance for both the water and sanitary sewer fund. David Mekarski presented some of the assumptions, noting the rates would also accomplish their capital improvement plan for both water and wastewater. 2 models will be presented on 24th March, one optimising using cash and debt, the other focusing on a limited debt structure. David Mekarski noted the water capital Improvement Program, which identifies approximately \$13m over 10 years. Due to the deferral because of a lack of revenue, only \$100k will be spent in FY21 in water capital. Mr. Mekarski next looked to the water capital of the wastewater programme, noting that this comes in at just under \$3m, and this has been lowered to \$330k for FY21.

Mr. David Mekarski, Town Manager, showed the 2 models that they feel could achieve structural balance that start out at a reasonable rate for FY21 and the 3 following fiscal years. This year sees a 3% increase, with a proposed increase of 5% in FY22 and FY23, 8% from FY24-30. This will rely on debt over cash but will achieve structural balance within the decade.

Looking to wastewater, Mr. David Mekarski noted larger challenges due to the \$31m of sewer debt. This year will see a rate of 7%, going to 11% for FY22-25, then dropped to 3% for the remainder of the decade. This plan achieves structural balance for the sewer department. Current billing is \$74.97 for water, this will increase to \$85.84 in FY22. Wastewater billing is currently \$142.00, which will increase to \$147.00 in FY22.

David Mekarski, Town Manager, recommended that the Council look to reserve the net positions in the fund balance to allow them to deal with the unpredictable issues ahead posed by the national state of emergency.

Mayor Fraser opened up for questions from Council.

Vice Mayor Stinnette noted the 7.2% increase in billing, commenting that they need to consider the increase over the following years. Vice Mayor Stinnette next looked to chart 22 and strengthening the town's economic base, commenting that he didn't see mention of the previously discussed revenue potential from Aberdeen, the private cell tower, and fibre and broadband and around the community. Vice Mayor Stinnette suggested that the indirect revenue they lean into is the idea of a second Saturday, which would help increase indirect revenue to local businesses. Vice Mayor Stinnette felt that they need to lean into some of the ideas previously looked at to help build more revenue streams in the town and strengthen the economic foundation.

Vice Mayor Stinnette next looked to page 6 of the budget book, noting the operating expenses, and asked if they were counting the utility chargeback of \$990k as an operating expense. David Mekarski clarified that the true contribution of individuals funded through the general fund to water and wastewater utilities is \$1.6m. Looking at Leesburg utility, Mr. Mekarski noted that they have finance, legal, payroll and administration built into this, and almost 50% of their boxes are built into the utility department. David Mekarski explained that in their organisation all these departments are in the general fund, so he was therefore suggesting in this year's budget that they don't reduce the chargeback and maintain the \$990k. Mr. Mekarski noted that this wouldn't capture the true value of employees and they should be exacting a further \$600k from the utility funds to reimburse the general fund. Vice Mayor Stinnette clarified that they are proposing to draw \$990k from the utility fund to go to the general fund, which Mr. Mekarski confirmed.

Vice Mayor Stinnette then looked to the full-time equivalents, noting that there are 87 FTEs within the proposed budget and that they were being asked to bring in 2 patrol officers to give 89 FTEs. Mr. David Mekarski explained that this wasn't contained in the budget book and wasn't forecasted, but due to the pandemic, David Mekarski felt this needed to be evaluated to help maintain minimum staffing. Vice Mayor Stinnette clarified that the budget therefore reflects 87 FTEs and the additional 2 patrol officers would be an unfunded requirement outside of the proposed budget. Mr. Mekarski, Town Manager, confirmed that this wasn't a proposal but a suggestion that they evaluate.

Vice Mayor Stinnette noted a proposed 9% decrease in the CIP. David Mekarski clarified that across all funds they have lowered the budget by 9%.

Vice Mayor Stinnette referred to the 2¢ increase in real estate taxes and the 1% increase in meal tax. Mr. David Mekarski confirmed that the meal tax increase was considered when the budget book was presented, but the budget book was frozen in February and this has now been retracted. Vice Mayor Stinnette noted that the proposed meal tax increase on page 5 was therefore an error, to which David Mekarski stated this wasn't an error but it will now be omitted in light of the current situation.

Vice Mayor Stinnette asked if there would be a 0.5¢ increase in the Fireman's Field tax, which Mr. Mekarski confirmed. Vice Mayor Stinnette noted that the operational budget is increasing by 2.6%. David Mekarski stated that the general fund operating budget has gone up by 4%. Linda Jackson, Financial Analyst, confirmed that it's 5% of the general fund. David Mekarski noted that they are proposing the transportation study, which was at a cost of \$350k, but this will now be done at a cost of \$75k per year. This is in the budget book and was due to be supported by the 1% meals tax increase, but without this, it will be removed from the budget book.

Vice Mayor Stinnette noted the non-waged expenditures under the general fund were increasing by \$25k, surmising that the majority of the increase in the general fund budget is rolled up in the 3% salary increase in FTEs. Mr. Mekarski confirmed this, adding that there are also some adjustments in health insurance. Vice Mayor Stinnette remarked that they are therefore proposing raising taxes to pay for a salary increase in FTEs. It was noted that there is also the debt. Vice Mayor Stinnette stated that the CIP is drastically reduced, and that David Mekarski anticipated a \$100k increase in trash collection. Mr. David Mekarski confirmed that the present contract is well below the market rate and they will be unable to determine this. Vice Mayor Stinnette responded that the purpose of the COLT was to negotiate as a body and reduce the collection contract, noting that a value had been assigned to that before anyone has responded to the RFP. Vice Mayor Stinnette commented that the figure could therefore change but a worst-case scenario had been reflected. Mr. Mekarski confirmed this. Vice Mayor Stinnette remarked that, with the exception of the trash collection expense, the remainder is flat and contains no enhancements in people as they are looking to maintain 87 FTEs.

Vice Mayor Stinnette surmised that they were asserting keeping the current FTEs but pay them more. Mr. David Mekarski responded that every governing unit tries to keep employees with a cost-of-living increase, which is reflected in the 3% increase and has been provided for over 2 decades. David Mekarski stated that

this was far below what competing municipalities are providing who give cost of living 0.5-1% as well as bonus incentives. Vice Mayor Stinnette commented that they are on the precipice of a recession and that he felt they should lock themselves into the cost of living espoused by the FEG. Vice Mayor Stinnette reiterated the difficulty of the proposition to increase taxes to pay down the debt and pay FTEs more. Linda Jackson, Financial Analyst, noted that the 3% increase equates to \$186k across the entire workforce. Mr. Mekarski, Town Manager, added that they hadn't completed a compensation and classification study for over 12 years, and they have another 25 employees who are below the first quartile. The majority of communities in Loudoun County are at 50% or above this, so to remove the 3% decrease along with deferring the compensation and classification study, would mean they were working at a negative wage.

Vice Mayor Stinnette asked how many of the 87 FTE positions are currently filled. Linda Jackson suggested that this be checked with HR. Vice Mayor Stinnette stated that they are running the Town with 80 FTEs and Mr. David Mekarski confirmed that he is looking at reorganization plans that would assist in reducing the FTEs. Vice Mayor Stinnette then asked how the budget would look when built on 80 FTEs. David Mekarski explained that this would primarily affect the public safety department at a time when he wouldn't recommend this as they need to mitigate community spread of the virus and they have continual contact with the public. Mr. Mekarski clarified that the reorganization plan would attempt to bring the figure down to 85 FTEs, but he was currently unable to commit to this. David Mekarski added that they were looking to ensure there was no cross-contamination between water and wastewater staff, and they would therefore require the water operator they are currently advertising for. Mr. Mekarski stated that every person in the maintenance department will begin shadowing operators in the water and sewer department throughout the emergency to ensure there are sufficient operators to keep water and sewage treated. Vice Mayor Stinnette stated that he appreciated the work being done and reiterated the need to build the budget to the number of FTEs in place rather than what they aspire to, with the exception of the police force. David Mekarski confirmed that this was his commitment.

Council member Greenly noted the 87 FTEs and that the Police Department is down 6 rather than 5, asking if this number was included. Linda Jackson stated that the FTEs built into the budget were listed on page 22, but that they would seek further information on current vacancies from Human Resources.

Council member Greenly referred to Vice Mayor Stinnette's earlier comment, noting that if they were running on reduced staff then it would be an easier sell to show citizens that they were working, but he thought around 17 employees had been hired in the last year. David Mekarski confirmed that he was unsure of the exact number but that these were replacements, to which Linda Jackson added that the figures were confirmed on page 22.

Council member Greenly asked if they knew how many employees had left to work elsewhere for a higher salary. David Mekarski confirmed that they hold exit interviews and that Sharon Rauch, Director of Human Resources, would hold this data.

Council member Greenly referred to trash collections, noting the current deal and the assumption they wouldn't get this renewed. Mr. David Mekarski confirmed they were hoping to get the economies of scale with the consulting agent and they were looking for additional services, but that Hooper McCann's, Director of Administration, estimate of around \$100k was reasonable in terms of market conditions. Council member Greenly commented that they need to be prepared to discuss this with residents and that they need to look to COLT.

Council member Greenly noted slides 10 and 13 and asked about the miscellaneous 8%. It was commented that this was likely to be made up of fees and that this was covered on page 127 of the budget book. Linda Jackson added that it was likely to contain program revenues.

Council member Greenly then looked to the final slide, noting the sewer usage rate plan, and asked if any thought had been given to flattening this out to 7%. Kyle Stevens, Stantec, stated that they had investigated

this to minimize the spread of the rate increases, but they were looking to hit the reserve target, which is why 11% is needed in the short-term.

Council member Ogelman noted that he didn't feel there was any way of providing all that was needed other than increasing taxes, and he asked how many of the other towns they were referencing have \$50m in debt. Mr. David Mekarski stated that he didn't have this information but that they could look into it. In reference to the budget being particularly lean, Council member Ogelman commented that it should maybe be even leaner, stating that more difficult times call for creative measures and everyone ought to be invested in coming up with any solutions to get around the situation. Council member Ogelman added that they need to show citizens that they've done all they can to look at all options before raising rates and taxes. Council member Ogelman remarked that he didn't see in the slides the efforts to use money in property and asked if this was increasing.

David Mekarski, Town Manager, responded that the Town Attorney indicated she was successful in getting an exaction equal to \$150k, which is equal to 1¢ of property tax, so they avoided this increase due to this exaction with Segra regarding fibre optics. David Mekarski continued that they took on the challenge to do environmental credits at Aberdeen and they are committed towards doing phase 1 of these credits and plant around 12 acres of the Aberdeen property. Council member Ogelman asked Mr. Mekarski if he felt this was sufficient, to which David Mekarski responded that they went forward with interviewing 6 of the possible respondents to the RFP regarding the cell towers and they revised the RFP to put it back out to the market and keep with their commitment to the Council to monetise this asset. Council member Ogelman suggested that they need to see more of this action before informing citizens of tax increases. Council member Ogelman asked what they were doing to get their citizens more federal state and county taxes. Mr. Mekarski confirmed they received multiple grants from the county for capital improvements to Fireman's Field as well as the Tabernacle, which were included in last year's budget. David Mekarski added that those will be implemented this year and next year, noting that this year they won 2 awards for drainage improvements and lighting.

Council member Ogelman commented that these awards are important and should be highlighted in the budget. Then looking to the police station, Council member Ogelman stated that he wanted to tell residents they had exhausted all opportunities to find money elsewhere. Mr. Mekarski confirmed they had done this, explaining that they had gone out to 2 competing firms, signed a contract with Moseley, who are looking at a quantitative and qualitative analysis for the temporary police HQ for 3 possible sites. Mr. David Mekarski, Town Manager, confirmed that they have 2 months to identify a site that's cost-effective and minimise the cost where possible, noting that 1 current potential site would save them over \$1m, but this can't be presented until they have the cursory analysis. Linda Jackson referred to 158 in the budget book, which provides a CIP overview, and shows how much money is received to support the capital improvements. Linda Jackson, Financial Analyst, noted a high percentage of the general fund was being supported by others and the engineering department works with VDOT for assistance with projects. Council member Ogelman commented that he would like to see this information for the entire budget or by department and that he would like to see a delta from year to year.

David Mekarski looked at the funding for FY19, noting \$2.5m in grants and aids from the state, county and others, \$12.5m in FY20, \$1.5m in FY21, and a projected \$10.5 in FY22. David Mekarski noted that over the 5-year CIP this was \$23.5m, which doesn't require local match. Council member Ogelman asked David Mekarski if he felt this was sufficient. Mr. Mekarski remarked that it was never sufficient and asked for staff to be given the opportunity to go through the budgetary process with the full management team so they could elaborate on the questions in more detail.

Council member Ogelman next looked to water and wastewater, commenting that he felt citizens ought to pay for the full operating and maintenance costs upfront for the water and sewer treatment they receive. Council member Ogelman stated that it was important to him that they don't achieve this part of structural balance off the backs of citizens without doing all they can to exhaust any alternatives. Council member

Ogelman surmised that if they can't demonstrate their commitment on making progress on monetisation to draw down the debt then they need ways to streamline their government more before raising taxes. Mr. David Mekarski acknowledged Council member Ogelman's perspective and noted that current ratepayers have the responsibility of the past as they are utilizing the asset.

Council member Ogelman referred to the parks and rec slide, noting that management of parks and rec is taking up most of the funds. Council member Ogelman commented on a previous discussion that stated they saw a strategic vision that shows the value added from increasing FTEs and noted that David Mekarski said they were putting out a contract to help with this. Mr. Mekarski confirmed that they are laying out a proposal to put together a comprehensive recreation master plan, much like the comprehensive land use plan, which will involve the community to look at what recreational needs they want provided. Council member Ogelman remarked that the planning commission are a set of volunteers and that they had asked to see a return for increasing FTEs by this budget. David Mekarski stated there was a professional services contract for the comprehensive plan, which was done in partnership with volunteers and the professional staff of the department. Council member Ogelman responded that he didn't see this as an equivalent.

Council member Ogelman concluded that if he didn't see creative solutions for direct and indirect revenues at a level that he could justify to citizens then he wouldn't be able to support increasing taxes, stating that he would prefer they became leaner.

Council member Bledsoe noted that most of his queries had already been answered and that he was looking at the budget book to cover any unanswered questions. Council member Bledsoe referred to the water fund and CIP slides, stating that he felt there was an error in the calculation for FY21 as 5% over \$7,497 would give them \$78.72 rather than \$85.84, and the \$10.87 would represent a 14% increase. Council member Bledsoe continued that there is a similar error for the wastewater fund. Kyle Stevens, Stantec, confirmed he would look into this.

Council member Grewe referred to the federal compensation function and asked if they could calculate the differentiation between the federal rate and what they proposed plus the healthcare and work out the amount. Council member Grewe stated that he wanted to see the impact of bringing employee salaries up, noting the recent media piece about county employee salaries and the diversity of feedback from the community. Council member Grewe added that they need to consider the expense of living in Loudoun County.

Council member Grewe echoed Council member Bledsoe's comments that he wanted to go back over the budget and look into it further. Council member Grewe continued that they have an ever-evolving set of figures to ensure they do what they can for the least amount of public money, but he would now be looking for tangible figures as they go through the process. Council member Grewe appreciated Mr. David Mekarski and HR's work regarding employee turnover, noting that it appears they have made progress. Council member Grewe then acknowledged the attempts to retain the highest level of flexibilities in the reserves and unassigned fund balance for the sake of responding to the current threat, adding that they need to calculate if they were to reduce or provide a tax holiday. Council member Grewe noted that an economic impact is being experienced in the town and that this will continue, so if they minimize the impact then they need to investigate this as this is what emergency funds are for. Council member Grewe acknowledged that a tax reduction or holiday would impact the budget and the fiscal year, but they need to consider what the costs of these mitigations would be. If they can keep businesses functioning in a way that they can recover then they will have a shorter recovery, but it will have a practical budget impact.

Council member Cool first looked to pay, linking it to position and raises for longevity, stating he didn't support this. Council member Cool added that he felt a 3% increase was too high and that they need to focus on the positions in the water department. Council member Cool referred to page 24 of the report regarding \$25k for consulting and another \$60k for the parks and rec master plan, stating that it was clear in last year's budget document that they would increase FTEs in the parks and rec department and that the division would initiate the update on the open space project conducted in 2005. Council member Cool then looked to page

24 of the FY21 budget, stating that it begins by saying that the most current parks and rec plan was conducted in 2005. Council member Cool noted that last year the salaries in parks and rec were increased by around \$116k, and that they were looking at around \$150k. Council member Cool commented that this was a problem and felt this wasn't being answered, adding that they were going out to the private sector and he wouldn't support this.

Mayor Fraser thanked the staff for putting the budget together and noted he had some suggestions to provide. First looking to slide 11, Mayor Fraser recommended that, relative to debt retirement, he felt this should be reworded 'Fireman's Field debt retirement' as this is where the debt is associated. Then looking to slide 10, Mayor Fraser noted the 81.32% and that, as a citizen and taxpayer, he wants to see a return on investment with \$50k in revenue for this before it is increased by 0.5¢. Then looking to page 71 of the budget document, Mayor Fraser referred to the summary of issuance of outstanding debt, commenting that this was a good news story that they had decreased the debt from \$54m to \$52m, which shows the commitment of the town to bring it down. Mayor Fraser asked what they could do to position themselves in as the government who opened their purse to bring money back to Purcellville and how they could look at using some of the stimulus packages to change the expense and deal with the debt. Mayor Fraser noted that they were all struggling and wondered how they could resource to obtain funds from county, federal and state.

Mayor Fraser noted that David Mekarski said there were several exclusions in the budget, CIP relative to general fund utility enterprise and the police station build and purchase and asked what the risks and impacts were of these exclusions. Mr. David Mekarski, Town Manager, confirmed that they weren't indicating that these were permanently excluded, and they are now looking at 3 potential sites before making a separate appropriation. Mayor Fraser commented that it wouldn't be built in this fiscal year, to which David Mekarski clarified that this was for the temporary facility and that improvement works would be required in this fiscal year as it would be occupied within 10 months. Mr. Mekarski continued that they are currently unable to assign a specific budget as this is still under study. Vice Mayor Stinnette added that the other exclusion was regarding the 2 potential patrol officers. David Mekarski confirmed that this wasn't included in the budget book but that this would need to be discussed to understand the constraints in dealing with the pandemic. Linda Jackson, Financial Analyst, referred to page 14, noting that this has the unfunded enhancements and will provide a summary of the items exempted from the budget. Mayor Fraser noted that this would then need to be pulled into risk and impacts.

Mayor Fraser asked that, given the current COVID-19 crisis, if the 10-month requirement to be out of the building still stands or if they've not approached Lowers Risk Group. David Mekarski confirmed they had been approached and they are opening a dialogue but there is no determination yet.

Mayor Fraser asked the citizens if they had any questions regarding the budget. Mayor Fraser noted that no questions were submitted and confirmed that any questions could be emailed in.

Vice Mayor Stinnette requested to look at the general revenue chart and referred to Council member Ogelman's comments regarding alternative revenue sources. Vice Mayor Stinnette suggested that a way to demonstrate staff commitment was to take a percentage of the general revenue fund and say it's dependent on staff generating new revenue sources for the town. Vice Mayor Stinnette stated that this would commit staff and resources to generate the required revenue from new sources, which would allow them to demonstrate their commitment to residents. Mr. Mekarski asked if the governmental 10.16 was reflective of the county, VDOT and MVTA grants. Vice Mayor Stinnette acknowledged the grants. Linda Jackson confirmed they were looking at operating revenue. Vice Mayor Stinnette reiterated that they need to generate the new revenue, and that staff need to show their commitment to this. David Mekarski clarified that this was providing staff a goal and agreed with the idea. Linda Jackson asked for an opportunity to document some of the savings they had already created, noting the vehicle reimbursement and no longer having take-home vehicles. Linda Jackson added that they have also replaced some roles with part-time employees and therefore saved the town money. Vice Mayor Stinnette stated this was a way of capturing the work that is being done and providing the Council a soundbite to talk to in budgetary terms.

Mayor Fraser suggested that the same concept proposed by Vice Mayor Stinnette be imposed on the parks and rec revenue. Council member Ogelman commented that this should also be imposed on the water and wastewater funds as this is where the debt sits.

ACTION ITEM(S)

a. Adoption of New Utility Rate Design Methodology

David Mekarski, Town Manager, presented the summary of recommendations, background, issues, correlation with strategic initiatives, and the motions. The Stantec presentation on 20th November 2019 talked about the rate methodology and how this would attempt to achieve equity over time amongst the various user groups. Mr. Mekarski noted that the Council selected alternative C, which is the transition road to getting to equity.

Kyle Stevens, Stantec, provided an overview of the rate methodology, noting that the town has an unusual structure with 17 tiers that have increasing prices attached as users use more water. Kyle Stevens noted that utilities require more revenue and the rates are likely to increase, so the conclusion was the current rate structure for the next 10 years will become unsustainable. A cost-of-service analysis was therefore carried out and they looked at the cost of service for a number of customer types, which showed higher water users were paying above the cost of service so the tier options were developed to bring the pricing of water into alignment. Alternative C has 4 tier sizes that recognize the larger meters with larger demands. Kyle Stevens added that as they move towards a more equitable rate structure, they need to ensure they are receiving the same revenue, and C allows them to make some gains in equity but also balance the customer impact.

Council member Grewe moved that the Purcellville Town Council accepts Stantec's recommendation for a new water and sewer rate structure, simplifying the 17-tiered water rate structure to a 2-group system, single family and non-single family, with a water-fixed charge scale based on meter size based on average use and a water volume metric charge based on alternative C that provides for single family residential users 4 inclining tiers based on data analysis. For non-single-family users, 4 inclining tiers based on meter size.

Be it further provided a sewer-fix charge for all customers which will be scaled based on meter size based on average use with a sewer volumetric charge based on uniform rates.

~~Under the alternative methodology implemented with future fiscal year rate changes, both the water and sewer customers will be transitioning towards a cost-of-service methodology ensuring future equity and structural balance to implement a strategy that will make Purcellville's utility program function as a self-supporting enterprise.~~

Council member Grewe noted that this was the adoption of a strategy and wasn't written as a motion.

The motion was seconded by Council member Bledsoe.

Vice Mayor Stinnette stated that it was important for them to understand that this structural change would bring some nominal changes regarding the impact to the customer or taxpayer. The structure was designed to be cost neutral but page 25 of the presentation gives the clearest articulation, and the change would be \$1.75 per building cycle, which is less than 1%. Vice Mayor Stinnette noted that while there is a cost associated with the cost, it is nominal.

Vice Mayor Stinnette commented that, looking at the 17-tier construct and the rate increases in the out years, they would price the viability of local businesses coming to Purcellville out of the marketplace as they would be incentivized to do business in other municipalities. Vice Mayor Stinnette stated that the idea of the design

was to fix this and they had to ask why there were 17 tiers to begin with. Looking at some usage in the county, Vice Mayor Stinnette explained they would be paying a much higher rate which was captured by the 17 tiers. The design therefore tries to rectify this in a fair and equitable way.

Vice Mayor Stinnette noted that the budget is predicated on the 4-tier construct, which David Mekarski confirmed.

Council member Ogelman commented that under the new tier structure, they were accounting for schools with larger pipe sizes paying more, which he believed was proper as they need to ensure the town is recovering some of the costs of the services being provided. Kyle Stevens, Stantec, added that this helped relieve some of the unsustainability at the top tiers. Mr. David Mekarski clarified that it is directly related to the demand on the water or sewer system, the impact to the plants and how this impacts operating costs. They can't impose a rate structure based on impact fees for outside residents and this volumetric schedule increases with meter size and volume of water as it places more strain on the system. Kyle Stevens added that they had good consumption data and they were able to incorporate this into the new rate structure by looking at average usage by meter size to scale the tiers up. This helped them efficiently size the tiers to recognize the usage on the meter.

Council member Ogelman remarked on the final paragraph of the motion and asked why it needed to be included within the motion as it appeared to commit them to making rate changes even though the motion states that they just want to adopt a rate structure. Mr. Mekarski commented that if you maintain the same water and sewer rate that goes up by 3%, this will produce different results in getting closer to the strategic goal. Council member Ogelman responded that the resolution is about structure. Council member Grewe agreed that the third paragraph wasn't necessary but its purpose makes it clear this is a change in strategy and structure, not rate changes. Council member Grewe made a friendly amendment to strike the third paragraph and remove this from the motion, which was accepted.

Mayor Fraser asked Kyle Stevens, Stantec, what size of municipality sees the cost-of-service decline for water and sewer. Kyle Stevens stated that he was unaware of any industry studies that he could refer to but they often see economies of scale when there is regionalization or an ability to build a large plant that can serve an area as a single plant. Vice Mayor Stinnette stated that, based on Purcellville's infrastructure, the economies of scale go back to the design capacity of the water treatment plant, which is at 45%. Therefore, around 15k would be when the economies of scale for water treatment infrastructure would kick in. Council member Ogelman remarked that they don't tend to reach the economies of scale until you reach around 100k as smaller sized towns can't afford the manpower and infrastructure to draw down the unit costs per person. David Mekarski, Town Manager, added that the public works department also evaluated surface water and ground water systems, which increases their operating costs. Council member Ogelman suggested they shouldn't be looking at economies of scale and instead have an expectation that these utilities in a town of their size will continue to rise.

Mayor Fraser noted that the motion was made by Council member Grewe and was seconded by Council member Bledsoe, and that a friendly amendment had been made to strike paragraph 3. All Council members voted, with the exception of Council member Cool who was either absent, on mute or abstained, in favor of the motion.

Motion: Council member Grewe
Second: Council member Bledsoe
Carried: 6-1 absent

Cool:	Absent
Greenly:	Aye
Grewe:	Aye
Stinnette:	Aye
Bledsoe:	Aye
Ogelman:	Aye
Mayor:	Aye


OTHER COMMENTS:

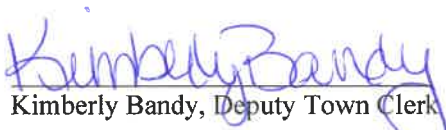
Council member Greenly raised a query regarding COVID-19 and that he had received 4 questions regarding Mayor Fraser's YouTube video and whether there were any COVID-19 cases in Purcellville. Mayor Fraser confirmed there was a video but that he hadn't mentioned COVID-19. Mr. Mekarski added that he believed there were currently 5 confirmed cases in Loudoun County.

Council member Ogelman asked if they needed to reinforce or ratify on the Town Manager's State of Emergency. Mayor Fraser confirmed that this would be done at the next regular Town Council meeting.

ADJOURNMENT

With no further business, Council member Ogelman made a motion to adjourn at 10:00 PM. The motion was seconded by Council member Grewe. All Council members voted in favor and the motion carried 7-0.


Kwasi A. Fraser, Mayor


Kimberly Bandy, Deputy Town Clerk

