

COMMITTEE: FINANCE
DATE: MONDAY, FEBRUARY 1, 2010
TIME: 7:15 P.M.

In attendance: Council Members Le Vine (Chair), and Committee Members Terndrup, and Vena; Council Member Baker and Mauck, Mayor Taylor, Town Manager Fauber, Director of Finance Mullins, Town Planner Rex, Town Clerk Keller, Amber Marra of the Northern Virginia Daily, and several citizens.

Council Member Le Vine said the goal of the meeting was to generate information and opinions so Town Manager Fauber and Director of Finance Mullins will be able to present several general budget scenarios at the next Work Session.

- ❖ The minutes of the January 4, 2010 meeting were approved as presented.
- ❖ Director of Finance Mullins reported there were no changes in the 2009-10 budget at this time.
- ❖ Rate Study

Staff has been working on this study for several months. Planner Rex explained the study and four options (attached here-to) for calculating water and sewer rates; he reviewed the pros and potential unanticipated effects of each option. These studies were presented at the last meeting, but he explained Option 2 had been changed slightly from that which was presented last.

Questions asked regarding the options:

- Could the usage category be divided differently without having an impact on our software? Planner Rex said it could be divided differently and Director of Finance Mullins added any change would have an impact on the software and a cost estimate could not be given as it would depend on the option chosen.
- Do any of the options address the original question of how to bill condos/apartments that are residents being charged at a commercial rate? Planner Rex said the first three options all address this as there is no differentiation between commercial and residential.
- Can “direction” be given to Staff using the information given with these options? This lead to further discussion.

Director of Finance Mullins said she had talked to the Town of Purcellville regarding the “estimation” option and was advised to proceed carefully as they have had to hire an outside firm to bill in this manner. In regards to this, **Town Manager Fauber** said rates have to be set so as to pay for the water plant and waste water plant and then **Council Member Baker** gave examples of how the rate could be set and then incentives be given at the end of the year.

Staff’s recommendation for now is to keep the current rate structure and adjust some of the multi-user residences to a residential use. This might cause the rates to go up for all residential users, but not as much as the first three options.

Consensus --- keep the same rate structure as now with further study after the budget is passed. This will be done early enough so that a change can be made in the 2011-12 budget year. It was noted, fees could be changed during the year if need be.

- ❖ 2010-11 Budget discussion items:
 - ❖ Setting of tax rates and fees (excluding water and sewer)

Director of Finance Mullins presented the current tax rates and water and sewer availability fees (attached here-to).

It was asked if there was any interest from Council in raising taxes and fees, especially in light of the economy.

Mayor Taylor asked about the reassessments and **Director of Finance Mullins** said these numbers are not going up that much. She does not have final numbers, but preliminary numbers show it will be revenue neutral.

On a poll of Mayor Taylor and Council Members Vena, Terndrup, and Baker, all would like these rates to remain the same with the exception of Council Member Baker who said he would not have a problem with raising the cigarette tax.

Guidance to Staff is to keep the fees and taxes the same and it was noted the expenses will need to “fit” this scenario.

❖ Availability Fees

A meeting of developers with Planner Rex and Council Member Le Vine regarding this issue was held recently and an idea from this was to lower the availability rates to \$8,000 and have a pre-pay option; the legalities of this would need to be studied further with Town Attorney Neal.

It is the recommendation of the Committee to find out if it is legal to pre-pay. If this is legal, developers need to be contacted to see just how much revenue would be generated by allowing this. Planner Rex said he estimates 17 or 18 new homes will be built during the next budget year, but he believes some would pre-pay, if the option were available.

When discussing water and sewer rates – user fees, Director of Finance Mullins said there is an expected 12-13% increase in the water fund due to a proposed new position at the water plant. Town Manager Fauber said as the water plant debt goes in, the rates will have to go up. The previous rate study done showed the need for a 12% increase in both water and sewer for the next budget year.

Guidance to Staff --- raise the user fees the least amount possible, with 12% being discussed as a good guide to follow. Find out about the legalities of pre-pay and then do an informal survey of developers to determine who would use this.

❖ Donations to organizations

It was stated that donations come from the general fund and it is already known state funding will be down. A copy of the amounts given were given (attached here-to). When asked if donations should stay the same, be lowered, or be raised and should new donations be given, Council Members Mauck, Terndrup, and Vena would like the total amount given to stay the same (capped at \$159,500 overall). Council Member Baker said with economic times the way they are, the Town should look at reducing the amount given in donations and suggested capping at \$100,000. Mayor Taylor thought \$125,000 might be a good “cap.”

Council Member Mauck would like fire and rescue be taken out of the donation area and put in a “service” area.

Council Member Baker added that some of the organizations perform very valuable services to the Town and he would want to keep donations to them at the same amount, others could be given less.

Also discussed was changing the amount given to Shenandoah County for tourism and using the difference to supplement the Town’s Tourism Committee. Council Members were impressed with the presentation given at the Work Session by the Tourism Committee. Currently, the Town gives 1% of the 5% lodging tax collected to Shenandoah County to be used for tourism.

Guidance to Staff --- keep the total amount given capped at \$159,500.

❖ Pay Increases

Director of Finance Mullins gave an estimate of the cost of pay increases at different percentages (attached here-to). She explained her reasoning for a 3% increase beginning in January (would actually only cost the Town 1.5% due to the timing of the increase). She said Department Heads will be doing employee evaluations and she feels the increase would be an incentive. Council Member Le Vine does not agree with this in these economic times. In discussion, some Members suggested the 1% increase, with others looking at the 3% (or 1.5% in January). Mayor Taylor pointed out the scenario given by Director of Finance Mullins does not give any cost-of-living raise as it would all be merit based.

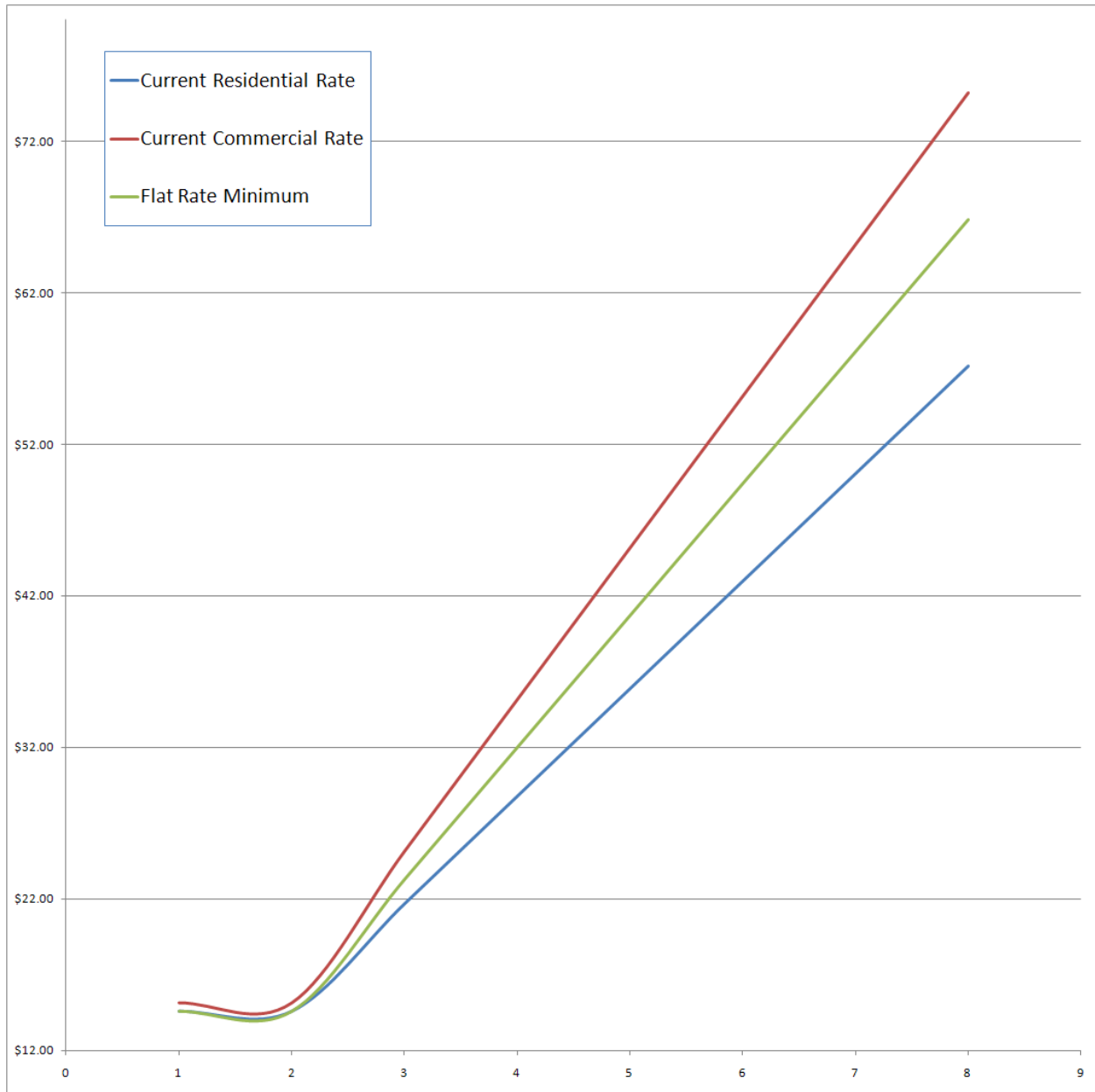
Guidance to Staff --- Work out scenarios for both the 1% raise and the 1.5%

Using the information gained from the discussions, draft budgets will be presented at the Work Session.

- ❖ Abating 2004 Personal Property Taxes - Director of Finance Mullins said ~\$330,000 was billed in 2004 for Personal Property taxes and ~98% was collected. The statute of limitations has expired and so ~\$6,500 must be written off. She explained all the ways the Town collects these taxes.
- ❖ Request by Town Planner --- Planner Rex submitted a memo explaining his request for funding the historic district design guidelines (memo attached here-to). The memo outlines where the funds would come from in the current budget. It is Staff's recommendation to support this request. Council Member Terndrup added that more grant money is available to the Town when there are historic guidelines. Council Members present and Mayor Taylor were all in favor of this recommendation, except for Council Member Baker who took no position.
Guidance to Staff --- write an RFP and post
- ❖ Other Business: Council Member Mauck asked about the Fire Programs funding and said it had been report Strasburg was given \$10,939; this amount comes to the Town, but is given directly to the Fire Department.
- ❖ Being no other business, the meeting adjourned at 8:50 p.m.

Water and Sewer Rate Study

Option 1: Flat Rate with Minimum



Fiscal Year	Current Rate	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Water	\$28.78	\$30.72	\$36.70	\$54.50	\$55.20	\$51.20
Sewer	\$30.16	\$29.50	\$41.50	\$45.80	\$77.50	\$77.50
Total	\$58.94	\$60.22	\$78.20	\$100.30	\$132.70	\$128.70

Water and Sewer Rate Study

Option 1: Flat Rate with Minimum

Structure assumptions:

1. Consumers pay a minimum charge for first 2,000 gallons
2. Above-minimum rate is the same for all consumers

Pros:

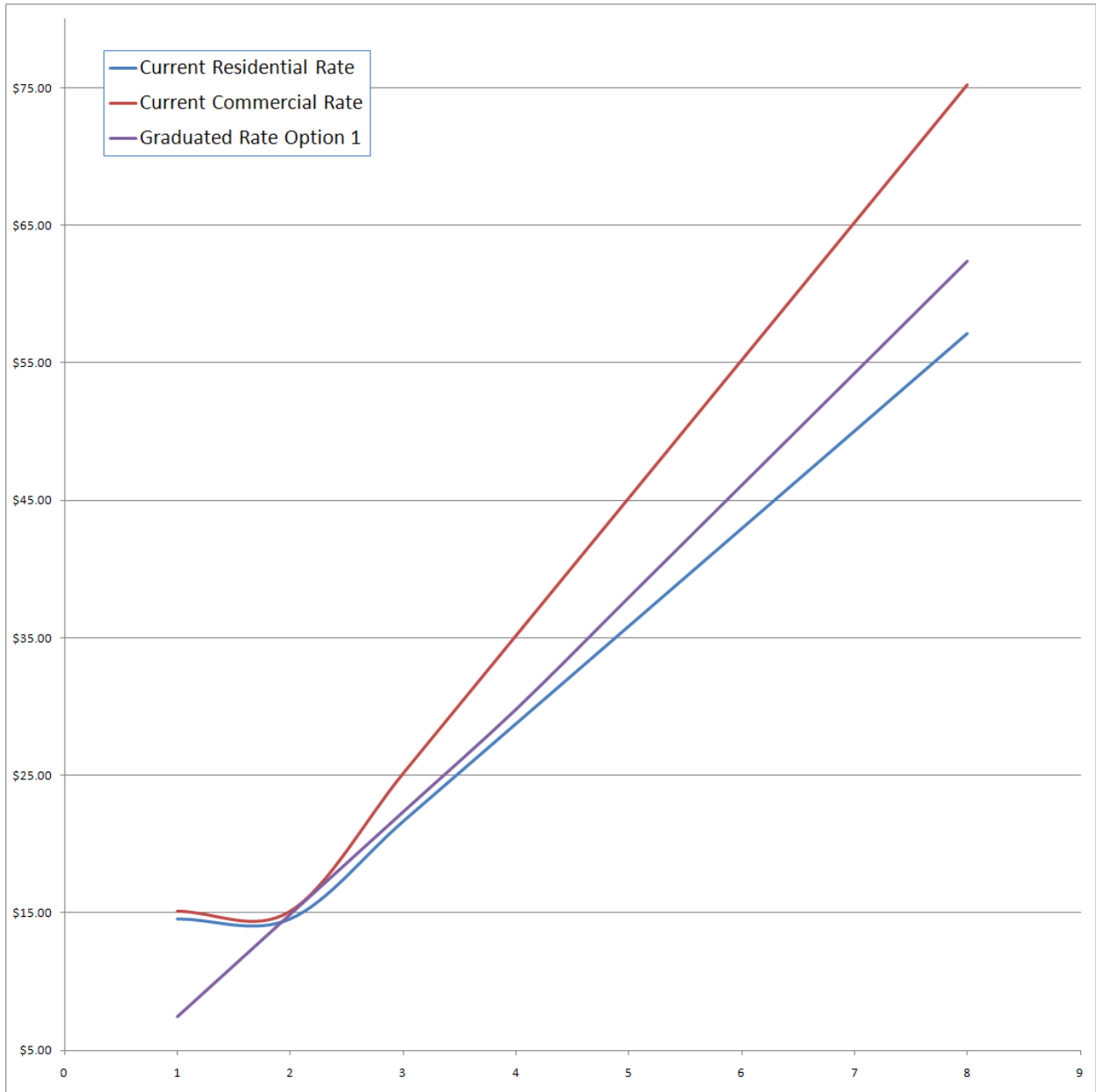
1. Fairness to all customers regardless of land use or meter size
2. Simple, single calculation
3. Requires no change to billing software

Potential unanticipated effects:

1. Because commercial users pay a higher rate currently, the flat rate structure will cause residential customers to see a disproportionate increase in their average charges
2. Larger users will see a significant decrease in cost, may lead to more consumption
3. Could be a “business friendly” structure due to general decrease in cost to larger users

Water and Sewer Rate Study

Option 2: Graduated (Progressive) Rate 1



Usage Category			Rate per 1,000 gallons		Fiscal Year	Current Rate	2009-2010
0	to	4	\$7.45	Graduated Rate Option 1	Water	\$28.78	\$29.80
5	to	8	\$8.15		Sewer	\$30.16	\$31.60
9	to	12	\$9.15				
13	up		\$10.15				

Water and Sewer Rate Study

Option 2: Graduated (Progressive) Rate 1

Structure assumptions:

1. Rates increase as usage increases
2. Consumers pay a different rate for each category of usage
3. Rate does not change based on land use or meter size

Pros:

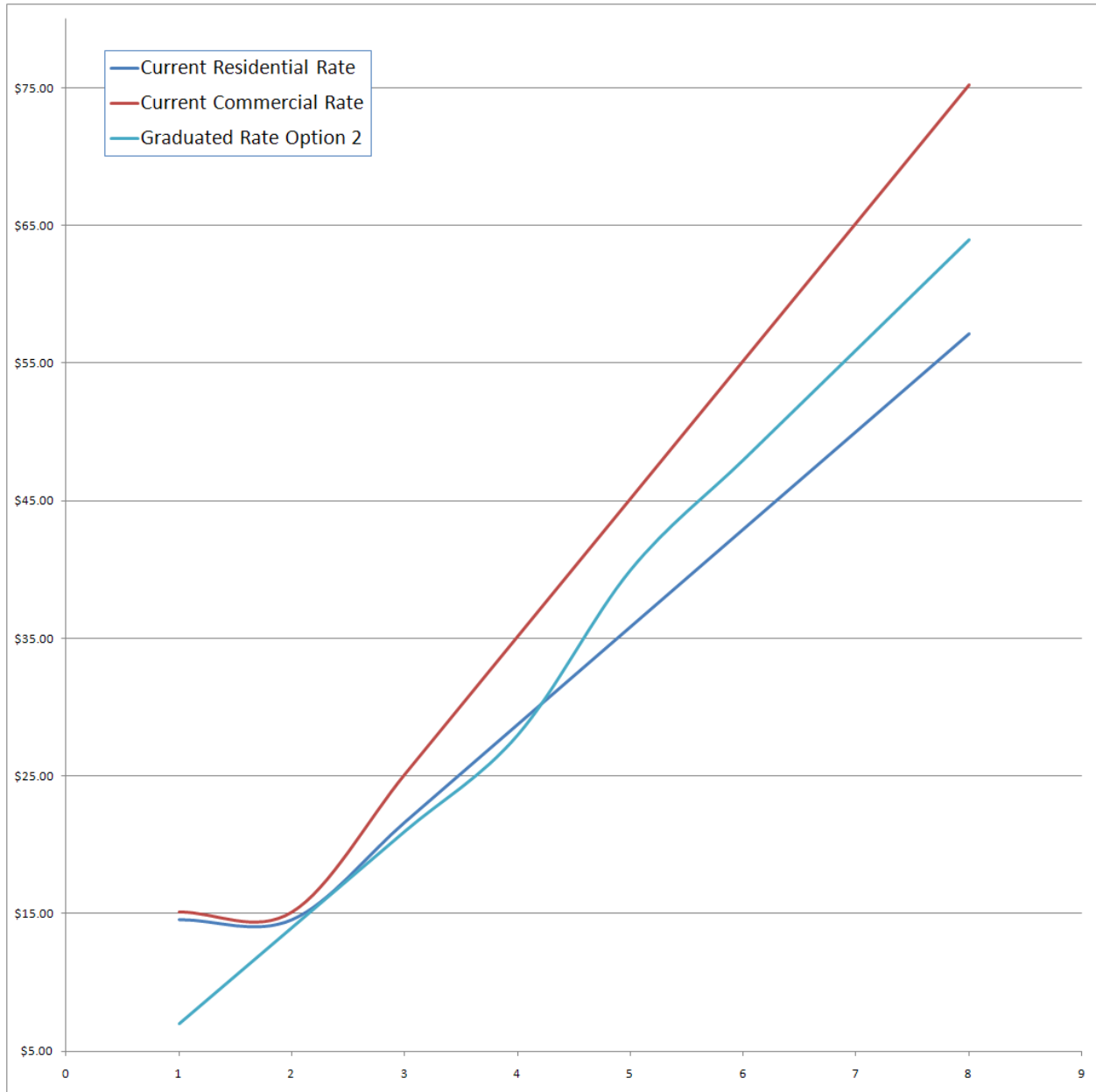
1. Has less impact on average resident than the flat rate
2. Is structured to encourage water conservation

Potential unanticipated effects:

1. Would require a significant change to current billing software
2. May not encourage conservation due to fairly insignificant cost increase for average residential user (3.5 to 4.7% increase)
3. May encourage conservation for larger users which will decrease total usage and revenue
4. Larger users will see a general increase in cost, may be perceived as not being "business friendly"

Water and Sewer Rate Study

Option 3: Graduated (Progressive) Rate 2



Usage Category			Rate per 1,000 gallons
0	to	4	\$7.00
5	to	8	\$8.00
9	to	12	\$8.75
13	up		\$9.75

	Fiscal Year	Current Rate	2009-2010
Graduated Rate Option 2	Water	\$28.78	\$28.00
	Sewer	\$30.16	\$28.20

Water and Sewer Rate Study

Option 3: Graduated (Progressive) Rate 2

Structure assumptions:

1. Rates increase as usage increases
2. Consumers pay a rate based on how much water they use – rate is used for all water usage
3. Rate does not change based on land use or meter size

Pros:

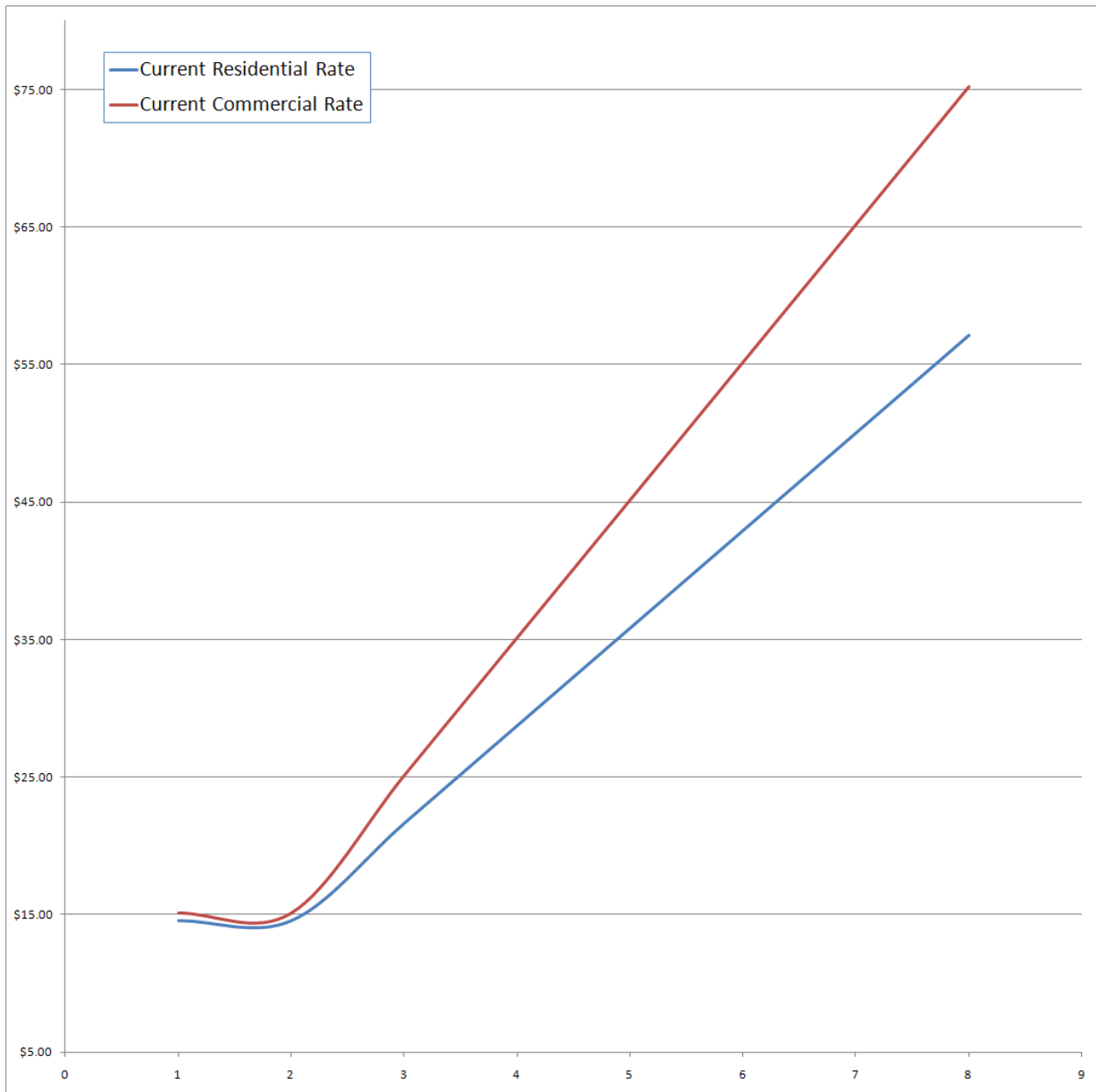
1. Average residential user will pay less than current rate structure
2. Is structured to encourage water conservation

Potential unanticipated effects:

1. Would require a significant change to current billing software
2. Will likely not encourage conservation among average residential users due to cost decrease
3. Is more likely to encourage conservation among large users which may decrease total usage and revenue
4. Larger users will see a more significant increase in cost, may be perceived as not being “business friendly”

Water and Sewer Rate Study

Option 4: Keep Current Rate Structure



Water and Sewer Rate Study

Option 4: Keep Current Rate Structure

Structure assumptions:

1. No changes to the current rate structure

Pros:

1. No change is required to current billing software

Potential unanticipated effects:

1. Does not solve the problem of having some residential users paying the higher commercial rate
2. Is perceived by many commercial users as not being “business friendly” due to higher rates for commercial users

FY 2010-11 Budget

- Taxes and fees in **General Fund** should any of them be increased? Current tax rates and fees:
 - Real Estate Tax16 per \$100
 - Personal Property Tax 1.11 per \$100
 - Machinery & Tools Tax..... .86 per \$100
 - Meals Tax..... 5%
 - Lodging Tax..... 5%
 - Cigarette Tax25 per pack
 - Motor Vehicle License Fee 25.00 per vehicle
 - Business License Tax..... .13 per \$100 of gross receipts
- Water & Sewer Availability Fees; should they be raised, stay the same or lowered? Current fees are:
 - Water ¾ " \$10,000
 - Sewer ¾" \$10,000

Would you consider lowering availability fee to \$8,000 each and allowing developers to pre pay with the stipulation the tap must be made within 2 years, any revenue collected above the budgeted amount would be placed in reserve account for capital expenditures?

Donations to Organizations

Items to consider:

- The General Fund Revenue estimates for 2010/11 will be neutral, unless you raise a tax; donations come out of the General Fund
- There could be additional cuts from State Funding; Law Enforcement State Aid, Highway Maintenance and Sale Tax (which is a percentage of the sales tax for the area)

Questions for the Council:

- How much can the Town of Strasburg afford to donate? Do you want to cap it at last year's total, \$159,500?
- Should donations go down considering the economic times? The Town Departments have had to cut items and put projects on hold due to the economy.
- Is this a good year to add organizations we donate to? Will this have a snowball effect?
- Who should get donations? Should we drop any organizations?

Organization	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Strasburg Library	4,000	4,000	19,000	8,000	14,000	14,000	18,000	18,000	18,000	18,000	18,000
Hometown Strasburg/Beautification	0	8,350	13,415	14,250	14,700	19,600	26,600	31,000	20,000	17,300	17,300
Strasburg Museum	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	7,000	14,200	14,200
Strasburg Volunteer Fire Dept	38,200	43,200	43,200	30,000	30,000	50,000	50,000	71,700	50,000	50,000	50,000
Strasburg Volunteer Rescue Squad	25,000	30,000	30,000	30,000	30,000	50,000	50,000	50,000	50,000	25,000	25,000
Chamber of Commerce	0	6,500	8,000	8,000	9,000	9,000	9,000	9,000	7,000	10,000	10,000
Tourism Committee	8,000	5,950	6,825	6,825	22,350	18,200	22,550	18,000	7,500	7,500	25,000
Total	79,200	102,000	124,440	101,075	124,050	164,800	180,150	201,700	159,500	159,500	159,500

Total Donations 10 years 1,396,415

Pay Increase 2010/11

- Cost of 1% pay increase is approximately \$33,000 with benefits
- Cost of 3% pay increase for:
 - 1 year starting July 1st approximately \$98,000 with benefits
 - 6 months/January 2011 approximately \$49,000 with benefits
- Includes 15% increase for VRS (estimate)
- Includes 10% increase in Health Insurance (estimate)

	Cost of Living/ July	Merit/January	Net for Year
FY 09/10	None	None	None
FY 08/09*	3%	None	3.00%
FY 07/08	4%	None	4.00%
FY 06/07	3.50%	3%	5.50%
FY 05/06	3%	3%	4.50%
FY 04/05	3%	3%	4.50%
FY 03/04	3%	3%	4.50%
FY 02/03	4%	3%	5.50%
FY 01/02	4%	3%	5.50%
FY 00/01	4%	3%	5.50%

*Springsted completed salary study, some employees received more than 3% based on the results of the study