MIDDLEBURG TOWN COUNCIL
Special Meeting Minutes
Thursday, March 31, 2022

PENDING APPROVAL

PRESENT: Vice Mayor Peter A. Leonard-Morgan
Councilmember Chris W. Bernard
Councilmember J. Kevin Daly
Councilmember Morris E. "Bud" Jacobs
Councilmember C. Darlene Kirk
Councilmember Philip M. Miller
Councilmember Cindy C. Pearson

STAFF: Danny Davis, Town Manager
Rhonda S. North, MMC, Town Clerk
William M. Moore, Deputy Town Manager
Ali MacIntyre, Director of Business Development & Community Partnerships
A.J. Panebianco, Chief of Police

ABSENT: Mayor Trowbridge M. Littleton

The Town Council of the Town of Middleburg, Virginia held a special meeting on Thursday, March 31, 2022 in the Town Hall Council Chambers, located at 10 West Marshall Street, for the purpose of setting the real estate tax rate and for discussing the FY '23 Utility Fund Budget. Vice Mayor Leonard-Morgan led Council and those attending in the Pledge of Allegiance to the flag. The roll was called at 6:00 p.m.

<u>Discussion Items</u>

<u>FY '23 Utility Rate Model Presentation</u>

Eric Collacchia and Aiden Oakes, of NewGen Strategies & Solutions, appeared before Council to present the results of the updated utility rate model. Mr. Collacchia reminded the members that his firm developed Middleburg's first rate model in 2012 and has been updating it since. He explained that the rate model examined the revenues required to operate the system, which were based on daily operations costs, debt service costs, and capital costs. Mr. Collacchia reminded Council that they recommended rates over a three- to five-year period based on the updated data. He advised that the proposed rates needed to cover the utilities expenses, as well as allow the Utility Fund to maintain a fund balance equivalent to one-years' worth of operating costs. Mr. Collacchia recommended the Town continue to implement a modest 3% annual rate increase. He noted that this was based on the assumption that there would be no change in water demand. Mr. Collacchia advised that they did include some growth in demand due to the Salamander housing coming online; however, they were conservative in their assumptions, as the residents may be transient. He reviewed the revenues, expenditures and fund balances based on the 3% rate increases through FY '29.

Town Manager Davis reminded Council that the Town had a line-of-credit for the Utility Fund that it used to reimburse itself for the Ridgeview water line upgrades and to draw from for other capital projects. He noted the need to refinance the line-of-credit at some point in the future and suggested the Town may wish to use some of the fund balance for that purpose. Mr. Davis reminded Council that the update to the Master Utility Plan, which was currently underway, would result in the identification of capital projects that would need to be done.

Mr. Collacchia advised Council that he was working with the best knowledge that was currently available. He explained that the goal was stability and opined that the Utility Fund was in a good financial position. In response to an inquiry from the Council, Mr. Collacchia confirmed that double digit inflation was built into the rate model through the proposed budget for the coming year, with more modest inflation rates being forecast for the years beyond.

Town Manager Davis reminded Council that inflation was built into the proposed FY ’23 Budget. He noted that water consumption was down and expressed hope it would increase as events returned. In response to an inquiry from the Council, he confirmed the projected consumption did not include an increase as the result of the water meter replacement project. He explained that he wanted some tangible numbers before including any increases in the revenues.

Mr. Collacchia advised Council that the rate model included a reduction in the cell tower lease revenues that would occur next year. He reviewed the impact of a 3% annual rate increase on the bill of a customer who used 3,000 gallons of water per month and advised that their bi-monthly bill would increase by less than $7 in FY ’23 and go up by $7.26 in FY ’26.

Mr. Collacchia provided Council with a regional comparison of water rates. He reiterated that this was something Middleburg had been working on for ten years and noted that its system was more expensive to operate on a per capita basis. Mr. Collacchia cited the rates charged by one town in the comparison that were extremely low and noted that they were artificially low as the town had not kept up with their system’s needs. He advised that as a result, it was being taken over by another entity.

In response to an inquiry from the Council, Mr. Collacchia advised that the only threat to the Town’s system was that it was a small system with one large customer and noted that if that customer’s operations were disrupted, it would affect the Town. He reminded Council that the treatment facilities were upgraded fairly recently. Mr. Collacchia advised that the only additional threats would be any additional regulatory requirements; although, he did not anticipate any at this time. He reported that Cape Charles was in the process of selling their system and advised that the Town may get an unsolicited offer to purchase theirs. Mr. Collacchia confirmed there were no threats to the operations side of the systems that would disrupt the level of services.

<u>Proposed FY ’23 Utility Fund Budget</u>

Town Manager Davis reported that there was a cancellation clause in Sprint’s cell tower lease that allowed them to cancel the contract and advised that they were ending their lease next month. He reminded Council that chemical costs were increasing, as were other costs; and, suggested the electric line item would likely need to be increased. Mr. Davis advised that the installation of the variable frequency drives at the Stonewall Treatment Plant would allow the Town to operate the system at the appropriate level.

In response to an inquiry from the Council, Mr. Davis reported that the Strategic Finance Committee was comfortable with the proposed 3% annual rate increases. He noted that the Committee was encouraging the staff to be prepared and cautious due to the economic uncertainties. Councilmember Bernard advised that the Committee wanted to keep the rate increases stable.

In response to an inquiry from the Council, Town Manager Davis advised that the remaining cell tower contracts probably had similar cancellation clauses; however, he opined that they would not be cancelled, as the Town’s water towers offered the two highest points in the area. He noted that the reason Sprint cancelled their lease was because they merged with T-Mobile and did not need redundant technology on the Town’s water towers.

Town Manager Davis reminded Council that the user fee revenues were down due to decreased consumption and advised that the staff would continue to watch this. In response to an inquiry from the Council as to why they would be down if the Salamander houses were coming on line, he explained that it was likely that only a few would come on line annually and that this would not start until FY ’24. Mr. Davis noted that people were conserving and using more water efficient appliances. He advised that the general water consumption trend had decreased from an average of three hundred gallons per household per day to an average of one hundred seventy-five gallons. Mr. Davis noted that in looking at the projected revenues and expenditures, the rate model showed the Utility Fund would operate at a deficit for a few years due to the capital projects and advised that this would be addressed through the use of the Fund Balance.

Town Manager Davis reviewed the proposed expenditures in the FY '23 Budget. He advised that most of the operating costs were the same, with a 10% increase for inflation. Mr. Davis reminded Council that last year, they moved most of the funding for line system maintenance to the Capital Asset Replacement Fund; however, he opined that they moved too much. He advised that funding was restored in this line item to allow for two to three main repairs per year. In response to an inquiry from the Council, he advised that the Town had out-of-town water customers on Landmark School Road and one on The Plains Road; however, it did not have any out-of-town sewer customers.

Action Item

Setting of FY '23 Real Estate Tax Rate

Vice Mayor Leonard-Morgan reminded Council that the real property assessments increased greatly; therefore, the Council needed to determine what to do with the tax rate. He reviewed the options that were on the table, from equalizing the rate to equalizing it plus adding a factor of up to 10% to account for inflation.

Town Manager Davis advised that single-family detached dwellings would see a decrease in their tax bill if the rate was equalized or even increased a couple of percentages above that. He further advised that townhouses would be the most impacted by the rate as their assessed values increased by 25%. Mr. Davis noted that regardless of the rate selected, the budget would be fully balanced and there would be no deficit issues.

The Council held some discussion of what the rate should be. Some members expressed concern about the possible need to impose a large rate increase next year if they equalized the rate this year. Others expressed concern that the Town said it would not increase taxes when they built the Town Hall and that the water rates were also increasing. Some members expressed a desire for gradual rate increases. It was noted that the Town needed to keep up with inflation. After further discussion, all but one member agreed to equalize the rate plus add 3% to account for inflation.

Councilmember Bernard moved, seconded by Councilmember Kirk, that the Town Council of Middleburg, Virginia adopt a Real Property Tax Rate of 13.69 cents per $100 of assessed value for Calendar Year 2022/Fiscal Year 2023.

Vote: Yes – Councilmembers Leonard-Morgan, Bernard, Daly, Jacobs, Kirk, and Pearson
No – Councilmember Miller
Abstain: N/A
Absent: Mayor Littleton
(By roll call vote)

There being no further business, Vice Mayor Leonard-Morgan declared the meeting adjourned at 6:47 p.m.

APPROVED:

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Peter Leonard-Morgan, VICE MAYOR

ATTEST:

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Rhonda S. North, MMC, Town Clerk

March 31, 2022 Middleburg Town Council Meeting

(Note: This is a transcript prepared by a Town contractor based on the video of the meeting. It may not be entirely accurate. For greater accuracy, we encourage you to review the video of the meeting that is on the Town's website – www.middleburgva.gov)

Peter Leonard-Morgan: Good evening, everyone, and welcome to this special meeting. We do the stand of the Pledge of Allegiance.

Everyone: [Pledge of Allegiance]

Peter Leonard-Morgan: Thanks very much. Do the roll call, please. Chris.

Chris Bernard: Chris Bernard.

Bud Jacobs: Bud Jacobs.

Philip Miller: Philip Miller.

Darlene Kirk: Darlene Kirk.

Peter Leonard-Morgan: Peter Leonard-Morgan.

Cindy Pearson: Cindy Pearson.

J. Kevin Daly: John Kevin Daly.

Rhonda North: Rhonda North, Town Clerk.

Danny Davis: Danny Davis, Town Manager.

Peter Leonard-Morgan: Thank you very much. Next on the agenda is the public comment. I don't see anyone here from the public. And there's no one online.

Rhonda North: No, sir.

Peter Leonard-Morgan: There's no one to publicly comment. So we will clear that. What we're going to do is, Rhonda, if it's okay, we'll bring Eric and his colleague over first before we do Council approval of real estate tax rate. So, Eric, if you want to come forward and thank you.

Danny Davis: And if I can say real quick, Mr. Vice Mayor, I failed and I apologize for this. I failed to include in your agenda packet Eric's presentation from tonight. So we're printing off copies for you right now so you can have a hard copy and we're going to bring it up on the screen as well. So if you'll give me a quick second.

Peter Leonard-Morgan: Do you want us to just go through the other one to start with?

Danny Davis: No, I think we'll be okay. Just going to [inaudible]

Peter Leonard-Morgan: Well, welcome back to Middleburg, gentlemen. It is an absolute pleasure to have you here. Thank you for coming.

Eric Collacchia: You want to wait for the hard copy?

Danny Davis: If you're okay proceeding forward and we'll get you the hard copies.

Eric Collacchia: We made a lot of pictures for you. Thank you. Well, thank you, Mr. Vice Mayor. Thank you, Council. Thank you, Danny. My name is Eric Collacchia with NewGen Strategies and Solutions. I'm here with Aidan Oates, who helped with a lot of the data analysis on the raise study update. We have a very brief presentation for you. Next slide, we'll see. We're going introduce our firm. We've been here a long time, but I want to just reintroduce ourselves as a firm. We'll talk a little bit about the background of this particular update to your water and sewer rate model. We'll talk about the results and of course, what everybody cares about. Customer bill impacts what it means to your customers that use water and sewer service. Give everyone a moment to pass this around.

Cindy Pearson: What was the name of the company before?

Eric Collacchia: We were Municipal and Financial Services Group. [off mic] So that's right. And MFSG. That's right.

Peter Leonard-Morgan: Are you the same firm now? Just renamed.

Eric Collacchia: NewGen Strategies and Solutions merged with MFSG in July 2019. So we are now the Annapolis office of NewGen. It is the same people that were in MFSG. So we were we were a one office firm beforehand. Now we're one of eight offices nationally. We're headquartered in Denver. We have offices in Nashville, Dallas, Austin, Texas, Seattle and one in Orlando. So we're the same people, just part of a bigger group now. So I don't need to read this. You can see the map. We work all throughout the commonwealth, north, south, east, west. You are one of our smallest municipal clients. We also work with such large counties, Fairfax County, doing a lot of work with them. We work all the way down in cities like Danville, Wise County Public Service Authority. So we're very familiar with water and wastewater utility service in the Commonwealth. So a little bit of the background of our study originally as MFSG, we first developed what we what we have is a spreadsheet model for the town in 2012. We periodically have updated it to make sure that we are keeping our forecasts in line with actual data as budgets are updated, customer demand is updated and capital projects. So the four step process for a rate study is shown in that graphic. The first is the revenue requirements. We need to know what the system is going to cost the systems on a day to day basis. Debt service. Current capital projects and future capital projects. We do a ten year projection in our models, but typically we only recommend rates for a 3 to 5 year period and then come back and update just because even nowadays things are changing very rapidly. Some of the updates we made I think on the next slide. So we updated the operating budget, we updated the capital plan customer and consumption data based on the latest full fiscal year. This scenario that's shown here is our studies results for the water and sewer systems. Total expenses. On the left hand side, the blue is the water system. The orange is the wastewater system. That is the total expenses of each system each year. And that gray line is what revenues are forecasted to be if you keep your current rates, if you make no rate changes over that forecast period. On the right hand side, our model is driven by essentially two things. We need to cover our expenses each year and we need to maintain fund balance. The current policy, which is that orange line, is 100% of operating costs each year. So we need a full year of our operating budget in reserves at the end of each fiscal year, essentially for both systems. The green bar on that right hand chart is where the fund currently sits and is forecasted to end in each of those years. So you can see under the scenario in which we do not increase rates, there's a downward trend and by the end of our forecast, you're essentially at your minimum policy and falling. So our recommendation for the sustainability of both the system operationally and financially is to have modest rate increases throughout this forecast period. So on the next slide, slide six, this is a four year look ahead. It's actually same for the fifth year. So this is a look at the fiscal year 2026 of our recommended rate increases. Now, these are across the board. This is both the minimum charge and the volumetric rate above your minimum. And it's also for inside and outside town customers. It's sort of an across the board 3%. We are assuming no change in per capita customer demand. So we're assuming that your customers will continue to use water in a similar way as they do now going forward based on our study period. However, we are including some customer growth related to the Residents at Salamander. As those connections come on, you'll have more people using water. We've made some conservative assumptions on that because we understand that it might be a transient population, not be here year round. So we've made some assumptions in terms of gallons per day, per customer. But again, we're not including availability fees. Those are the one time capital connection charges. Those were handled when when Salamander came online. I understand that that revenue has come and it's likely gone. So that's our forecasted recommended rate increase. You could see you did a 3% rate increase last year. We're recommending a continuation of 3% rate increases to all your rates on the next slide. Slide seven, these are those same charts. But now we have the yellow line on the left hand side, which is the forecasted revenue under the 3% rate increase plan. On the right hand side, you see there's a slight downward trend in the fund balance going forward for the next five years and then it recovers, increasing from fiscal year 27 to fiscal year 29. In those out years, we do have some planned capital improvements. But as you understand, as we move forward each year, it's likely that additional capital will fill that gap essentially. So even though there appears to be a slight over collection in fiscal 27 and beyond, it's likely that additional debt service or additional capital projects will fill that gap. But you can see from a sustainability standpoint, these early modest rate increases are setting us up for a long term forecast of maintaining fund balance and maintaining the sustainability of the system.

Danny Davis: Can I add two quick points to that about the future fund balance. One is that in the utility fund, we have a current line of credit that we've been drawing on. We use it partially to pay ourselves back for the Ridgeview Water Line project. We also have it available for some of our projects that are underway or will be expended very soon. That will have to get termed out and either paid off as cash or refinanced at some point into a long term debt. So that could be one potential use of some of this fund balance in the utility fund. Additionally, to Eric's point regarding future capital projects, we're undergoing our utility system master plan right now. And we anticipate that as a result of that master plan, we will identify additional capital projects that are needed in the coming fiscal years as much as possible. We'll keep going after ARPA funds, federal infrastructure dollars and things like that. But knowing that those are coming down the pipeline, we will either need to use cash to pay for some of those projects or have additional debt, which means having an additional fund balance to make sure we can cover that debt service. So I don't know what the extent of those capital projects in the future looks like, but we do we are fully aware that we're likely to add to our CIP as we start looking at fiscal 24 later this fall.

Darlene Kirk: So that's why the fund balances are dropping through 26 [off mic].

Eric Collacchia: Yeah, essentially the capital program is driving that. So you can see in those in that five year forecast the total expenses exceeding revenues that is due to the capital investment ongoing. So that's likely to continue. That's almost a false drop there. You see both both bars sort of drop in that in that 5 to 6 year period. So we're working with the best knowledge we have now. And the good news is, since we've been working with you, the whole goal was stability. And this is very stable. Even given the upcoming unknowns, depending on how large they are, this is still a very favorable position for the fund.

Peter Leonard-Morgan: Talking about upcoming unknowns, I noticed that we've got lower consumption recently. We think we might know some of that and then increased inflation costs, etc.. Is that all built into that model?

Eric Collacchia: It is. So in terms of inflation and Danny, correct me, the budget you'll be discussing includes a lot of almost some double digit increases in some of your contract operations and six to 5 to 6% in a lot of your lineup. So that's the fiscal 23 budget is built into ours. We do have a more modest historical inflation of about three and a half percent built into those out years. If I knew what inflation was going to be next year, I'd be in a different line of business. Right. But I think we've been reasonable with those forecasts.

Danny Davis: And, yes, so the fiscal 23 budget is is built into the assumptions here and the related to the consumption. We also did work to I won't say we're being super conservative in that. I guess I've been a little surprised that the can consumption levels have been as low as they are, but we're kind of hovering around that. What is it to 2.8 to 3 million gallons per month essentially, we might see that increase back up as especially as the resort continues to have events and groups coming back. But we didn't want to over anticipate consumption. So that is also built into the model.

Chris Bernard: Did you also consider the replacing of the Meters at Hill and others?

Danny Davis: So we the goal with that is that we may end up billing more than you know, but no, we have not incorporated that yet because we want to get some tangible dollars or tangible numbers first, and that may get into the fiscal 24 budget as we get two, three, six months' worth of data from those projects to be able to understand where we were under billing some certain customers where were we not capturing it because the meters were old and not functioning properly. But we haven't built that in yet.

Eric Collacchia: The other thing we should mention, and I'm sure you'll mention it during the budget discussion, is a reduction in cell tower lease revenue. One of your contracts is essentially expiring. Next fiscal year was about 47,000 a year. We initially had that in our forecasts, but we've since removed it from this so that revenue is not included in any of these forecasts. So the impact on a median inside water and sewer customer is shown on slide eight. You can see the current bill for this customer. It's 6000 gallons on a bi monthly basis, 3000 gallons a month, which is typical for for a single family home type customer. You can see the bill increasing 3% across the board. The total combined impact on a bi monthly basis is about a little less than $7, increasing to about $7.26 in those out years. So again, our focus here was a sustainable and predictable forecast for the utility fund and a sustainable and predictable forecast for your customers to know or have at least a general sense of what this looks like going out the next 3 to 4 years. The last slide shows. A regional comparison of the bi monthly cost for a customer in these various systems. Some of these customers are our clients, others are not. We are currently working with the town of Cape Charles, the Wise County Public Services Authority. I want to mention. This chart needs to exist in context. You've been working at this for over ten years. We've been helping you develop a sustainable financial forecast for the utilities. You're a very small system when it comes to utility systems. It costs you certainly for capital, very similar to what it costs the system even ten times your size to replace a pump or to replace a mile of mains. So on a per customer basis, your system is going to be much more expensive than even a smaller system of, say, 3000 or 4000 customers. I'll mention the Town of Coeburn. We're currently working with the Wise County Public Service Authority to absorb the town of Coeburn. Those rates are artificially low. They have not made capital investments in their system. They've essentially ignored their system. We're actually working with VRA, who directed the Public Service Authority to essentially take their system over because their rates are so low. Now, the Public Service Authority is about 2000. We're going to go to about 3000 customers, which is why they have much more economies of scale. So again, in context, this is important to understand that your system is expensive to run on a per capita basis. You've done the hard work throughout the past several years of maintaining rates and a rate structure that fully funds the system and maintains reserves for those unexpected expenses. So that's all we have here. Happy to take any questions.

Peter Leonard-Morgan: Any questions? [multiple speakers] One question. Have you seen any threats to our system? You do this with other towns and counties. We think we've got a good system and obviously it's going to get a bit more used with the Residences at Salamander. But is there anything that you have seen that we should keep an eye on?

J. Kevin Daly: Define what you mean by threat. I'm coming from a different direction. So my idea of threat, we got terrorists that you have in mind?

Peter Leonard-Morgan: I'm talking more about threats to unknowns that might be on the horizon to the system to suddenly cause us. I know, for example, we got the membranes, but that's accounted for in CIP. And is there are there are there any issues that we should maybe be thinking about?

Eric Collacchia: So there's a there's a couple of things because again, you are a small system. You also have one very large customer that is always a concern or threat that their business would be disrupted. And it was disrupted pretty heavily. Thankfully, they recovered. And I hear that they've helped you a little bit in terms of consumption as they recovered from COVID. So that is that is certainly something we look at in your demand data and make sure we're accounting for your system was pretty recently upgraded in terms of your wastewater treatment plant as part of the Salamander deal. You do have those membranes and they are expensive. The the threat is always additional regulatory pressure lower limits for wastewater effluent and lower limits for for water pollutants. However, your system, given its size and the investments you've made, we don't anticipate anything. There's nothing sort of on the horizon, so to speak, in that there is another issue recently, and this is what we're dealing with in the town of Cape Charles. They're considering selling their system. The Commonwealth has a process through the PPEA legislation that you may get an unsolicited offer to buy the system. It happens to a lot of our smaller, more expensive systems. Of course, that would be at your discretion. Of course you'd publicize that. I don't think you would be interested in that, but it is something that may land on your desk and you should be aware of that. We've had some clients that large investor owned utilities with enormous economies of scale have approached some of our smaller systems with an offer to purchase. So it's just something to be aware of. On the operational side, I don't see anything coming down that would that would really disrupt your level of service.

Peter Leonard-Morgan: Great. Thanks, Eric. Thanks, Aiden. Thanks very much, gentlemen. Thank you. So we've got the utility fund budget. Should we move into that straight away?

Danny Davis: Sure thing.

Peter Leonard-Morgan: So, Danny, if you wouldn't mind. [multiple speakers]

Eric Collacchia: Thank you very.

Bud Jacobs: Terrific presentation.

Eric Collacchia: I appreciate it. It's a pleasure to be here. I always say you're my favorite client.

Peter Leonard-Morgan: I bet you say that to all the towns.

Danny Davis: Who's your favorite client tomorrow?

Eric Collacchia: Thank you.

Peter Leonard-Morgan: Thank you.

Danny Davis: So some of some of the conversations very much dovetail right into the utility fund. Just overview, as Eric mentioned and noted here, we went back and forth with Sprint's attorneys a few different times thinking we might be able to keep those revenues coming in for a few years. But they made us aware of a essentially a get out of jail free card that they had in their lease that allowed them to cancel it essentially at any time. So that will be ceasing actually at the end of, I believe, next month. So we'll lose actually a little revenue from that in fiscal 22. As noted here, chemical costs do continue to increase. Our company has imposed a gas surcharge on their chemicals. They've also we've been watching, haven't seen any increase in costs yet, but expect that there will be some continued costs increases there. We've built some of that into the budget and then a likely need to increase some electricity costs in the utility fund. You know, electricity is much a much bigger expense in the utility fund than it is in the general fund, just because of all the pumps and all the processes that are happening. I will note that we did make a strategic investment in the Stonewall Water Treatment plant, adding in variable frequency drives that allow us to run the pumps at lower levels. It used to be essentially on or off, and so you turn it on and it runs 100% and now we can actually run them at the appropriate level needed for boosting that water up to Salamander. And that was a needed any way operationally. But B was noted by Virginia Rural Water Association as our number one way of potentially reducing our electricity demands and impact. So hopefully that will actually save us some dollars in the coming year that we'll probably just be balanced out by increase in rates for electricity. With that, if we want to just quickly walk through the utility fund budget provided some. Yes sir.

Peter Leonard-Morgan: Anyone questions before we move on. I just got a couple. Oh yeah. Really. Nothing big. I was just curious about the strategic Strategic Finance Committee opinion of the 3% annual increase that we obviously worked out a couple of years ago. Are they comfortable with all that?

Danny Davis: They are. They are. So we we actually, Eric, walked through virtually but walk through the same similar presentation and discussion of the rate model with the Strategic Finance Committee. And they, I think, very much similar to on the general fund side, are encouraging us to be very prepared and cautious for the uncertainties of our economy right now. Seeing inflation continue to stay at higher levels than folks are expecting. They felt confident or comfortable with the 3% rate increase. In fact, I would say, if I recall correctly, I think there was even comfort at going higher if needed. I don't think we're at that point right now. I think 3% is appropriate and gets us at an appropriate level. But there was support for continued small, measured increases year by year instead of doing nothing for four years and then all of a sudden having to do a 15% or 20% increase.

Chris Bernard: Without speaking for the group like the general consensus is very similar to the tax rates. It's keeping it smooth and stable is preferable to the ups and downs.

Peter Leonard-Morgan: Yes. I mean, we had a lot of discussion about the 3% on the utility increases annually and that was a lot of work and great that we did it. The other question I got is about the get out of jail free card and the other contracts. I mean, they're all presumably similar or they look and I know they're probably not need to worry about because they are they haven't stopped working.

Danny Davis: Right. Yeah, correct. I haven't reviewed every single one in detail to know if they have those same clauses. I wouldn't be surprised if they have something similar. The good news is, in general, we have the two highest points around in the vicinity. Even with AT&T putting a tower at Mickey Gordon, I still think the tower on the west side of town is important for their network. So I don't expect that to be replacing our current tower or the current antennas. Really the reason Sprint removed off of Stonewall Tower is because of the merger with T-Mobile and with that technology becoming redundant and really irrelevant now.

Peter Leonard-Morgan: [off mic]

Danny Davis: So in terms of revenues for utility fund, you'll see again year over year at showing a decrease in in user fee revenues. That's because of where we are accounting for and anticipation of reduction in in consumption year over year. Hopefully that that comes back up a bit, but we'll continue to watch that carefully each month.

Darlene Kirk: [off mic]

Danny Davis: So we're not expecting occupancy of those homes likely at least. I mean, Will might correct me by the time they break ground, I would be surprised to see occupancy of a house within 15 to 18 months, you know, because the site work alone is very significant. So if anything, we might see it at the very end of fiscal 23. More likely, we'd see a few come online during fiscal 24 and then a few more in 25 and 26, which is how we essentially built it out in the rate model with Eric, again, 15 houses, you're talking, you know, a few thousand gallons here and there. It's not a significant change. One of the real big changes we may have shared with you is the resort actually had a leak in their outdoor pool, which was, if I recall correctly, it was five or 6000 gallons a day. I believe it was a lot of water. And so there was a couple of years where we were getting the benefit of that while they were, of course, paying the money and finally found the the the leak, which is a good thing overall. I think also we see people continuing to be using conservation methods just with new fixtures as they replace old fixtures and put new ones in. And it's also just a general trend. Previously asked Eric when we. Well, actually it was it was both Eric and our utility master plan consultant. It used to be that you would anticipate 300 gallons per house per day to be an average. That number now they're using is 175 gallons per house per day. So that's a significant decrease in consumption patterns. It's awareness of the need to conserve. It's high efficiency appliances. And so I think we see a little bit of that as we go through. So I will note too in Eric didn't quite touch on this just because it gets a little more granular, for a couple of years, a couple of the next years in the rate model, we actually show a bit of a deficit in in our funds. And that's again because consumption patterns and just the right balancing of revenues and expenditures, which is to be expected, you'll know it's teetering on the edge of maybe 20 or 30 or one year, maybe 100,000 deficit, which will be covered by an unassigned, unused fund balance, but then to be able to come back out of that after a few years. So I think one thing just to reiterate there is we want to watch our revenues carefully over the next year or two, especially as we just see consumption patterns in terms of expenditures, pretty straightforward. Again, we have our contract with IES, which is a significant amount. We do expect, again, some some increasing costs in our other contracts as well as our our regular purchases, chemicals and electricity. We do cover the small eCheck fee for online payments. That's a fairly minimal amount. But on the flip side, we're mailing fewer bills, so we're actually saving a few dollars there. We'll continue to review our debt service as it relates to line of credit. And as I mentioned, we're looking at many different alternative funding options for some of our projects, either get very low interest loans or potentially some federal dollars to offset that, we're going to apply for funds to pay for the Marshall Street Water Tank Rehabilitation Project. Not sure we'll qualify or that we'll get it, but if we do, there's potentially $500,000 that we can get as a grant and not have to use debt to pay for. So we'll keep keep our eyes on that because there's a lot of money flowing from the federal government through the states to localities. On the final slide, the operations and maintenance costs and summary. Again, just a quick debrief of those expenditures. Most of them are relatively the same, except for some ten we built in 10%. Increases a lot across many of those line items. The one major increase you'll see under water line system maintenance is a $20,000 change, a 400% change. That number in that line item used to be significant, up to 50, 60,000 a year. We rarely spent those dollars. We reallocated those funds into a capital asset replacement fund, which is essentially a small capital improvement fund for pumps and line replacements. What we we essentially overshot ourselves and we dropped it all the way down to 5000 a year. But that line item really needs to be used for repairing water mains when we have water main breaks. And that's not a capital cost. If you're just patching a main, that's really just a repair costs an operational cost. So we've brought that number back up to accommodate 2 to 3 water main breaks per year and then just simply reduce the transfer into that capital asset replacement fund by a similar amount. So it's kind of a wash in the budget, but just wanted to explain why you're seeing a 400% increase in that one line item. And then finally again, as I mentioned with the capital improvement program, we know that we'll have some additional expenses planned looking at probably fiscal 25 through 28 or so next year as we go through that process. So we'll continue to take all that into account as we look at the model, the rate model next year. So that's a quick and dirty overview, but I'm happy to answer any other questions about the budget itself.

Peter Leonard-Morgan: Thanks, Danny. Any questions ladies and gentlemen. Can you remind me that somewhere I saw again seven out of town customers for water, but none for sewer. Are they down.

Danny Davis: Landmark School Road. That's correct. Yeah, we have those six homes there and we may have one additional one somewhere else. Lincoln should all be in the town limits, and I don't think we provide one to the boxwood house on the Plains Road.

Rhonda North: Is it the the horse center. Virginia Tech Center. Virginia Tech Center. Off the Plains Road.

Danny Davis: Anyway. Yeah, that's probably it. Generally we don't yeah. We don't have any sewer customers outside the town limits and that's again, a pretty strict policy that the town has had.

Peter Leonard-Morgan: Well, thanks very much for that. So and unless there's any other questions I think we'll jump on to the council approval FY 23 real estate tax rate, which is obviously an important major item for the agenda this evening. We've had a number of conversations about this at a public hearing. Obviously, we all were aware that the tax assessments on real property have shot up greatly in all over the place, but certainly in Loudoun County. And therefore we've had to address what we're going to do with the tax rate. We've seen models here. Thanks very much, Danny and staff for the equalized tax rate, which would effectively be a new tax percentage, which would on average charge residents the same as they had been charged in FY 20. Well, in 22. Right, Danny. And then you kindly also put together a bunch of different options going up in 1% increments and up until 10%, which is, I think our maximum considerable number here. Although I think from our last conversations, that's really probably and I don't want to speak for everyone probably off the table, but seven and a half percent is what we think is the blended inflation rate that we need to think about. And then you kindly put in another percentage at 3.75% over equalized rate, which is midway between equalized and the seven and a half percent over. So could you just any thoughts you want to put. Thanks for your memo here.

Danny Davis: Yeah, absolutely. And definitely a lot of options in front of you. Of course, in these incremental changes, if there are any questions about the attachment, the chart, I'm happy to answer through them. What you will see is that for the first few percentage point increases over equalized at least for a 1% increase, that's still essentially for single family detached property owners. No change in the tax rate, just a slight decrease at a 2% over the equalized rate. It's a very minimal increase for single family. But we also recognize that the most impacted here are the townhouse owners, just because their average assessed values went up 25%, essentially across the board. So at this point, it really is is a council discretion decision at any of these tax rate options. The fiscal 20 the fiscal 23 budget is fully, fully funded. It's fully balanced. So there's no concern about if you choose one of these options, all of a sudden we're now going to be running a deficit. There's there's no issue there. So any of these options is acceptable for for the council to consider for a balanced budget. As we've talked about, the considerations are impact on taxpayers, future rates, balancing of revenue streams. And with that, I'm happy to answer any specific questions if there might be.

Peter Leonard-Morgan: Thanks. And I think one of them is that the concern about if other things happen in the next year or two and we suddenly have to turn around and raise taxes, you know, much, much higher. How do we do that? Do we do we look at it today and go, well, we'll raise it a little bit, do we? And then it's going to be the pain will be less in a year or two if that comes to pass. But I think at this point, it's probably a good idea to throw it open and maybe start with Chris, what your thoughts are. And we can just go around the table here and try and come to a unanimous decision if possible.

Chris Bernard: So I think for me, what it comes down to is what you just alluded to. It's so we can absorb it this year. It doesn't hurt anything. I think even with curbing some of the revenue projections a little bit, there's still some room there. So I think it comes down to Ok if something happens and we do need to come back next year and raise them, we just need to be comfortable with that. And good news it's going to be all the same people next year. No one's up for reelection. So, you know, we'll have to. We'll have to deal with it. Right. And I think I'm comfortable with that. So I think, you know, again, with the with the understanding and the ability to come back next year and say, hey, look, we we made a decision to help everyone out this year. If something happens, we may have to change tack.

Peter Leonard-Morgan: And when you say help out this year, you're talking about.

Chris Bernard: Equalizing it to zero.

Peter Leonard-Morgan: Bud.

Bud Jacobs: I started hoping that. I started hoping, don't make fun of me. I started out hoping that we could just go with an equalized rate, and I would certainly support that. However, after a couple of discussions and looking at the numbers Danny has provided, I could certainly see equalized plus one or 2%, seven, seven and a half percent is a bridge too far for me? Certainly 10% is out of the question for me. So I'm happy to go with completely equalized, but also happy to accept some reasonable increase, percentage point increase.

Peter Leonard-Morgan: Thanks very much. Philip.

Philip Miller: All right. So I'm glad we just had the utility rate model discussion before this, because essentially for the median town customer, we're going to be asking them to pay $45.24 more per year on their water alone, just on the median. So we're already increasing cost to our citizens on that front. We I think we all know we have to do that. We've been working on this for a long time with the with the water rates. The assessments are off the charts insane. And I believe we all made a commitment to our citizens not to increase taxes when we were building this new town hall. And so for me, it's equalized the tax rate 100%.

Peter Leonard-Morgan: Thank you very much. I appreciate that, Darlene.

Darlene Kirk: I understand what you're saying. And that sounded really good to me. But I still think most people expect us to have each year to have to pay a little bit more. And I'm really concerned that something may happen in that next year. All of a sudden, we may have to up at 8 to 10%. And I don't want to do that all at once, but I'll go either way with a majority of council.

Philip Miller: So I would also say that we also have other levers that we can change tax rates in town, meals, TOT other things that we can work on that don't necessarily put the onus and the burden on our citizens. Okay.

Peter Leonard-Morgan: Good point. Thank you very much, Cindy.

Cindy Pearson: Yeah, I was more for going for the cost of living at first. Still might be in that area. It seems, though, every year that. Sorry, I'll take this off for this. Someone gets hit with the raise. I think the last couple of years it's been our businesses or owners of the properties that that has gone up really high. So it kind of always shifts back and forth on who it hits. Unfortunately, you know, that's part of owning I do agree with having to raise it. That has been my concern the whole time, is having to raise it a lot next year. I hear you with. We have other things that we could raise but. You know, real estate taxes, real estate tax. You know, I think if we went up, not the five or 7%, I think that's a bit high, but maybe even the 3%, I think that would be more reasonable on the next year or the following years.

Peter Leonard-Morgan: Thanks, Cindy. And Mr. Daly.

J. Kevin Daly: There's always things that we can't control. We don't control the assessment of our homes by the county who says that it's valued at this. It's nice knowing that I'm what land rich but pocket poor. So now I don't have the demographics at the tip of my fingers that we have a lot of people on fixed incomes. A lot of people have retired living on pensions. But I also feel after listening and reviewing the rates for the water rate, for example, things aren't going to go down in the future. I rather see a gradual increase, gradual increase, so we don't have any surprises in the future. Last week, in fact, Bridge was talking about what if something happened to Salamander and it suddenly went away? Yeah, we can tweak all the different, you know, plate taxes and everything else. But if something happened and it all went to way we're going to be in, as you say, in Korea, deep kimchi. I would prefer not to say, well, we're going to lower the rates, but then next year, oops, well we went to minus three. Now we're going to have to go up to a positive 12% increase or 8% increase. I when we say increase the taxes, we're not increasing the the rate over 15.3 cents that we've have this past year. But I would like to see equalize with 3.5%, 3% increase, and then try to maintain that over the years. So we don't have a sudden shock where we have to go up 8% the following year.

Peter Leonard-Morgan: Thanks, Kevin, and thanks everyone for that, Chris.

Chris Bernard: I just want to make sure it doesn't get lost that no matter which of these options we choose, we are lowering the rate. So in no way are even coming close to raising taxes.

Peter Leonard-Morgan: I think that's such an important thing to keep reminding even for us, who do this a lot. You know, it's getting our heads around what is equalized exactly mean. And the fact is, whatever we're going to do tonight, we're going to lower the tax rate to try and accommodate as much as we can the increase that we had no say over in terms of assessed values. And my feeling is that, you know, fiscally we need to try and somewhat keep up with inflation and costs because we know costs are going through the roof. But I don't think for a second we should pass everything over to the residents. It's been made very clear here, and I totally agree that, you know, we have a lot of residents who are on fixed incomes, who are retired and they just happen to live in Middleburg, which just happens to have been slapped with big tax assessment increases. So my I've done a lot of thinking about this and my reason for asking Danny to look at 3.75% was because I felt that perhaps midway between equalized and 7.5% would be a fair a fair increase just to bring it up a little bit, but by no means close to inflation or more than that. So I don't know where we go from here, Danny, but that would be my thought. I don't know if someone wants to make a motion or whether we're not at that point yet. Well, I've heard, you know, Philip. You know, I fully respect what you're saying 100%. Of course, in an ideal world, I'd say equalized myself. But I think that maybe 3%, I think 3% would be not unfair. And I'd love to know what anyone thinks about 3% if you put your hands up for 3%. No, no forcing. I think we have a sort of consensus here. So if if no one is in disagreement, perhaps someone could make a motion for 3%. And I think we then have to do a roll call.

J. Kevin Daly: Since nothing's written, I propose.

Chris Bernard: Oh, you just have to fill in the 13.6. You want me to read it? Yeah, I got it.

J. Kevin Daly: I'd have to hunt for it.

Chris Bernard: I got you. I move at the town council of Middleburg, Virginia. Adopt a real property tax rate of 13.69 cents per $100 of assessed value for calendar year 2022. Fiscal Year 2023.

Darlene Kirk: Second.

Peter Leonard-Morgan: Okay. If we could have a roll call.

Rhonda North: Vice Mayor Leonard Morgan.

Peter Leonard-Morgan: Aye.

Rhonda North: Council Member Bernard.

Chris Bernard: Aye.

Rhonda North: Council Member Daly.

J. Kevin Daly: Aye.

Rhonda North: Council Member Jacobs.

Bud Jacobs: Aye.

Rhonda North: Council Member Kirk.

Darlene Kirk: Aye.

Rhonda North: Council Member Miller.

Philip Miller: Nay.

Rhonda North: Council Member Pearson.

Cindy Pearson: Aye.

Peter Leonard-Morgan: So. Thank you, everyone. The ayes seem to have it so. Danny, I think we know where to go with that.

Danny Davis: Absolutely.

J. Kevin Daly: Vice Mayor. One one final thought. Things never go down. From personal experience, I remember in high school being upset when the price of gas went to $0.35 a gallon. You know, it never went back down to that level.

Peter Leonard-Morgan: With that. Do we have anything else we need to the public comment session or. No. No. Well, unless anyone else has any other comments. I think we can adjourn. Thanks, everyone