



FY 2023 Budget Planning

November 10, 2021 at 7 PM
Budget Work Session



Table of Contents

- How did we end the year?
 - FY21 Preliminary Results
- What was the basis of our current budget?
 - FY22 Budget Highlights
- What do we need to know for the FY23 Budget Build?
 - FY23 Areas of Interest
 - Next Steps
- Appendix



FY 2021 Preliminary Results & Fiscal Policy Guidelines



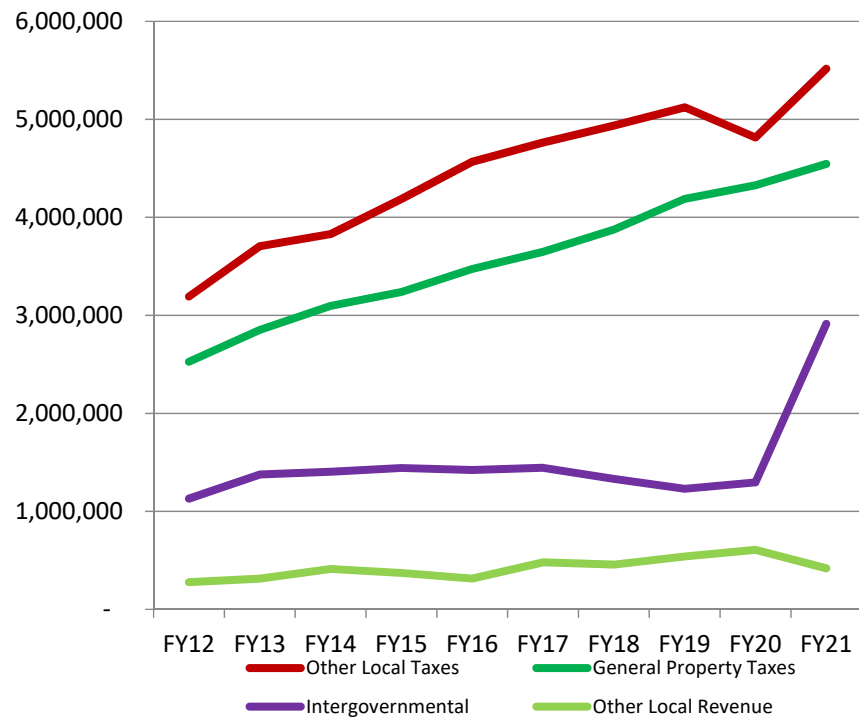
FY21 Governmental Overview

- General Fund revenues were \$12.9M while expenditures were \$11.5M resulting in a \$1.5M surplus.
 - Received federal CARES (\$1.8M) funding including \$500k support for Public Safety and other personnel costs.
 - Reserves (Unassigned Fund Balance) are 59% of Operating Revenues with \$3.9M available for spending.
- Parks and Rec revenues were \$465K while expenditures were \$473K resulting in (\$8K) deficit.
 - Reserves of \$399K (restricted use).
- State Historic Surplus- Revenue exceeded forecasts; vaccines; federal recovery funds; strong national economy, stock market and housing market.

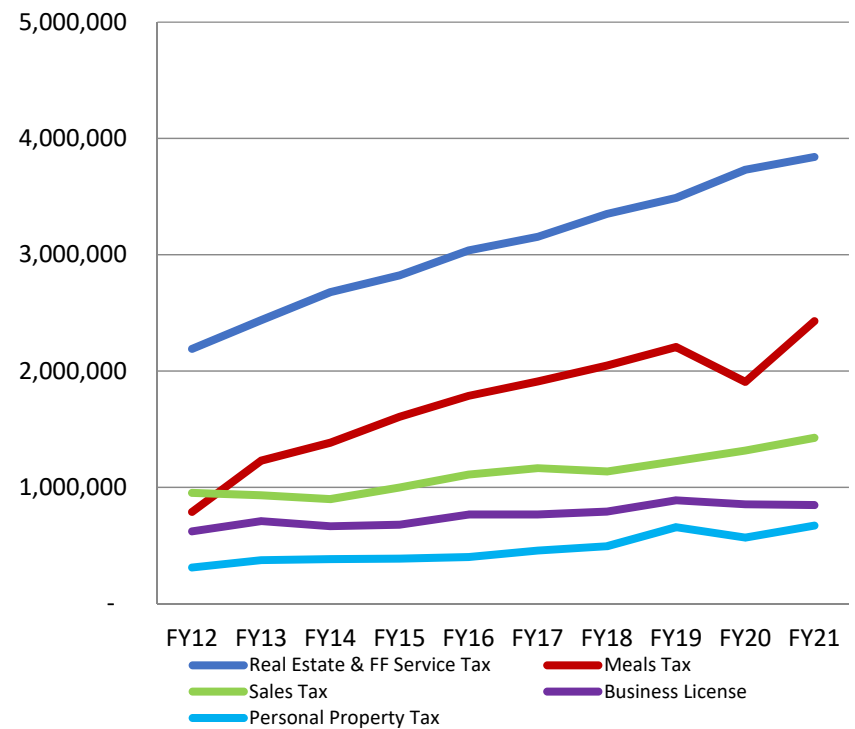


Governmental Revenue Trends

Total Revenue

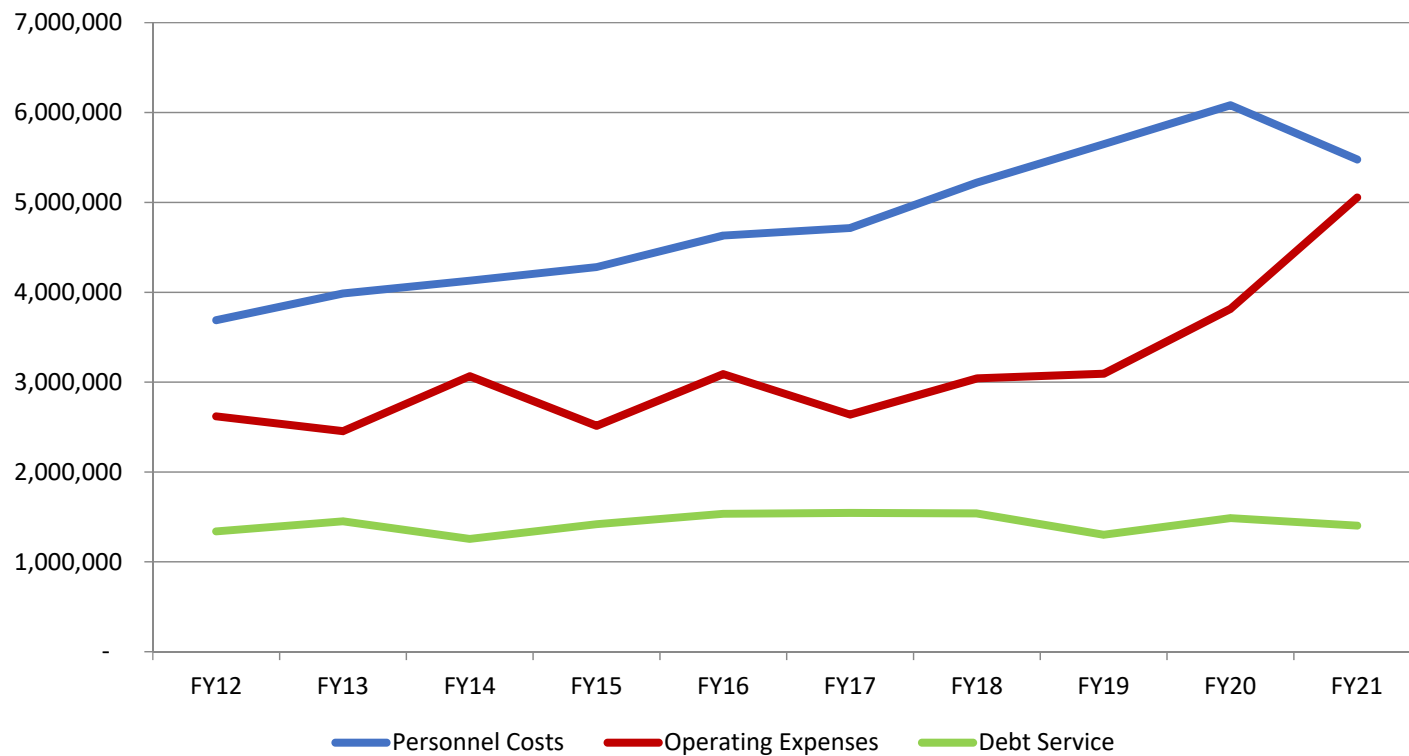


Top 5 Local Revenue Sources



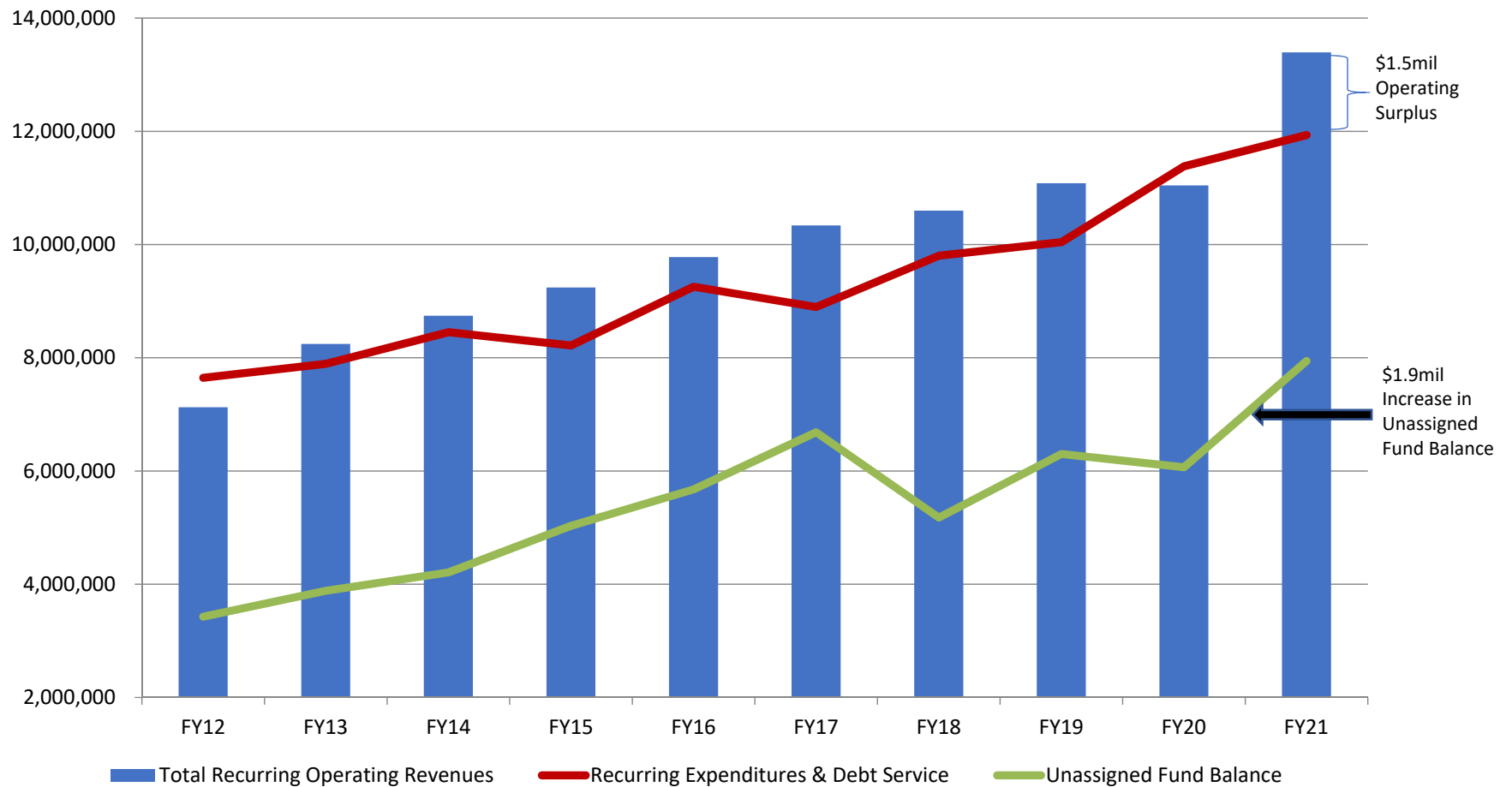


Governmental Expenditure Trends





Governmental Overview (Includes CARES)

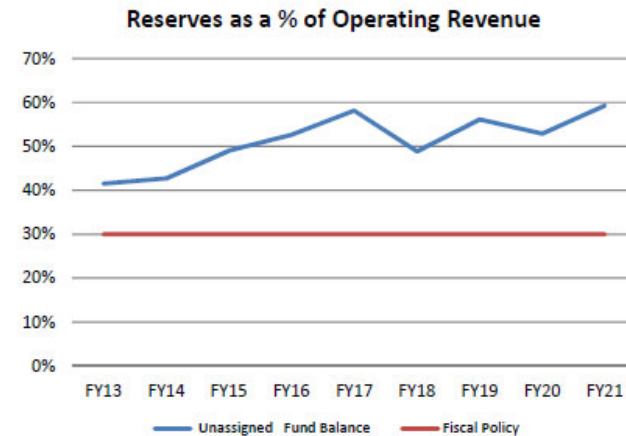
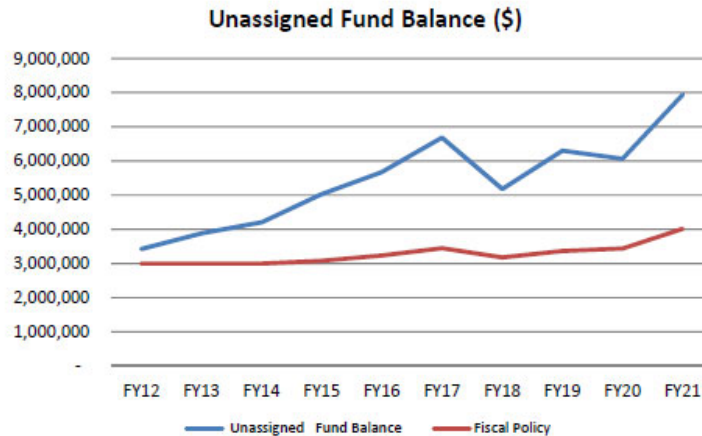




GOVERNMENTAL FUND BALANCE POLICY

Town Policy: Unassigned fund balance (Reserves) should be a minimum of \$3 million or 30% of the governmental fund's total revenues.

Fiscal Year	Unassigned Fund Balance	Operating Revenue	Reserves to Revenue	FB Policy	FB in Excess of Policy
FY12	3,427,576	8,241,574	42%	3,000,000	427,576
FY13	3,884,533	9,360,117	42%	3,000,000	884,533
FY14	4,209,033	9,857,582	43%	3,000,000	1,209,033
FY15	5,031,166	10,272,033	49%	3,081,610	1,949,556
FY16	5,676,427	10,790,035	53%	3,237,011	2,439,417
FY17	6,685,555	11,492,905	58%	3,447,872	3,237,684
FY18	5,176,351	10,597,790	49%	3,179,337	1,997,014
FY19	6,299,036	11,222,192	56%	3,366,658	2,932,378
FY20	6,064,206	11,464,500	53%	3,439,350	2,624,856
FY21	7,943,339	13,392,697	59%	4,017,809	3,925,530



FY18- use of reserves to pay down debt (\$2.033m)
FY20- meals tax holiday and Covid shutdowns
FY21- includes CARES



FY21 Utility Funds Overview

- **Water Fund**

- Operating Deficit of (\$601K).
- One-time inflow of Availability Revenue \$644K and one-time outflow of CIP funding (\$100K) resulted in a total fund shortfall of (\$57K) in FY21.
- Debt Service +\$450K through FY26
- Cash available in excess of policy as of 6/30/21- \$3M.
 - Future uses- 12th St \$200k in FY23-24; Hirst Reservoir?

- **Wastewater Fund**

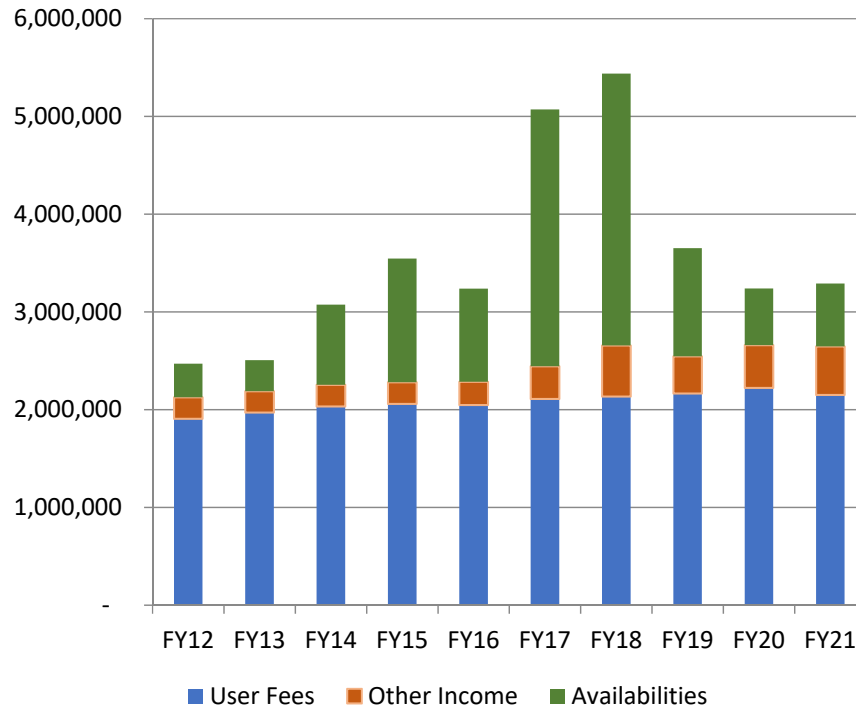
- Operating Deficit of (\$981K).
- One-time inflow of Availability Revenue of \$540K and one-time outflow of CIP funding (\$431K) resulted in a total fund shortfall of (\$872K) in FY21.
- Debt Service +\$1.3M through FY25
- Cash available in excess of policy as of 6/30/21- \$1.2M.
 - Future uses- 12th St (150K FY22)

Note: FY21 Results presented in cash basis

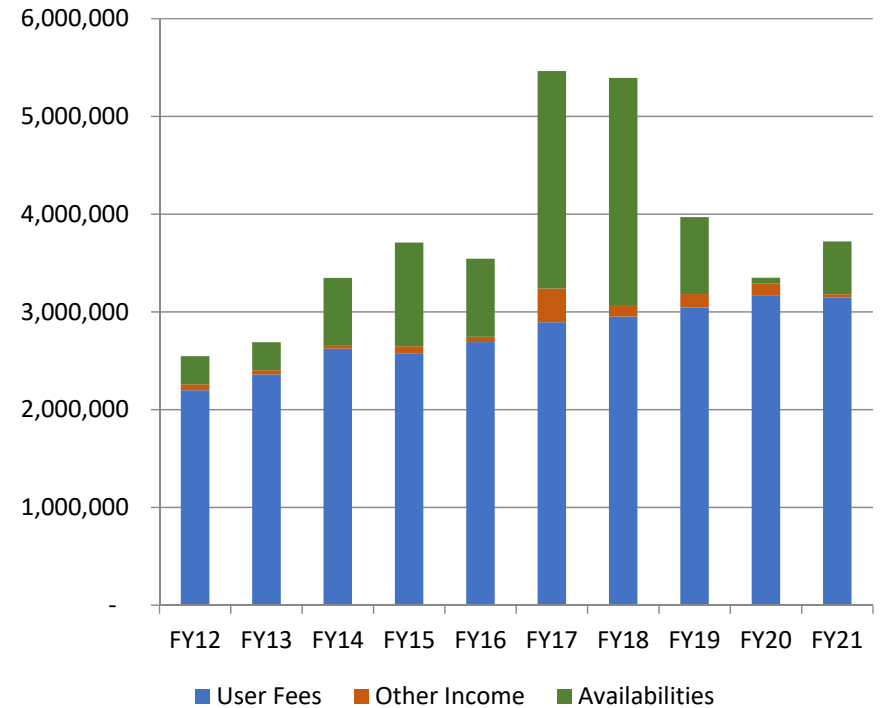


Utility Revenue Trends

Water



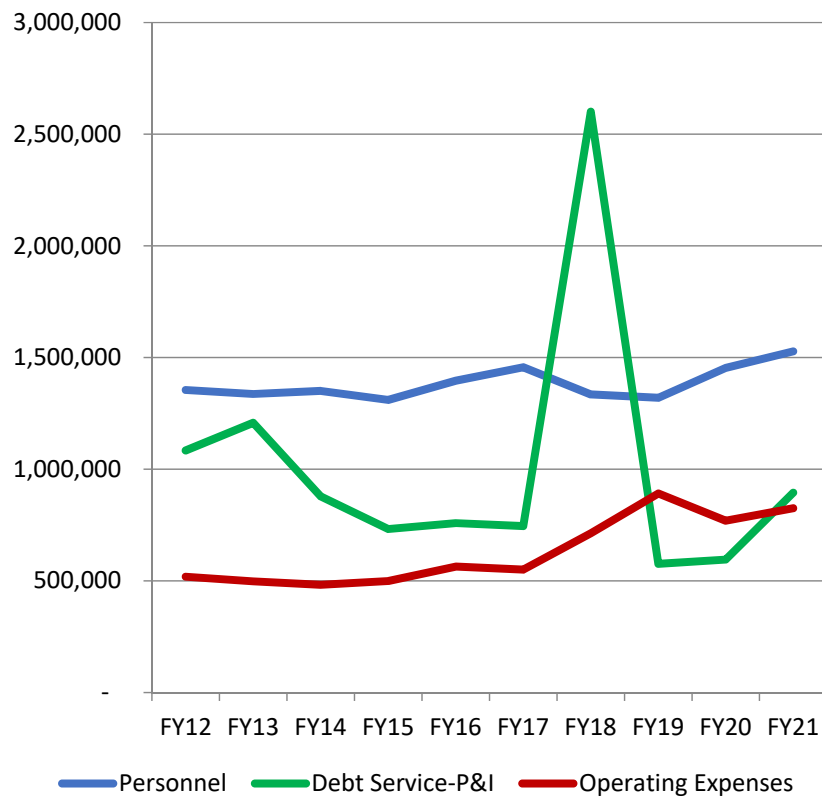
Wastewater



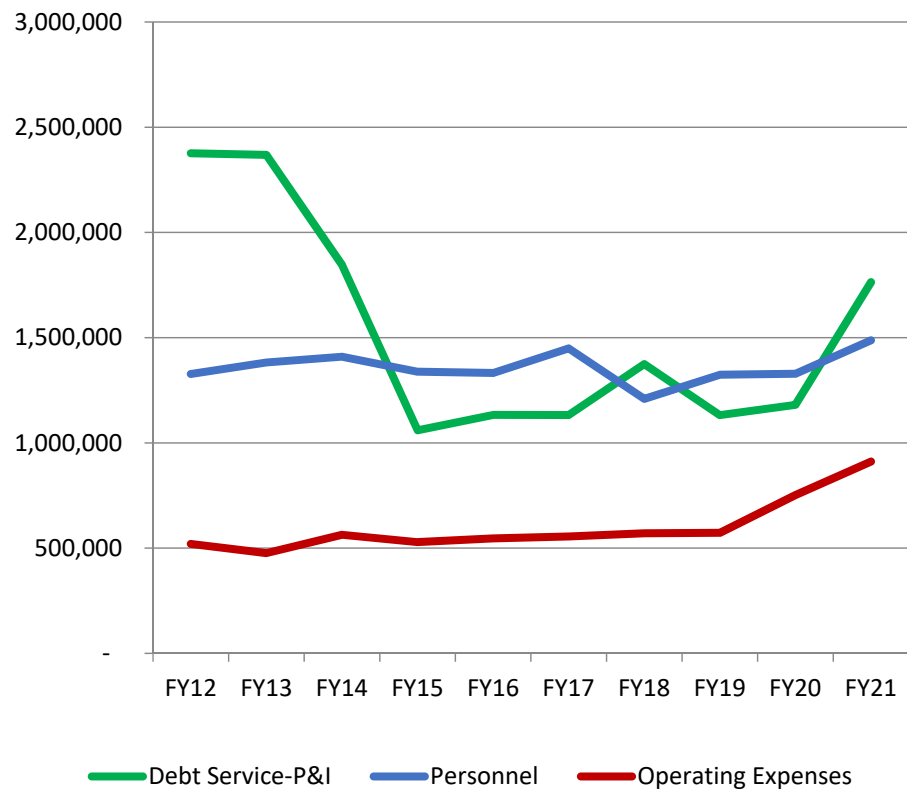


Utility Expenditure Trends

Water



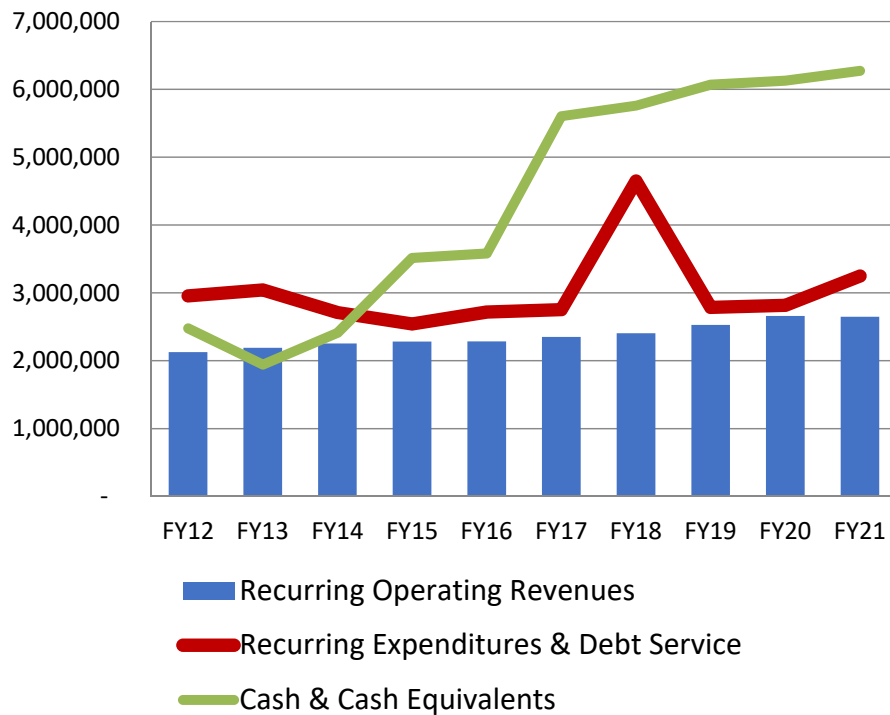
Wastewater





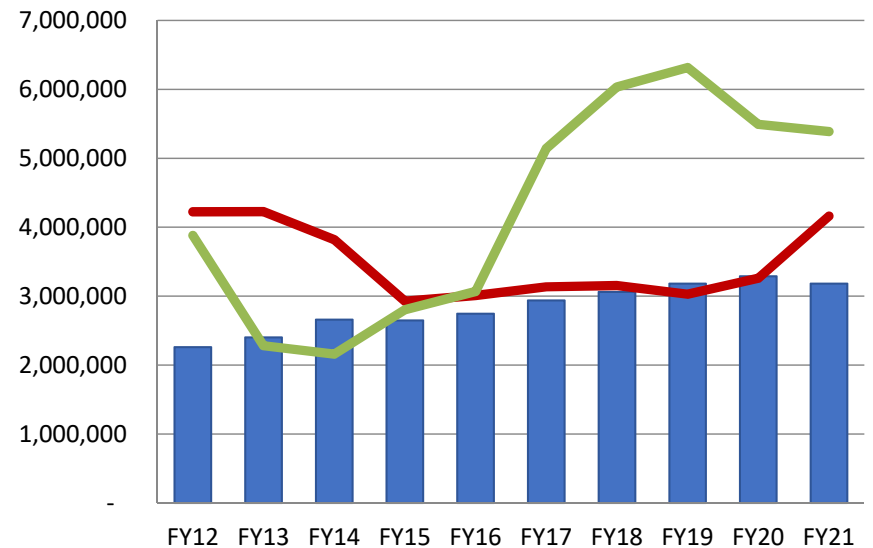
Utility Overview

Water



Difference between red line and blue bar is the operating deficit.

Wastewater



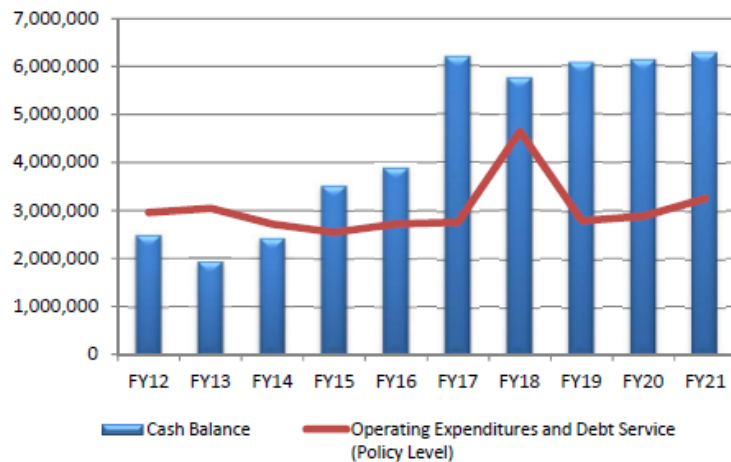


UTILITY FUNDS CASH POLICY

Policy: Utility cash and cash equivalent should exceed 100% of total operating expenditures and debt service.

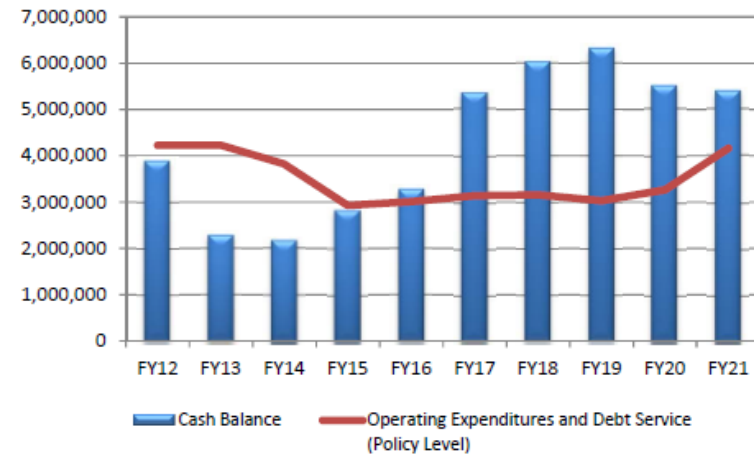
Fiscal Year	Cash Balance		Operating Expenditures and Debt Service (Policy Level)		Cash in Excess of Policy	
	Water Fund	Wastewater Fund	Water Fund	Wastewater Fund	Water Fund	Wastewater Fund
FY12	2,476,736	3,879,221	2,957,191	4,223,602	-480,455	-344,381
FY13	1,942,327	2,281,417	3,042,777	4,226,080	-1,100,450	-1,944,663
FY14	2,412,481	2,158,476	2,711,107	3,819,633	-298,626	-1,661,157
FY15	3,514,106	2,803,636	2,541,864	2,926,374	972,242	-122,738
FY16	3,882,260	3,267,683	2,719,124	3,010,499	1,163,136	257,184
FY17	6,195,841	5,340,437	2,752,461	3,135,450	3,443,380	2,204,987
FY18	5,760,765	6,034,559	4,648,775	3,153,082	1,111,990	2,881,477
FY19	6,069,869	6,316,235	2,787,011 *	3,028,031	3,282,858	3,288,204
FY20	6,127,545	5,491,346	2,877,352	3,261,148	3,250,193	2,230,198
FY21	6,273,004	5,387,044	3,247,811	4,162,301	3,025,193	1,224,743

Water Fund Cash Balance



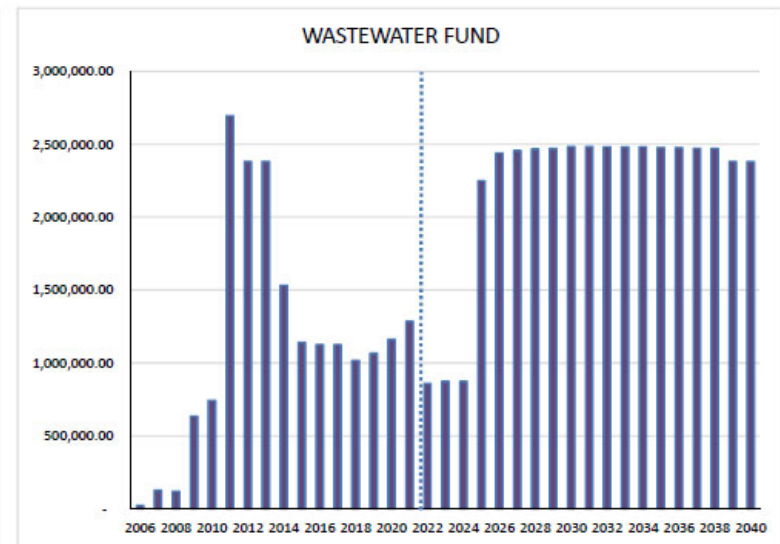
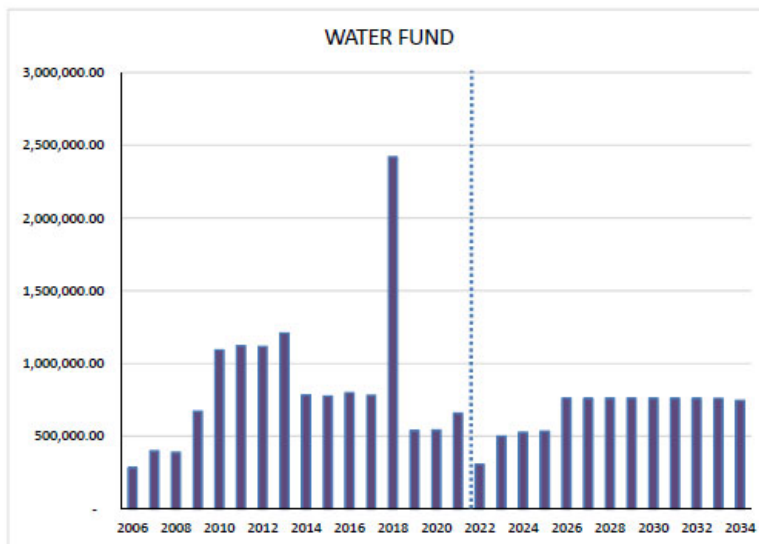
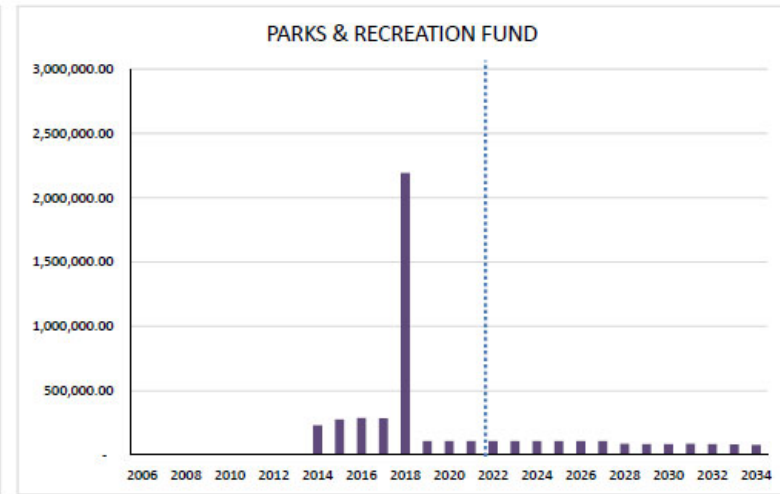
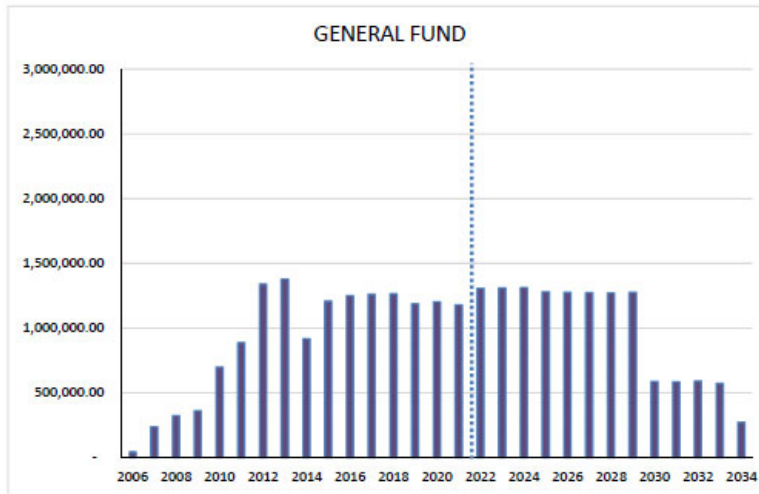
* FY18 includes the payoff of the 2010 RBC Bond.

Wastewater Fund Cash Balance





DEBT SERVICE PROFILE AS OF JULY 1, 2021



Future debt service is shown to the right of the blue dotted line.



FY 2022 Budget Highlights



FY22 Budget Highlights

- Operating Revenues
 - No property tax rate increases in the General Fund.
 - Adopted rate increase of 3% in water & 5% in wastewater user fees.
- Operating Expenditures
 - 3.0% increase budgeted for salary enhancements
 - 1.0% COLA and 2.0% Merit
 - (1.0%) decrease in Local Choice Health Insurance Program rates
 - No change in Virginia Retirement System (VRS) rate
 - Travel and Training represents 1% of salaries
 - FTE Remains at 85
 - However, only 82 were fully funded at this time (i.e., PD salary lapse and 2 temporarily frozen positions).
 - Minimal Non-wage enhancements
 - 1 new leased vehicle for PW Maintenance and 1 in Water Department
 - Capital Reserve Fund established and initially seeded by the reduction in the Indirect Cost Allocation (\$25K in Water & \$25K in Wastewater).
 - Debt Restructure reducing FY22 expenditures
- See Appendix for highlights by Fund



FY 2023 Budget



Accelerated Budget Schedule

- Property Tax rates must be adopted earlier due to the transition to County Billing.
 - Set Personal Property Tax Rates by **Feb. 28** (County bills in early April, Due May 5). Public Hearing required if rates increase.
 - Set Real Estate Tax Rates by **Mar. 31** (County bills in early May, due June 5). Typically requires Public Hearing with 30 days notice.
- Condensed time period from presentation of Town Manager Proposed Budget to the date of Adoption by Council to facilitate effective and efficient implementation of Council Initiatives.
 - The Proposed Budget is being presented a week earlier on 3/9.
 - The Adoption date is 4/26 (fallback dates in May).



Governmental Source of Funds

- Meals and Sales Receipt growth
 - A 1 percent change in the Meals tax rate is equivalent to \$450,000.
- Real Estate Property Tax
 - Real Estate Tax rate is currently at \$0.22/\$100 assessed value.
 - It is standard practice to advertise for 2-cent Real Estate Property Tax increase to allow maximum flexibility. However, this does not mean that we need to Adopt the increase.
- Parks & Recreation revenue returns to pre-pandemic level
 - Fireman's Field Special Tax District rate is currently at \$0.030/\$100 assessed Value.



Utilities Source of Funds

- Water rate recommendation of 3% increase.
 - Refer to Davenport Feb 9, 2021 presentation. This rate applies to Operating as CIP was de-coupled.
 - A 1 percent change in the Water Usage Fee is ~\$24K and ~\$72K for a 3% increase.
- Wastewater rate recommendation of 5% increase.
 - Refer to Davenport Feb 9, 2021 presentation. This rate applies to Operating as CIP was de-coupled.
 - A 1 percent change in the Wastewater Usage Fee is ~\$34K and ~\$170K for a 5% increase.
- As development slows, Availabilities Revenue decreases.
- ARPA CIP Funding
 - Planning, execution, and budgeting complexities
- Capital Reserves



Use of Funds

- Expenditures
 - Inflation
 - Additional health and safety standards
 - COLA + Market Adjustment/Pay Equity + Performance
 - SS COLA is +5.9% SS (See appendix)
 - Overtime
 - FTE enhancements
 - Travel & Training increases post-pandemic
- CARP
 - Incremental new Leased Vehicles, HVAC, Server Replacements, Fireman's Field, Inflow & Infiltration, SCADA
- Cash Funded CIP
- Increasing trends for Utility Debt (See appendix)

Meetings - FY23 Budget (Subject to updates)

Date 7PM	Meeting/ Work Session	Topics for Discussion/Action	PH Notice
✓ Tue 10/12	Regular TC Meeting WS	ARPA Spending Plan and Appropriation (Admin)	-
✓ Tue 10/26	Regular TC Meeting WS	Workforce Overview (Town Manager & HR)	-
Wed 11/10	Special Mtg / Budget WS #1	FY23 Pre-Budget	-
Wed 11/17 6PM	Special Mtg / Budget WS #2	ARPA, CIP Prioritization, and funding discussion	-
Tue 2/8	Regular TC Meeting	<u>Public Hearing</u> for “2022 Personal Property Tax Rate and PPTRA”	1/14 & 1/21 PH Ad (7 day notice if changes)
Tue 2/22	Regular TC Meeting WS	Town Council to <u>Adopt</u> Ordinance for “2022 Personal Property Tax Rate and PPTRA” to allow County to prepare tax bills.	See 2/8 PH
Tue 3/8	Regular TC Meeting	<u>Public Hearing</u> for “2022 Real Estate Property Tax Rates - Equalized”	1/28 & 2/4 PH Ad (30 day notice if changes)
Wed 3/9	Special Mtg/ Budget WS #3	Town Manager presents proposed FY23 Budget	-
Wed 3/16	Special Mtg/ Budget WS #4	FY23 Proposed Budget details and Q&A	-
Tue 3/22	Regular TC Meeting WS	Town Council to <u>Adopt</u> Ordinance for “2022 Real Estate Property Tax Rates” (including Fireman’s Field Tax District) to allow County to prepare tax bills.	See 3/8 PH
Tue 4/12	Regular TC Meeting	<u>Public Hearing</u> for FY23 Budget	3/25 & 4/1 PH Ad (7 day notice)
		<u>Public Hearing</u> for Master Tax & Fee, if changes	3/25 & 4/1 PH Ad (5 day notice if changes)
Wed 3/30	Special Mtg/ Budget WS #5	FY23 Proposed Budget – Departments/Topic (e.g., new Allocation)	-
Tue 4/26	Regular TC Meeting WS	Town Council to <u>Adopt</u> & Appropriate FY 2023 Budget Town Council to <u>Adopt</u> Ordinance for Master Tax & Fees • Optional date is May 10 or 24	See 4/12 PH See 4/12 PH

Legend:

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

Spring Break week is 4/11-15

Regular TC WS = Regular TC Work Session on the 4th Tuesday of the month

Admin Mtg

Budget Work Session

Council Mtg



Next Steps and Recommendation

- FY23
 - Assumptions
 - Revenue including rates
 - Expenditures
 - Town Manager
 - Assumes no change to Personal Property Tax Rates
 - Prepares Ad for Real Estate Property Tax Rate by 1/28
 - Locks Down proposed Budget 2/8



Appendix



Town of Purcellville
FY2021 General Fund Surplus Analysis
Includes CARES Funding
October 29, 2021

	Revised Budget	Actual	Budget to Actual Difference	Notes
Operating Revenue	12,505,480	12,927,773	422,293	
Major Contributors				
Sales Tax		117,766		Irregular consumer spending pattern due to Covid
Meals Tax		237,804		Irregular consumer spending pattern due to Covid
Draw on Reserves	736,841	-	(736,841)	
Operating Expenditures	13,189,088	11,461,773	1,727,315	
Major Contributors				
General Government		146,803		Admin & IT personnel ORGs were over budget \$44K, Admin, HR & Int Svcs were under \$48k, Legal was under \$47k, Finance Op was under \$20k, IT Op was under \$40k
Public Safety (CARES \$454k)		890,229		Personnel Costs were under budget \$323k plus received CARES reimbursement of \$454k for Public Safety Employees, \$113k surplus in PD operating expenses
Public Works		409,428		PW Compensation under budget \$25k, PW OP under \$54k, Town Streets were under budget \$103k, State Streets were under budget \$146K, Town Hall under \$30k, Maint Fac under \$47k
Engineering, Planning & Dev		200,507		Personnel Costs were under budget \$89k, operating expenses were under \$96k, EDEV was under \$8k.
Adjustments and Transfers	53,233	-	53,233	Unspent Contingency; No Transfer to CIP in FY21
Preliminary Operating Surplus/(Deficit)		1,466,000		
		<i>Op Rev-Op Exp-Txr to CIP</i>	1,466,000	Budgetary Surplus/(Deficit)

TOTAL FUND BALANCE	
Total Fund Balance as of June 30, 2020	6,807,834
Change in Total Fund Balance	1,466,000
Total Fund Balance as of June 30, 2021	8,273,834

UNASSIGNED FUND BALANCE	
Unassigned Fund Balance as of June 30, 2020	6,064,206
Change in Fund Balance	1,466,000
Change in Restrictions to Fund Balance*	(413,133)
Unassigned Fund Balance as of June 30, 2021	7,943,339
<i>Reserves to Operating Rev 59% FB in Excess of Policy \$3,925,530</i>	

*A reduction of restrictions on Fund Balance increases the Unassigned Fund Balance.



Town of Purcellville
FY 2021 Parks & Rec Fund Surplus Analysis
October 29, 2021

	Revised Budget	Actual	Budget to Actual Difference	Notes
Operating Revenue	511,297	464,924	(46,373)	
Major Contributors				
Rent on Property		(30,000)		Bush Tabernacle rent abated during Covid
Train Station		(7,290)		Train Station rentals were limited due to the pandemic
Other Grants		(5,000)		No grants were received
Wine & Food		(10,500)		July 2020 Wine and Food Festival canceled due to pandemic
Draw on Reserves	106,001	-	(106,001)	
Operating Expenditures	612,105	472,506	139,599	
Major Contributors				
P&R Management		15,103		Personnel costs were over budget \$7k, operating expenditures were under \$22k
Bush Tabernacle		25,009		Maintenance and general expenses were less than expected
Train Station		25,912		Visitor center was under \$12k, building maintenance was under \$15k
Fireman's Field		25,511		Tree Maintenance was under \$14k, capital outlay was \$11k
P&R Programs		48,063		Cancellation of the Wine and Food Festival resulted in a budgetary savings of \$34k, expenditures for Special Programs, Music & Arts Festival, Holiday Program and July 4th were under \$13k
Adjustments and Transfers	5,193	-	5,193	Unspent Contingency; No Transfer to CIP in FY21
Preliminary Operating Surplus/(Deficit)		(7,582)		
		<i>Op Rev-Op Exp-Txr to CIP</i>	(7,582)	Budgetary Surplus/(Deficit)

TOTAL PARKS & REC FUND BALANCE	
Total Fund Balance as of June 30, 2020	407,055
Change in Total Fund Balance	(7,582)
Total Fund Balance as of June 30, 2021	399,473
<i>The Parks & Rec Fund Balance can only be used for Parks & Rec expenditures</i>	



FY22 Budget Highlights - All Funds

- Operating Revenues
 - Refer to individual funds
- Operating Expenditures
 - 3.0% increase budgeted for salary enhancements
 - (1.0%) decrease in Local Choice Health Insurance Program rates
 - No change in Virginia Retirement System (VRS) rate
 - Travel and Training represents 1% of salaries
 - FTE Remains at 85
 - However, only 82 were fully funded at this time (i.e., PD salary lapse and 2 temporarily frozen positions).
 - Minimal Non-wage enhancements
 - Debt Restructure reducing FY22 expenditures
- Surplus/(Deficit)
 - General Fund has a deficit of (\$173K) and the Parks and Rec deficit is (\$116K).
 - Including Availabilities Revenue, Water has a surplus of \$223K and Wastewater surplus is \$385K. However, without Availability Revenue, the Water operating deficit is (\$86K) and Wastewater operating surplus is \$126K.



FY22 Budget Highlights - General Fund

- General Fund budget totals \$11.100 million increasing by \$0.081 million or 1% over the adopted FY 2021 Operating Budget
 - \$70,200 of the budget increase is cash funded capital cost for two Munis software modules (i.e., Permitting, Asset Management)
- No property tax rate increases in the General Fund
 - Real Estate Tax rate remained at \$0.22/\$100 assessed value.
 - The total assessment value increased 3.46% (2.28% revaluations and 1.18% new construction).
 - Average residential tax bill increase is \$55 over the prior year
 - A 1 cent change in the real estate tax rate is equivalent to \$153,610 for calendar year 2021.
- Growth projected in Meals Tax and Sales Tax categories
 - A 1 percent change in the Meals tax rate is equivalent to \$450,000.
- Froze 2 Police positions for (\$150,000) and also applied salary lapse of (\$75,000)
- Operating contingency of \$46,520 for unexpected needs, emergency costs, or Council-directed priorities.
- Allocation of Indirect Cost (a.k.a. Chargeback) reduced to \$958K.
- Capital Outlay of \$142,200 includes vehicle and vac-con equipment leases
- Capital Improvement Program (CIP) includes 5 projects with FY 2022 budget of \$1.2 million
 - CIP projects funded from external sources with the exception of \$70,200 from cash reserves for the Permitting & Asset Software
- Uses \$243,635 transfer in cash reserves
 - \$173,435 to balance budgeted expenditures; \$70,200 transferred to CIP for Software modules



FY22 Budget Highlights

Special Parks & Recreation Fund

- Parks & Recreation Fund budget totals \$607,112 increased by \$29,993 or 5% over adopted FY 2021 Operating Budget
 - \$25,000 of the budget increase is cash funded capital cost for the Sue Kane Trail 80/20 matching Grant
- Fireman's Field Tax District rate remained at \$0.030/\$100 Assessed Value
 - Total assessment value increased 3.46% (2.28% revaluations and 1.18% new construction).
 - Average residential tax bill increase is \$8 over the prior year
- No new or expanded positions
- Operating contingency of \$15,000 for unexpected needs, emergency costs, or Council-directed priorities
- One Capital Improvement Program project proposed for \$125,000 in FY 2022
 - CIP funded from external sources with the exception of \$25,000 from cash reserves for Sue Kane Trail 80/20 Grant Match
- Uses \$140,562 transfer in cash reserves (\$115,562 to balance budgeted expenditures; \$25,000 transferred to CIP for Sue Kane Trail)



FY22 Budget Highlights - Water Fund

- Water Fund budget totals \$3.054 million decreased by (\$0.360) million or (11%) over the adopted FY 2021 Operating Budget.
 - (\$0.270) million decrease in Availability revenue over FY21.
- 3% rate increase in water user fees
 - Transition to new 4 tier water rate structure in accordance with the Stantec Utility Rate Study recommendations.
- No change to total FTE
- Indirect Cost Allocation of \$479,238 to reimburse General Fund for personnel costs
- 2021 Utility debt restructure resulted in \$368K in cash flow savings in FY22 over FY21 restructure.
- Capital Outlay of \$38,600 includes vehicle and vac-con equipment leases
- Operating contingency of \$125,000 for unexpected needs, emergency costs, or Council-directed priorities
- Capital Reserve Fund established and initially seeded by the reduction in the Indirect Cost Allocation of \$25,000.
- Capital Improvement Program (CIP) includes three projects with FY 2022 budget of \$2,325,000 funded with new debt.
- No proposed transfer of cash reserves to balance the budgeted expenditures or for CIP.
- Including Availabilities Revenue, Water has a surplus of \$223K. However, without Availability Revenue, the Water deficit is (\$86K).



FY22 Budget Highlights

Wastewater Fund

- Wastewater Fund budget totals \$3.888 million decreased by (\$0.519) or (12%) over the adopted FY 2021 Operating Budget due a decrease in availability revenue.
 - (\$0.227) million decrease in Availability revenue over FY21.
 - (\$0.281) million decrease in use of reserves for CIP over FY21.
- 5% adopted rate increase in wastewater user fees
- No new or expanded positions
- Indirect Cost Allocation of \$479,238 to reimburse General Fund for personnel costs
- 2021 Utility debt restructure resulted in \$669K in cash flow savings in FY22 over FY21 restructure.
- Capital Outlay of \$99,200 includes \$24,200 vehicle/vac-con leases, \$15,000 equipment, \$60,000 Inflow and Infiltration
- Operating contingency of \$145,000 for unexpected needs, emergency costs, or Council-directed priorities
- Capital Reserve Fund established and initially seeded by the reduction in the Indirect Cost Allocation of \$25,000.
- Capital Improvement Program includes one project with FY 2022 budget of \$150,000 funded from cash reserves for 12th Street Sewer
- No proposed transfer of cash reserves to balance the budgeted expenditures
 - Uses \$150,000 for transfer to CIP
 - Including Availabilities Revenue, Wastewater surplus is \$385K. However, without Availability Revenue, the Wastewater surplus is \$126K.



Cost of Living Adjustment (COLA)

- Social Security COLA for 2022 is 5.9% per <https://www.ssa.gov/news/press/factsheets/colafacts2022.pdf>

Press Release

Wednesday, October 13, 2021
For Immediate Release

Mark Hinkle, Press Officer
press.office@ssa.gov

Social Security Announces 5.9 Percent Benefit Increase for 2022

[Print Version](#)

Social Security and Supplemental Security Income (SSI) benefits for approximately 70 million Americans will increase 5.9 percent in 2022, the Social Security Administration announced today.

The 5.9 percent cost-of-living adjustment (COLA) will begin with benefits payable to more than 64 million Social Security beneficiaries in January 2022. Increased payments to approximately 8 million SSI beneficiaries will begin on December 30, 2021. (Note: some people receive both Social Security and SSI benefits). The Social Security Act ties the annual COLA to the increase in the Consumer Price Index as determined by the Department of Labor's Bureau of Labor Statistics.



FY23 CIP

(based upon FY22-26 Adopted Budget)

To be updated based upon
November 17th Council Meeting

Project	FY23	by Funding Source						
	Total	VDOT	NVTA	Cash	Proffers	Grant/ Spec Tax District	County	USDA Loan
GENERAL FUND								
32nd & Main Intersection Improvements	100,000		100,000					
Main & Maple Intersection Imp Phase 2	59,000		59,000					
S 20th Street Mid-Block Crosswalk	55,000						55,000	
Hirst Farm Pond Conversion	46,100					46,100		
	0							
TOTAL GENERAL FUND - CIP	260,100	0	159,000	0	0	46,100	55,000	0
SPECIAL PARKS & RECREATION FUND (P&R)								
Outdoor Stage - Dillion's Woods	20,000			20,000				
Sue Kane Nature Park Multi-Use Trail	375,000			75,000		300,000		
TOTAL P&R FUND - CIP	395,000	0	0	95,000	0	300,000	0	0
WATER FUND								
Hirst Reservoir Improvements	0							0
WTP to Town Water Main Replacement Ph 1	1,600,000							1,600,000
Reservoir to WTP Raw Water Main	1,760,000							1,760,000
12th Street Water Main Replacement	227,538	127,538		100,000				
TOTAL WATER FUND - CIP	3,587,538	127,538	0	100,000	0	0	0	3,360,000
WASTEWATER FUND								
	0							
TOTAL WASTEWATER FUND - CIP	0	0	0	0	0	0	0	0
TOTAL CIP	4,242,638	127,538	159,000	195,000	0	346,100	55,000	3,360,000