



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

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Wednesday, March 16, 2022

7:00 PM

# Accomplishments Leading into Fiscal Year 2023 Budget



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

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



# BUDGET COMPARISON PRE & POST PANDEMIC

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

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

# BUDGET SUMMARY

✓ Total Proposed Operating Budget is \$21.441M:

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

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

# CAPITAL IMPROVEMENT PLAN

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

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

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

# CAPITAL IMPROVEMENT PLAN (CONT'D)

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

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

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

# TAXES, RATES & FEES

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



# FY23 TOWN MANAGER-FUNDED ENHANCEMENTS

- Despite departmental necessity, our ability to consider enhancements or new positions is severely constrained
- Only advancing 8 non-wage enhancements;
  1. Replacement HVAC for Wastewater lab
  2. Zero-turn mower deck for Water Department
  3. Two new events for Parks & Rec with a small revenue offset
  4. Two leased F-350 trucks for Public Works Maintenance
  5. Two leased vehicles for Police Department
  6. ERP software to transition from on-premise service to cloud-based
  7. Cybersecurity enhancements for incident management & multi-factor authentication
  8. New Systems Analyst position in IT
    - i. Support current and new software
    - ii. Enhance security/cyberattacks

\* As Manager, I could not fund \$1.1M in departmental requests.

# FY23 UNFUNDED ENHANCEMENTS

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

# OPTIONS TO REDUCE 2022 REAL ESTATE TAX RATE

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

# FUND RESERVES

## All Fund Accounts in a Strong Fiscal Position

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

# REGIONAL FISCAL RECOGNITION

Purcellville has long been recognized for fiscal management . . .

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

# CHALLENGES

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

# CHALLENGES (CONT'D)

## 2. Implementation of Grand Strategy

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

# CHALLENGES (CONT'D)

3. Managing our #1 Asset: “Our Employees”
  - Defining a Compensation Philosophy and Creating a Sustainable Funding Plan



# MANAGING OUR #1 ASSET

## “OUR EMPLOYEES”

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

### Manager's FY23 Budget Includes:

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

# TOWN OF PURCELLVILLE'S COMPENSATION PHILOSOPHY FOR EMPLOYEE RECRUITMENT & RETENTION

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