



**MIDDLEBURG TOWN COUNCIL**  
**Regular Monthly Meeting Minutes**  
**Thursday, May 9, 2019**



**PRESENT:** Mayor Trowbridge M. Littleton  
Vice Mayor Darlene Kirk  
Councilmember Chris W. Bernard  
Councilmember J. Kevin Daly  
Councilmember Kevin Hazard  
Councilmember Peter Leonard-Morgan  
Councilmember Philip Miller  
Councilmember Cindy C. Pearson

**STAFF:** Danny Davis, Town Administrator  
Martin Crim, Town Attorney  
Rhonda S. North, MMC, Town Clerk  
A. J. Panebianco, Chief of Police  
Ashley M. Bott, Town Treasurer  
William M. Moore, Deputy Town Administrator  
Jamie Gaucher, Business & Economic Development Director

The Town Council of the Town of Middleburg, Virginia held their regular monthly meeting, beginning at 6:00 p.m. on Thursday, May 9, 2019 in the Town Hall Council Chambers, located at 10 W. Marshall Street. Mayor Littleton led Council and those attending in the Pledge of Allegiance to the flag.

**Public Hearings**

**Ordinance - Water and Sewer Charges**

No one spoke and the public hearing was closed.

**FY 2019-2020 Budget**

No one spoke and the public hearing was closed.

**Staff Reports**

**Stuart Will, of IES**, advised Council that he had no update on Well 4 and advised that he was still waiting for the IT consultants to get everything connected.

**Town Clerk North** reported that CivicPlus would begin migrating the content from the existing site to the new one on May 17<sup>th</sup>. She further reported that she and the Town Administrator were working with vendors to develop a system to digitize the files and expressed hope to have a recommendation to the Council at their next meeting.

**Business & Economic Development Director Gaucher** reported that the next digital literacy event would be held on June 4<sup>th</sup> at the National Sporting Library & Museum. He noted that he and the Town Administrator worked to develop a short-term existing business strategy and reported that over the past two months, he had twenty-four meetings with seventeen individual businesses. He advised that three businesses were currently focused on the former Southern States property, including an art gallery, a co-working space and a restaurant. Mr. Gaucher announced that there would be grand openings held for Le Petit Marche and Northwest Credit Union over the next two weeks.

Business & Economic Development Director Gaucher reported that he identified two trends based on the discussions with the existing businesses – the first being that they were concerned about the empty storefronts. He advised that the second was that they were looking get to more customers and for ways to market their businesses. Mr. Gaucher reported that he would take those issues to EDAC for their consideration.

Council questioned whether the Town was seeing tour buses and noted that they used to be prevalent in town. Town Administrator Davis reported seeing multiple mid-size buses in town within the last couple of weeks. Business & Economic Development Director Gaucher reported that he would check with Visit Loudoun on the FAM Trip buses.

Business & Economic Development Director Gaucher reported that he, Town Administrator Davis and Councilmembers Bernard and Miller met to discuss Visit Loudoun’s Memorandum of Agreement. He advised that they established some priorities and deliverables and planned to present them to Visit Loudoun next week. Mr. Gaucher noted that Beth Erickson would attend Council’s June meeting.

**Town Treasurer Bott** announced her resignation effective May 30<sup>th</sup>. She thanked the Council for giving her the opportunity to work for the Town. Ms. Bott reported that the consolidated tax billing system was going as planned and noted that the real estate tax bills contained a line item for Middleburg. She advised that she was continuing to have issues with Paymentus; however, she was confident this project would be completed prior to her departure.

The Council thanked Ms. Bott for her service to the Town. They noted that they were sad to see her leave; however, she was leaving a great legacy.

**Chief Panebianco** thanked Go Green for their assistance during the Drug Take-Back Event and noted that it was a huge success.

Councilmember Leonard-Morgan reported that Go Green collected one hundred sixty pounds of dead batteries.

Chief Panebianco noted that the Police Department also collected used sneakers for MADD and advised that they would continue to do so throughout the year. He noted the number of Toyota Supra’s in town and explained that Toyota was holding a launch of them at the Salamander Resort. Chief Panebianco opined that the cars were behaving well. He reported that the lit “do not enter” signs would be installed at the intersection of Route 50 and Zulla Road within the next six weeks. Chief Panebianco thanked Town Treasurer Bott for her service and noted that she was an asset to the Town and the Police Department.

Councilmember Leonard-Morgan thanked Lieutenant Hollins and Corporal Putnam for their assistance during the Drug and Battery Take-Back Event.

**Deputy Town Administrator Moore** reported that the Planning Commission held a special meeting on May 6<sup>th</sup> to review the revisions to the draft Comprehensive Plan update. He further reported that the document would be posted to the Town’s website next week; an Open House would be held on May 29<sup>th</sup> at 6:00 p.m. at The Hill School to share it with the community; and, that the Commission would hold their public hearing on it on June 17<sup>th</sup>. Mr. Moore noted that the Commission was moving their June meeting to the third Monday of the month due to scheduling conflicts.

Deputy Town Administrator Moore reported that curb painting was scheduled to repaint the curbs yellow and to paint pavement markings, including stop bars, in town. He noted that a crosswalk would also be painted at Liberty Street for the new sidewalk.

Council inquired as to what was planned, if anything, at the sidewalk adjacent to the Middleburg Community Charter School to slow down traffic. Deputy Town Administrator Moore advised that nothing was planned; however, he offered to look into school zone markings.

Mayor Littleton asked that the Deputy Town Administrator provide Council with a monthly report on the water issues at Chinn Lane.

**Town Administrator Davis** reported that Council’s Strategic Initiatives had been loaded into the Clickup software. He noted that he was finalizing the system and advised Council that they would soon receive invitations as guests to view it. Mr. Davis explained that this would allow the members to have a sense of where the projects were.

**Consent Agenda**

*Councilmember Miller moved, seconded by Councilmember Daly, that Council approve the consent agenda as proposed.*

Vote: Yes – Councilmembers Kirk, Bernard, Daly, Hazard, Leonard-Morgan, Miller and Pearson

No – N/A

Abstain: N/A

Absent: N/A

(Mayor Littleton only votes in the case of a tie.)

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**Action Items**

**Reimbursement Resolution - Town Capital Projects**

Town Administrator Davis reminded Council that they may wish to issue a bond for some capital projects and explained that by having this resolution in place, the Town could pay for some of the project costs using cash and then reimburse itself from the bond proceeds in the future. He stressed that this would not commit the Town to issuing bond debt and noted that it just preserved the Town’s options.

*Vice Mayor Kirk moved, seconded by Councilmember Daly, that Council approve a Resolution of Official Intent to Reimburse Expenditures with Proceeds of a Borrowing as shown in the attachment the Council received.*

Vote: Yes – Councilmembers Kirk, Bernard, Daly, Hazard, Leonard-Morgan, Miller and Pearson

No – N/A

Abstain: N/A

Absent: N/A

(Mayor Littleton only votes in the case of a tie.) (By roll call vote)

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**Discussion Items**

**FY '20 Utility Fund Budget**

Eric Callocchia, Senior Manager of Municipal & Financial Services Group, reminded Council that he had worked with Middleburg since 2012. He explained that the rate model allowed the Town to run financial scenarios. Mr. Callocchia advised that the goals were to (1) project the cost to own, operate and maintain the Town’s utility systems; (2) develop user rates that covered those costs; and, (3) maintain the financial stability of the systems. He reviewed how the rate setting process worked, which included identifying the revenue requirements, allocating the costs among the customers, designing a rate structure, communicating the information to the customers and implementing the new rates.

Mr. Callocchia reported that the assumptions used were that there would be no future growth in customers or their consumption; that the operating costs would increase by 2.1% annually in the future; that the Town would fund 100% of its debt service; and, that certain capital improvements would be done. He advised that the rate also assumed the Town would smooth out the cost of the capital improvements by borrowing. Mr. Callocchia noted that the Town already planned to borrow \$785,000 from its General Fund, which would be repaid with interest.

Mr. Callocchia reviewed charts of the user rates for both the water and the sewer systems. He advised Council that at the current rate, the Town was not where it needed to be. He reminded them of the plan to increase the rates steadily by 3% annually; however, he noted the need to continue to review and balance them.

Mayor Littleton noted that the model assumed no change in consumption. He further noted that the Salamander Resort accounted for approximately half of the town's consumption. Mr. Littleton questioned what would happen if there was a significant reduction in their usage and noted that luxury tourism would reduce drastically during a recession. He questioned how the Town could build protection into its rates and/or reserves for when a recession occurred.

Mr. Callocchia advised that the Town could maintain a certain level of reserves; defer capital projects, although he suggested it may not be wise to do so; or borrow more money. He noted that there were no other options. Mr. Callocchia reminded Council that the cost to operate the system was the same regardless of the number of customers.

Mayor Littleton questioned whether the Town should bank more money now so it would not have to increase rates greatly during the next recession.

Mr. Callocchia advised that this was an issue of affordability. He agreed it was reasonable to increase the rates to do so; however, he noted that there would be pushback from the customers when they were increased more than needed to operate the system. Mr. Callocchia explained that it was also a question of equity. He recommended the Town maintain one year's worth of operating costs in reserve, which would be \$1 million. Mr. Callocchia advised that this was not a lot of money when it came to operating a utility system and opined that it would be difficult to build in a sufficient level of reserves.

Town Administrator Davis reminded Council that if the Salamander residential development occurred, there would be additional water customers. He reported that consumption increased this year and suggested the revenues from this be used for either capital projects or be banked for the future. Mr. Davis opined that the Town should not count on the increased usage; however, it should take advantage of it when it occurred.

Mr. Callocchia advised Council that the Sewer Fund was capital heavy and noted the need to replace the membranes soon. He advised that even with a 3% rate increase, this fund operated at a deficit; however, it would decrease over the years. He reviewed the Utility Fund cash balance projections through 2029. Mr. Callocchia advised that if the Town did not increase the rates by 3% annually, its cash reserves would be wiped out by FY 2022.

Mr. Callocchia reviewed a chart which showed the effect of the 3% annual increase on a typical (7,000 gallons) bi-monthly utility bill. He noted that a customer currently paying \$236 would pay \$274 in FY 2024.

Mr. Callocchia advised that in summary, the 3% annual rate increases were sufficient to cover the Town's projected operating expenses; however, he suggested the need to re-evaluate how the Utility Fund's capital projects were funded so the Town could maintain reasonable rate increases.

Council questioned whether delaying paying the deposit on the membrane replacement was putting the Town at risk.

Town Administrator Davis reminded Council that they could lock the price in by paying a deposit; and, noted that the payment had been pushed into 2021 due to the Utility Fund's cash flow situation. He suggested that if there was a surplus in revenues at the end of the fiscal year, the Council could use that money to lock in the price. Mr. Davis reminded them that the balance would not be due until the membranes were installed. He acknowledged that the life of the membranes was being reduced due to the amount of rain the Town had been receiving as it could not de-sludge them. Mr. Davis reported that IES was working to get this done in order to extend their life.

The Council noted that the 2.1% annual increase in future costs that were projected only included the operations costs, not capital or debt costs. It was further noted that even though the Town was increasing the rates by 3%, its costs were increasing by 7.4% in the coming fiscal year. Council noted that the consumption appeared to increase by 7% in the current fiscal year.

Town Administrator Davis confirmed this was correct; however, he noted that the staff did not know whether this was a sustainable trend. He agreed that if it continued, there would be extra revenue that could be used for capital projects or to increase the fund balance; however, he was hesitant to get overly confident at this time.

Mr. Callocchia reminded Council that the Town was selling less water now than it sold ten years ago. He advised that this was true for all of his clients as people in general were using less water.

Council noted the I&I issues associated with the sewer system. They questioned whether the Town's operating costs would be affected once the mains were repaired since less sewage would be treated. Mr. Callocchia confirmed it would and noted that this was already accounted for in the rate model. He advised that the money spent on I&I repairs was the best money spent.

Council noted that the Town only used approximately 40% of its treatment capacity. They also noted that 100,000 gallons of water was returned to the creek daily after it was treated. They questioned whether there were alternative revenue sources available through the sale of water.

Mr. Callocchia noted that he had clients that were selling sludge and water; however, he noted the expense of the capital improvements needed to support those operations. He advised that the payback was a long-term one. Mr. Callocchia advised that Middleburg was in good shape compared to his other clients and noted that he recommended a 40% rate increase for one of them. He acknowledged that Middleburg had issues; however, he advised that they would be resolved with a good financial plan.

David Rose, of Davenport, advised Council that they planned to make recommendations to amend the Town's financial policies. He noted that they shared the Town's concerns with regard to a recession and what could happen. Mr. Rose advised Council that they intended to present a strategy related to debt and how it could be done. He noted that Loudoun Water had a policy of retaining a cash balance that was the equivalent of 100-200% of operating costs; and, advised that this would be \$1 million for Middleburg. Mr. Rose reported that they would recommend a number that was significant but was modest in terms of real dollars.

Mr. Rose reviewed Davenport's background with the Town. He noted that they were financial advisors and would bid out any bond issues. Mr. Rose reminded Council that the Town also hired an economic consultant, Chmura Economics & Analytics, to look at the expenditures in the General and Utility Funds so the Town could address any slowdowns in the economy.

Mr. Rose reviewed their goals and objectives for the Utilities Fund, which were to develop a financially sustainable plan that included 3% annual user rate increases as the benchmark; to be self-sustaining; for the revenues to cover costs; and, to insulate the Town from temporary losses.

Mr. Rose advised that as to their initial observations, they recognized that Salamander accounted for a high percentage of the water consumption. He further advised that they recognized the utility debt of \$4 million; although, he noted that this was not an outlier in terms of level of debt. Mr. Rose explained that the nature of utilities was that they were debt heavy. He advised that they did not recommend that utilities take on debt because they could not afford to cash fund improvements but rather did so because of the time value of doing so. Mr. Rose explained that improvements should be paid for by the users over time as opposed to putting the cost on current users, even if there was cash available. He advised Council that Davenport would return with a recommendation, including policies that should be created.

Mr. Rose recommended the Council's next steps should be to adopt the FY '20 Budget, with the 3% utility rate increase as proposed, and to revisit the funding of the capital projects. He advised that they would provide a recommendation to the Strategic Finance Committee during their June 4<sup>th</sup> meeting. Mr. Rose recommended the Town revisit its capital, operating and maintenance revenues and expenditures on an annual basis.

Mayor Littleton noted that half of the Town's debt was at 2% and the other half was at 5%.

Mr. Rose opined that the debt profile was flat and advised that they would work with the Town on it. He suggested they look at how quickly the Town was repaying it and noted that currently over half of it was projected to be repaid over the next decade. Mr. Rose advised that they had the ability to do so over time. He noted that they would also work to reduce the interest rates. Mr. Rose advised that they would do what they could as necessary.

Town Administrator Davis reminded Council that they had a copy of the Capital Improvements Plan in their agenda packet. He noted that the Utility Committee identified priorities for the projects that were in the Utilities Fund.

Council acknowledged the membrane replacements and questioned whether there was anything they should worry about from a price volatility point of view. Town Administrator Davis opined that the membrane replacement cost was less volatile than steel based projects. Council asked that a column be added to the CIP for price volatility.

Mayor Littleton noted that the staff had talked about the construction of a storage building and suggested that project be added to the CIP.

Council noted that the extension of the sewer mains to allow for the elimination of septic systems was a low priority. They asked whether this created any risks. Town Administrator Davis advised Council that the Wellhead Protection Advisory Committee identified this as a challenge. He noted the private lateral break that occurred recently. Mr. Davis suggested it may be possible to pursue grants to extend the sewer mains. He recommended the Lincoln Road sewer main extension should have a medium priority and advised that he was more concerned about the Stonewall Avenue one.

Council noted the initiative to construct a new Town Office. They questioned whether LEED certification was built into the projected cost estimate. Town Administrator Davis advised that it was too early to tell; however, he hoped to include some items such as solar. He suggested the need to identify the right balance without focusing on achieving a particular standard. Mr. Davis further suggested the Town identify its core requirements and desires. Mayor Littleton noted the need to look at the long-term return on investment.

Town Administrator Davis reminded Council that they held the public hearing on the budget earlier in the meeting and advised that it would return to them during their next meeting for approval.

Mayor Littleton questioned how the \$1 million in connection fees that were paid by Salamander should be shown on the books and opined that it was a liability until the housing units were constructed. Town Attorney Crim suggested this be discussed in closed session so he could provide the Council with legal advice.

### **INFORMATION ITEMS**

#### **Strategic Initiatives Review** – Review Budget Options with Eye on Transparency, Communication & Forecasting of Revenues & Service Costs

Vice Mayor Kirk reported that the staff had worked hard on the budget and noted that they started work on it in November. She advised that the Council had input into the budget and noted that the public hearing was held earlier in the meeting. Ms. Kirk reported that the Council previously adopted the real property tax rate. She noted that they would approve the budget in two weeks at their next meeting. Ms. Kirk opined that the Town had a strong capital improvement program in place that identified the Town's long-term needs and the associated debt. She reported that the Strategic Finance Committee was meeting with the auditors on May 14<sup>th</sup> and would meet with MSFG and Davenport on June 4<sup>th</sup> to discuss long-term strategies. Ms. Kirk noted that those meetings were open to the public and encouraged anyone who may be interested to attend. She advised that the Strategic Finance Committee would be developing their recommendations related to long-term policies and the budget process. Ms. Kirk reported that water usage had increased by 7%. She noted the ongoing projects that were currently underway and opined that the Town was doing what it could. Ms. Kirk advised that the Town had a great staff and suggested the members talk to them if they had any questions.

Councilmember Pearson opined that the new billing software was making a huge difference in identifying water usage. She noted that the Town Treasurer did a great job.

Town Administrator Davis noted that the new water meters also helped and allowed the staff to provide a customer with a thirty-day usage history in the event of a high water bill. He further noted that customers would soon be able to pay their utility bills online. Mr. Davis opined that the Town was becoming more technologically advanced.

#### **New Chairs for Council Dais**

Some members of the Council noted that they sat in the Council chairs for long periods of time. They further noted that the chairs were old and uncomfortable. They asked that the staff explore the purchase of new chairs for health reasons.

Mayor Littleton recessed the meeting at 8:06 p.m. for a short break. He called the meeting back to order at 8:13 p.m.

**Closed Session** – Property Acquisition; Disposition of Property; Personnel; Consultation with Legal Counsel

*Councilmember Bernard moved, seconded by Councilmember Vice Mayor Kirk, that Council go into closed session as allowed under the Virginia Freedom of Information Act Sections 2.2-3711(A)(3),(1) and (8) for the discussion or consideration of the acquisition of property or the disposition of publicly held property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body; and, for the discussion, consideration or interviews of prospective candidates for employment, assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specific public officers, appointees and employees of the public body. Councilmember Bernard further moved, seconded by Vice Mayor Kirk, that these matters be limited to (1) the acquisition of property for a new Town Administration Building; (2) the disposition of the Asbury Church; (3) the resignation of the Town Treasurer; and, (4) Salamander’s tap fees. Councilmember Bernard further moved, seconded by Vice Mayor Kirk, that in addition to the Council, the following individuals be present during the closed session: Will Moore, Rhonda North and Jamie Gaucher for the first two items and Danny Davis and Martin Crim for all of the items. Councilmember Bernard further moved, seconded by Vice Mayor Kirk, that the Council thereafter reconvene in open session for action as appropriate.*

Town Attorney Crim clarified that the reason for going into closed session regarding the Salamander tap fees was in order to receive legal advice from counsel.

Vote: Yes – Councilmembers Kirk, Bernard, Daly, Hazard, Leonard-Morgan, Miller and Pearson

No – N/A

Abstain: N/A

Absent: N/A

(Mayor Littleton only votes in the case of a tie.)

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Mayor Littleton asked that Council certify that to the best of each member’s knowledge (i) only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting, which each member so did. He reminded those present for the closed session that any discussion that occurred within it should be treated as confidential.

There being no further business, Mayor Littleton declared the meeting adjourned at 8:40 p.m.

APPROVED:

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Trowbridge M. Littleton, MAYOR

ATTEST:

\_\_\_\_\_  
Rhonda S. North, MMC, Town Clerk



## May 9, 2019 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](http://www.middleburgva.gov))

**Bridge Littleton:** All right. We will call the May council meeting to order. First item Pledge of Allegiance.

**Everyone:** [Pledge of Allegiance]

**Bridge Littleton:** Ok. Next item is roll call.

**Chris Bernard:** Chris Bernard.

**Kevin Hazard:** Kevin Hazard.

**Darlene Kirk:** Darlene Kirk.

**Bridge Littleton:** Bridge Littleton.

**Peter Leonard-Morgan:** Peter Leonard-Morgan.

**Cindy Pearson:** Cindy Pearson.

**Kevin Daly:** John Kevin Daly.

**Rhonda North:** Rhonda North, Town Clerk.

**Martin Crim:** Martin Crim, Town Attorney.

**Danny Davis:** Danny Davis, Town Administrator.

**Bridge Littleton:** Okay. Next item is public comment. Would anybody from the public wish to address the council? And we will close public comment and go on to the public hearing. So the first public hearing is for water and sewer charges. So I will now open the public hearing if anybody would like to speak on the water and sewer charges. And we will close the public hearing. So Danny should we do these public hearings together or one than the other.

**Danny Davis:** Just be safe I'd suggest one than the other.

**Bridge Littleton:** Ok. Let's do that then. All right. So we will now go into a discussion item or discussion on the water and sewer.

**Danny Davis:** I would suggest Mr. Mayor and Council we can if you have any questions we can answer those right now. But we are gonna have our rate consultant and also our financial advisor give presentations in a few minutes on the agenda. And so perhaps you want to keep any full conversation or discussions until after they've had a chance to discuss.

**Bridge Littleton:** OK.

**Danny Davis:** And we're not looking for action on the public hearing item at this meeting we're going to suggest that for the next meeting.

**Bridge Littleton:** Ok. All right. So let me open the public hearing for one second. There we go. For the fiscal year 2019-2020 budget. And we will now close the public hearing for the budget. Ok. Moving on. No specific no special recognition, no public presentations. Staff reports. [off mic]

**Rhonda North:** So when you give your name at the beginning of the meeting the intention is to let the person who is transcribing it be able to associate a face and a name. The microphones themselves, they don't sync. [off mic] No, that's why you say your name.

**Bridge Littleton:** I just want to make sure because [off mic] Ok. [off mic]

**Stuart Will:** Hi good evening.

**Bridge Littleton:** Any questions for Stuart or Stuart, any updates first?

**Stuart Will:** No no updates on Well 4 yet. We're still waiting on IT to get everything connected for [inaudible]. And everything else is peachy.

**Bridge Littleton:** Anybody have any questions for Stuart? Stuart, thanks very much.

**Stuart Will:** Awesome, thank you. [off mic]

**Bridge Littleton:** Rhonda.

**Rhonda North:** Thank you Mr. Mayor. Just continuing to work on the website project. On the 17<sup>th</sup> they'll start migrating over the content from the current site to the new one. And also Danny and I are continuing to work with vendors on digitizing the town files. And we hope to have a recommendation to you maybe possibly as early as the next council meeting.

**Bridge Littleton:** Does anyone have any questions for Rhonda? Nope. Great. Thank you Rhonda. Next is Jamie.

**Jamie Gaucher:** Thank you Mr. Mayor. Members of council. There are two things on my report this month that I want to highlight first of all. And following up from our last meeting our next digital literacy event will be Tuesday the 4th of June. We're going to be at the National Sporting Library Museum starting at 6 o'clock. And I also wanted to bring to your attention after several conversations with Mr. Davis. We've developed a short term existing business strategy and over the last two months I've had 24 meetings with 17 individual existing businesses here in Middleburg. I also want to let you know in addition to what's on the report this month we now have three projects focused on 201 West Washington Street. That's a former Southern States building. One is an art gallery. One is a coworking space and one is a restaurant that I've mentioned previously. Outside of that I think everyone here knows we have a grand opening event next week and then another one the week after that. Next week, Le Petit Marche is going to have a grand opening and then Northwest Federal Credit Union will be on the 22nd. I want to make sure everybody is aware of those and can be there if possible. Outside of that I'd be happy to answer any questions that you might have.

**Cindy Pearson:** What time is the Northwest Federal Credit Union. Do you know?

**Jamie Gaucher:** I believe it's 12:00 noon.

**Bridge Littleton:** No, it's one to three.

**Jamie Gaucher:** Is it one o'clock?

**Bridge Littleton:** One to three.

**Jamie Gaucher:** It's on the 22nd

**Kevin Daly:** This month?

**Bridge Littleton:** Yeah. May. [off mic] No. That's hold on, I got them both on my calendar. One second.

**Philip Miller:** That's an evening event.

**Bridge Littleton:** Yes it is but that is at 6:30 p.m. OK. Anybody have any questions for Jamie?

**Chris Bernard:** [off mic]

**Jamie Gaucher:** Yeah. From. So we sat down Mr. Davis and I sat down and tried to identify some trends and two popped off the report to me one existing businesses who were concerned, especially two months ago about the empty storefronts, the empty retail spaces in town. And then the second one most of the businesses are looking for more customers. They're looking for opportunities to do marketing and they're looking for additional sources of revenue. Those two subjects popped up in easily the majority of the 17 or from the 17 individual businesses.

**Philip Miller:** So of that data that you guys have talked about are you gonna bring that to EDAC for action items.

**Jamie Gaucher:** Yes.

**Darlene Kirk:** [off mic]

**Bridge Littleton:** That was in the 80s.

**Cindy Pearson:** [off mic] That was actually Visit Loudoun that arranged those. They used to have. [off mic] Thank you. That's exactly it. Yup. [off mic]

**Jamie Gaucher:** Okay. I'm not familiar with that but I'll find out. Yeah. I'd be happy to do that.

**Danny Davis:** Anecdotally, I'll note it's funny this has come up a couple of times over the last week or so we've seen the number of the mid-sized buses maybe the 25, 20-25 seaters come along Marshall Street one parked in the Safeway for a little while. Some groups of people I don't know if they're tours, I don't know if they're groups I don't know if it's you know people doing wine tastings who knows but have seen actually a few more of those now that it's May.

**Bridge Littleton:** Anybody have any other questions for Jamie? So from last month Visit Loudoun MOU.

**Jamie Gaucher:** We had our initial meeting with Councilman Miller and Council Member Bernard and Mr. Davis and myself and we've established a new set of priorities and deliverables. And Danny and I will be putting that in front of Visit Loudoun next week.

**Bridge Littleton:** Sounds good. And when is Beth scheduled to come in?

**Jamie Gaucher:** June 6<sup>th</sup>.

**Bridge Littleton:** June 6th. OK. Perfect thanks. Anybody have any other questions for Jaime? OK. Thank you.

**Ashley Bott:** Dare I come to the table. Obviously everyone is aware almost everybody is aware I have resigned from my position. So that is a highlight for this report. [off mic] Yes it's a little light. So effective May 30th but I just wanted to take this opportunity to thank you all for my time here and try not to get emotional about it because this is an emotional. I really love working here. So thank you very much. Yeah yeah. So. [off mic] Thank you. Thank you very much Darlene. So back to the report. Loudoun County the consolidated building everything is going as planned. The bills have hit the street and there is a line item for Middleburg on the bill. So if anybody stops you has a question. That's what that is. But most people have gotten our notices and know that this is happening. So no issues there. [Inaudible] I am still having some issues with. We're still at the posting file part where we're so close. So I'm optimistic but it's just taking a lot longer than I had anticipated and I wouldn't have said something as soon as I did if I hadn't thought at this point we would be further than we are. But I have confidence that it will be done before I leave. I'm really trying to push that. Do you have any questions for me about my report?

**Bridge Littleton:** Any questions for Ashley? Go ahead.

**Darlene Kirk:** It's not a question but I just wanted to say thank you very much for getting all the back work done that was left by previous treasurers because you've got all that together and got it in. That was just a nightmare. But you did a great job on that. And we're really going to miss you.

**Ashley Bott:** Thank you very much. I'll miss you too. [off mic] Thank you very much.

**Bridge Littleton:** Any other questions for Ashley? So Ashley I will say it's going to be very sad to see you go but you're leaving a great legacy and we really appreciate everything you've done.

**Ashley Bott:** Thank you.

**Bridge Littleton:** OK. [off mic] Oh we're going to pour it on then. [laughter]

**A.J. Panebianco:** I'll be brief as usual. Want to thank Go Green for their participation in our drug take back. It was again a huge success not only because we get the drugs and keep them out of the water system, however along with that is the batteries that they collected and I want to say you told me seven if I'm not correct?

**Peter Leonard-Morgan:** I think we had four boxes. Some of them [inaudible] in the beginning so it's really 160 pounds in weight.

**A.J. Panebianco:** Of the batteries that stayed out of the system. Got a few pairs of tennis shoes. Just a reminder if you have some old shoes bring them by the P.D. We are donating them to MADD to help they get some funding out of it any help some less fortunate people. So don't throw your shoes away. Recycle. Along with that Toyota Supras have been running around town if you haven't noticed them they have behaved well. It's a new supra. They're doing their launch over Salamander this week and they're running them out of Salamander to a racetrack letting them run on a race track. Different members of the media and different stuff like that and then they're coming back. They're behaving well and.

**Bridge Littleton:** The people or the cars?

**A.J. Panebianco:** Both, which is most important is car. But no. So if you've noticed a lot of supras running through town it's because they're having that over there. And then last just got some information

and keeping up to date on the Route 50 project. And it looks like what we're like six weeks maybe. The sign.

**Danny Davis:** Took me a second. Zulla Road. Yes. Approximately six weeks or so for the do not enter signs that backlit or the LED lit signs so making progress there.

**Bridge Littleton:** So let me make sure I highlight something. Hey Dan. You've got that for DeeDee right? Six weeks estimate is six weeks for the signs to be there.

**A.J. Panebianco:** But don't hold on to that. [off mic]

**Bridge Littleton:** Her driveway. You got it. And we're gonna face them at her bedroom window.

**A.J. Panebianco:** Yes.

**Bridge Littleton:** Perfect thanks.

**A.J. Panebianco:** And it's from VDOT so don't hold us to that date. [off mic] Yeah. Yes. So the other then that, if there's any questions I'll try and answer them. But again we will reiterate what you guys did. We're very sad to see Ashley go. She's been an asset to the town as a whole and to the PD as well.

**Bridge Littleton:** So any questions for A.J.

**A.J. Panebianco:** Cry, go ahead. [laughter]

**Bridge Littleton:** Yes, sir.

**Peter Leonard-Morgan:** A.J. just a shout out to Jay and to Mark.

**A.J. Panebianco:** Yes.

**Peter Leonard-Morgan:** And also Tim at the drug take back because it's also a wonderful community event.

**A.J. Panebianco:** It is.

**Peter Leonard-Morgan:** The community meeting the police department coming in here and having a chat and great event. Thank you.

**A.J. Panebianco:** And then they do a great job every year and they they've taken it over from Mike Prince and myself previous Lieutenant and I used to do it. And Jay when he got promoted he did it. And Mark wanted to step up as a corporal and do it. So. It saves me from worry because I know it's a really really good hands.

**Bridge Littleton:** Any other questions for A.J? Thank you, sir.

**A.J. Panebianco:** Thank you.

**Bridge Littleton:** Will.

**Will Moore:** Thank you Mr. Mayor. Members of council just one update to my report following up the Planning Commission had a special meeting Monday to make final edits to a draft comprehensive plan. We anticipate that that will be posted to the web site and we will start advertising that it's available for

public review and comment on the middle of next week once we have their final revisions incorporated from the consultant. They have also set the date for Wednesday May 29th beginning at 6:00 p.m. at the Hill School Theater for a public open house. So kind of a good rollout. And we will be scheduling their public hearing on the draft plan for Wednesday, sorry, Monday June. Make sure I get this right. June 17th. It's actually gonna be the third Monday instead of the fourth Monday just based on commissioners availability. So a couple were unavailable for the regular fourth Monday meeting so we're going to push the public hearing up to the 17th of June. Aside from that I'll be happy to answer any questions you have on my report.

**Bridge Littleton:** And Will, just make sure real quick, you said May 29<sup>th</sup> at Hill School.

**Will Moore:** Yes Wednesday May 29<sup>th</sup>.

**Bridge Littleton:** Any other questions for Will? I had two real quickly. So the I noticed the curb painting. That's the yellow, it's for the yellow curb painting right?

**Will Moore:** Yellow curb plus a number of pavement markings. There'll be a stop bar put in northbound on Pendleton at the stop sign so hopefully assist with that and then the stop bar coming south on Pendleton out of Salamander will be repainted and some other pavement markings several of which the chief asked for to help reinforce some no parking areas where. [off mic] Cross walk at Liberty, yes to cross over to the new connection to the sidewalk will be painted as well.

**Bridge Littleton:** So I had one question for a citizen it was regarding the sidewalks going down Foxcroft Road by the school.

**Will Moore:** Sidewalks. Foxcroft. Marshall Street maybe?

**Bridge Littleton:** [off mic] Yeah, yeah, yeah. [off mic]. Yeah yeah yeah. No no it was a question, his question was, was that going to be painted and highlighted as a place where people need to make sure they slow down. And I don't. You know I don't know where that falls in the world of safety compliance and stuff like that.

**Will Moore:** I'm not sure exactly.

**Bridge Littleton:** So on the Plains Road, or not the Plains Road, Foxcroft.

**Peter Leonard-Morgan:** Well it's really not Pendleton.

**Bridge Littleton:** Yes. In front of the charter school.

**Will Moore:** OK.

**Bridge Littleton:** Those sidewalks there. The question was were those going to be. Yeah. The one sidewalk where those were the edge of those going to be painted yellow as a you know [inaudible] that you know that's where little kids you know that you need to take extra caution when driving up and down the road. That was the question I got.

**Will Moore:** So I don't have any markings plan there, but I can certainly take a look. I'm not sure what kind of marking would there be to indicate to slowdown unless you're talking actually on the pavement like a [inaudible] school.

**Bridge Littleton:** I don't think so. You know I mean. [off mic] No no. I think it's around. Well you know what. Let me do this. Let me go look at tomorrow.

**Will Moore:** Okay. And I'll be happy [multiple speakers].

**Bridge Littleton:** But I didn't go look at it before. [multiple speakers] So he lives right across the street.

**Will Moore:** OK.

**Bridge Littleton:** And he says you know cars fly up and down the road all the time and he's worried about kids getting hit if they're running up and down the sidewalk.

**Will Moore:** It sounds more like a pavement marking he's looking for something to go actually in the travel lane to alert that a school.

**Bridge Littleton:** Schools zone exactly.

**Will Moore:** That's not something we have programmed but we take a look at it.

**Bridge Littleton:** Ok. All right. Thanks. And then the only other question I had was, oh, just each month as we go if you could just give us you know where we are on the Chinn Lane water issue. I saw the e-mail this morning from Jim Betts.

**Will Moore:** Yes.

**Bridge Littleton:** But I mean I've gotten a couple calls. So you know just keep us up to breast as that goes along.

**Will Moore:** Absolutely.

**Danny Davis:** We'll be happy to. Yeah.

**Bridge Littleton:** Okay. Thanks .

**Will Moore:** Thank you.

**Bridge Littleton:** Danny. Oh excuse me wrong one. Martin.

**Martin Crim:** Thank you Mayor. You have my report and I stand by ready to answer any questions.

**Bridge Littleton:** Any questions for Martin? Awesome. All right. That is all that. Next on the agenda. [off mic]

**Danny Davis:** I'll leave that to the people doing the real work. I will say I've loaded up I think all 12 of the strategic initiatives into the software program. Making sure that it all makes sense. And then you'll each get an invite to join as a guest if you'd like to view and see how they're laid out. This is based on the action plans that we have for each of your strategic initiatives. Those dates obviously will fluctuate as things change, branding or well web site to pretty much on track. But other ones as need be we flex but we also. It gives us a sense of all of the projects, big projects that we have kind of together accepting other projects that we have that are staff initiated or staff related but gives you a chance to see where we are on some of these. So we'll continue using that and see how that works for you and for us.

**Bridge Littleton:** Great. Thanks. OK. Any reports of town committees. All right. Now we're going to move to the consent agenda. Is there a motion? Or excuse me, would anybody like anything remove the consent agenda? Ok. Is there a motion?

**Philip Miller:** I move we approve the consent agenda as proposed.

**Bridge Littleton:** Any comments? All those in favor say aye.

**Everyone:** Aye.

**Bridge Littleton:** Opposed? Abstention? Motion passes. All right. Next action item reimbursement resolution for town capital projects.

**Danny Davis:** Thank you Mayor and Council. This is a fairly standard item when we are approaching capital projects that we may pursue or wish to issue bonds or debt to for those projects. This allows us to go ahead and get the IRS required resolution in place and then expenses that we may pay cash for over the next period of time we could actually reimburse ourselves with debt into the future. And this is something that we've worked with Davenport on. They work with the bond counsel [Inaudible] to recommend things like this and that's preparing for potential future debt obligations. It doesn't commit us to issuing any debt at the end of the day but it preserves that option for us if needed. So it's pretty straightforward because it is a budget type related item. It's recommended that we take a roll call vote just so we have that on the record. And I can answer any questions if you'd like.

**Bridge Littleton:** Anyone have any questions for Danny. All right. Makes sense. Is there a motion?

**Darlene Kirk:** I move that council approved a resolution of official intent to reimburse expenditures with proceeds of a borrowing as shown in the attachment that we received.

**Kevin Daly:** Second.

**Bridge Littleton:** Any discussion. All right let's do a roll call vote.

**Chris Bernard:** Chris Bernard. Nay. [off mic] Yes.

**Kevin Hazard:** Kevin Hazard. Yes.

**Darlene Kirk:** Yes.

**Peter Leonard-Morgan:** Yes.

**Cindy Pearson:** Yes.

**Kevin Daly:** Yes.

**Bridge Littleton:** Motion passes. All right. Next item is, oh the short one utility fund budget discussion.

**Danny Davis:** Thank you Mr. Mayor. I'm going to try to multitask and connect to a display while we're talking. So we have Eric Callocchia from MFSG who's our rate utility rate consultant and you have the presentation in your surfaces if you need a hard copy we can provide it to you. And I'm also going to attempt to connect and put it up the presentation on the TV so we will get there in a second. [off mic]

**Eric Callocchia:** Well in the meantime I guess I'll introduce myself. My name is Eric Callocchia. I'm the senior manager at the Municipal Financial Services Group. We've been working with the town since I believe 2012 was when we built our first financial model for the town's utility systems. Just a very brief background your system you have about 450 customers both inside and outside of town. Your capacity in your water production is about a quarter million gallons a day. Your sewer treatment plant capacity is



about the same quarter to a third of a million gallons a day. Here we are. On our first slide here just a little bit of background. I mentioned we first started working with the town 2012. We built the financial model and Microsoft Excel. It allows us to run financing scenarios, operating capital costs and I'll get into that a little bit. We updated it several times. Last year I was here giving the same presentation so a lot of this will sound very familiar. Our ultimate goals are sort of I have three of them listed here. We want to reasonably project the costs of owning and operating the systems. And when projecting those costs, the second step is we want to develop rates that properly charge your customers for those costs. We need to maintain the financial sustainability of the utility systems that's our ultimate goal. And providing the town with us expert advice during that process as the need arises. So the rate setting process very basically, five steps. We identified what was called the revenue requirements those are our costs. We allocate those costs to our customers from water and sewer. Anything that's overhead and we have to allocate we do that. Step three we design a rate structure your rate structure is very simple it has a fixed charge that includes two thousand gallons of usage on a bi monthly basis and then a unit charge per thousand gallons above that. Step four is communication. We're at step four right now where we communicate the need for the utility rates at public meetings. [Inaudible], bill stuffer, stuff like that and then step five is implementation. Each year we want to implement rates for the next fiscal year that maintain a long term financial plan and maintain the health of the systems. Very basic outline of the rate setting process, that stack on the top left of this is what we call our revenue requirements we have our operating and maintenance expenses. Those are your day to day expenses to run the system things like labor, electricity, chemicals things like that. Existing debt service whatever debt we've issued to support the utility systems we have to pay off those loan agreements. Into the future plan capital improvement projects. We're going to talk a lot about those. What major onetime projects to the systems need over the next five year time frame in order to maintain and keep your assets in the shape they need to be to operate the system. We'll talk about a couple of those major projects and then contributions to reserves. We're going to talk about a minimum level of reserves within the utility fund. That's a separate pot of money that we need to maintain for emergencies sort of like a rainy day fund, a capital fund. you know when things come up that we're not you know that aren't on paper in terms of existing projected expenses but could be foreseeable in the future. That's our total annual revenue requirement that small light green box is miscellaneous revenues. We net out things like you have cell tower leases on your water tower you get some interest from your reserves you get some late payment penalties. All of that is sort of we need to account for it but we don't want to double charge the rates so we net that out of your total costs and what's left is that net revenue requirement. That's what we need to get from rates each year to maintain the financial sustainability of the systems. We compare that to what you're getting currently and if any adjustments need to be made, we advise at what those adjustments need to be. So let's talk about specifically what's in our model on slide 5. Some of the major assumptions that influence the financial plan. Number one we've updated your customers for your latest fiscal year and your consumption. We're projecting no increase in future customers or consumption. Basically your system is going to be built out and it's going to stay built out. Your customers are going to use generally about the same amount of water as they've used for the past few fiscal years. Future operational costs increasing on average rate of 2.1 percent per year. And we do that on a line item basis. That's an average some things go up, some things stay flat. You're contractually obligated on some things, other the things you can find some savings. But basically those costs are going to increase a little bit each year and we know that and we build that into our assumptions. Of course we're funding a hundred percent of the town's utility debt service. That's a no brainer you have no choice. So we have to put it in there. Capital improvement projects. We have several major projects that we listed on the bottom we have ongoing projects that are a hundred thousand dollars a year. The two on the water side. You have two inch and four inch water lines on Ridgeview that we're replacing. That's been a capital project that's been part of our plan for several years now and it looks like it's actually going to happen. [off mic] It's was done? It's done. Yes. So that needs to be paid for. Replace the West End Pump Station. Eight hundred thousand dollars that was in here last year. Unfortunately the cost of that has been increasing in terms of what we've been building into our models that's had some impact. Sewer membrane replacement fiscal year 21 and 22 three hundred thousand dollars. Your sewer plant has what are called membranes, they're basically filters that need to be changed out your membranes are I believe eight years old at this point. [off mic] Eight or nine years old. The useful life on those is 10 solidly if you're

lucky you'll get 13 out of them. So those are gonna need to be replaced and we've built that into your model. And you're Well 4 [inaudible] well that's a new project that we've included this go around. And that's a that's a well project that's on your water. That's that's a water project and the ongoing maintenance. We have some funding assumptions these major projects our goal is to smooth out sort of these are onetime expenses. these are long lived assets. Like I said the membrane should last 10 years. So it makes sense to sort of spread that cost out over a given amount of time. So the plan and you'll hear a lot more about this from your financial advisors Davenport after me. But the general plan that we're looking at right now in our model is borrowing a certain amount of money seven hundred eighty five thousand dollars from the general fund paying it back from water and sewer rates add interest for some of these projects and there's a small amount paid by the general fund for for a portion of these projects. Everything else is assumed to be cash. So each year we need to raise that amount to pay each year. So that borrowing assumption is is a pretty major one. And we'll see the impact it has on the utility fund cash balance and Davenport will go into more detail on sort of what that means holistically for the town in the general fund and the utility fund and where that balance is. So if we look at the table on Slide 6. This is our it's tough to see up there if you want hard copies in the audience we can get them for you. This is sort of that cost that stacking of those costs and sort of where they fall in total and our total revenue at current rates including our miscellaneous revenues and things like that. So we can see our estimated fiscal year 19 and our projected 20 through 24 and at our current rates those sort of two lines in the middle there. We can see that we're not really catching up, we're never getting our revenues to where they need to be. Our plan for the past several years was we want to maintain a steady reasonable increase in utility fees each year to account for all these spending increases. And that's where we see our 3 percent increase in both the minimum charge and the unit rate. And on the bottom of this table we can see as we increase those revenues not only can we start contributing to our reserves a little bit but we're maintaining for most years a balance within the water fund. We're generating enough revenues to fund our operating and capital expenses and put a little bit of away in reserves.

**Bridge Littleton:** Can I stop you right there and ask a question?

**Eric Callocchia:** Sure.

**Bridge Littleton:** So your model assumes no change in usage.

**Eric Callocchia:** Correct.

**Bridge Littleton:** So Salamander is 50 percent of our usage.

**Eric Callocchia:** That's correct.

**Bridge Littleton:** So when we hit the next recession and they see a decrease in people staying there by 20 or 25 percent that could be 10, 12, 15 percent reduction in usage.

**Eric Callocchia:** Yeah. If Salamander were to cut their usage by 20 percent it would be about a 10 percent reduction in the billable water usage built by the town. That is correct.

**Bridge Littleton:** Right. Right. So here's I'm going with this right. So and again I keep going back to the last recession. Luxury tourism, hotel stays went down by 50 percent. So let's say the next recession because there will be a next recession. It goes down by 25 percent. That's a 12 percent reduction in usage right? Cause that's people flushing the toilet, taking showers who are staying at the hotel eating food. If people aren't there using the water right. How do we build some kind of protection in our rate model system or our reserve system to account for when that is going to happen. It is going to happen it's just a question of when.

**Eric Callocchia:** Yeah. And it's you're you're absolutely right. The idea is to maintain a certain level of reserves. A sustained recession generally the longest bear market we've seen is three years, three and a half about. But you know the consumer market it lasts a lot longer than that. You know we came out of a recession they said and what 2008, late 2009 or something like that which you know is not realistic on a consumer spending basis. So you know that probably lasted until at least 2010, 12 you know in that area. So on the utility front there are several things you can do. Deferring capital maintenance is the easiest to do on paper it's not the most financially sound thing to do because your system is deteriorating whether you use it or not. You know the availability of that service really is the thing that costs you the most. operating system on a day to day basis the variable costs associate weather that are very small. So there's a couple of things you do you can maintain higher reserves build those into your existing rates when the time comes to do those projects you can borrow more money than you planned to. If you don't build the cash financing of projects in say years four or five and six of these projections you can change those assumptions to being borrowed money instead of paying cash that will hold your rate down and hold the burden down on your existing rate payers. Other than that you really don't have a whole lot of options you own and operate the system whether you're whether you serve all of your customers plus Salamander going full bore or if it's you know all of your customers and Salamander you know half of what it is today it generally costs you about the same to run your system.

**Bridge Littleton:** Do you guys have other customers who are somewhat like us in the sense that it's a small town with an expensive system. It's a good system and all that has like one customer that is 50 percent of the bill payer.

**Eric Callocchia:** You are a outlier.

**Bridge Littleton:** I get that.

**Eric Callocchia:** In terms of that level you are one of our I think you actually maybe our smallest municipal client. We have we actually have some private clients that are very very small like a campground that owns a small collection system. In terms of that relationship we actually were asked this in suburban Illinois the top three of their customers if they left that would only result in a 3 percent decrease in their if they left completely a 3 percent decrease in their overall consumption which is manageable.

**Bridge Littleton:** Right.

**Eric Callocchia:** No, you're you're an outlier with that.

**Bridge Littleton:** So from a from a being from a being prepared standpoint right. What would you because you just laid us a lot of great options. But we need to we to figure out. I mean so do we figure out a way to bank more in the reserve now when the economy is good so that way when it goes when it when we do hit the next recession we don't have to increase rates by 6 or 10 percent on people which would be you know a disastrous thing to do.

**Eric Callocchia:** Yeah. It's difficult because there's the competing objective of affordability and expenses drive revenues in utilities. You know what you spend defines what you raise in revenues to build in an assumption of okay we're going to raise more money than we need in the next five years in order to bank for a recession. That's a perfectly reasonable thing and we build a certain amount of reserves into your into your model. Operationally we run it into push back whenever rates are higher than they quote unquote need to be. So it's a difficult thing for us to put increased reserve to tell somebody that their rates are increasing because the cost of electricity in the cost of labor and these capital projects is easy to sell them. We're increasing your rate more than we need to quote unquote because we want to put away an extra 250,000 dollars each year for the next five years. So that way we don't have to charge you five years from now for those rates. It's an intergenerational equity question why are your current rate payers

paying for your future costs in terms of when a recession rears its head. So there's a lot of there's a balance there. Our recommendation of maintaining an entire year's worth of operational costs in a reserve is actually and we're going to talk about this a lot later is in terms of a percentage basis it's one of the highest but 100 percent of your operating on the water and sewer per year is a million dollars which is not a lot of money when it comes to owning and operating utility systems. A lot of our largest clients if you if you add a zero to all of your budget numbers and revenue numbers and you maintained 25 percent which is about you know two and half million dollars that would be sufficient for one of our 90 days of operating expenses. Twenty five percent for you won't buy you your next pump station or another water tower. So it's difficult to build into your model. A in the utility industry a extremely sufficient level of reserves and still have that not be enough on an actual dollar amount basis.

**Danny Davis:** And if I can interject rope to two things. Part of this conversation will filter into our conversation with Davenport which is great. The second piece is on the flip side to look on the potential other side of the issue if Salamander's residential gets built and brings additional users and capacity, if usage comes in higher than anticipated which for current fiscal year it is. That gives us the opportunity to continue using those dollars strategically for capital projects or beginning to bank it now which helps us meet that fund balance goal in a quicker time frame as well. So some positive potential there. Again not wanting to. [off mic] Exactly. Not wanting to plan on it. So let's take advantage of it when it happens and use that money strategically and wisely but then also definitely preparing for the future that way. Eric's talked about.

**Eric Callocchia:** The next slide. Slide 7. This is the same pro forma but for the sewer system. You can see the sewer system. The sewer system is where a lot of the heavy capital is coming in the next couple of years. Specifically in fiscal 21-22 that area. That's what I believe where the membranes are. The sewer system and the current rates and revenues are generating annual deficits on an ongoing basis and at the 3 percent per year increase level we're still sustaining some cash flow deficits but they're decreasing in size and we have the cash available to sustain these deficits in this time frame. We'll see on the next slide here if we look at in total the utility cash fund projection we have our actual first fiscal year 18. Now given the expense and revenue assumptions that we've built into our model there's a lot of going on this chart so I'll go through each these stacked bar the green and blue that's the cash balance each year as we're going chopping away at it. The gray line that goes across the middle that's not 100 percent of annual operating expenses target. So when that green bar hits and exceeds that line that's when we're maintaining at least one time operating cash in the utility fund's water and sewer combined. That red line that sort of disappears. That's what happens if you don't increase rates at all. That's what happens if you maintain the current revenues but increase your expenses with all of these capital projects and you can see the funds are extinguished by fiscal year 2022. But that's given all of the cost assumptions and none of the revenue assumptions essentially. So you can see based on our 3 percent per year in each of these years fiscal 20 through 29 our model actually extends out that far given the capital program we eat into that cash balance to the level it sort of bottoms out in fiscal 22 at about three hundred thousand dollars which is a third of your annual operating budget which actually is most my clients would love to have a third of their budget in reserves. But you can see here the picture you know on this is not so sweet. And then we sort of generate revenues in excess of our expenses for several years until we're back at the end of this projection to maintaining and exceeding that financial benchmark. And like I said there's no action to be taken tonight on especially these out years and we're going to have a long discussion with Davenport about how we manage this cash flow in this cash balance picture holistically with throughout the town given the general borrowing from the general fund and the utility funds. So the last slide taking that into consideration what everybody cares about they don't care about your rates. They don't care about your budgets. They care about their bills. So what are their bills look like. And this is on Slide 9 the projected inside town rates and sample bills you can see the 3 percent increases in the water and sewer rates. The top sort of box there is the water rates and the bi monthly average water bill which for your town is 7,000 gallons bi monthly. Two thousand is included in that first minimum charge and then they're build five units at that second charge and you can see the bills going up. So really a 3 percent increase on the water side for your average customer bill is three dollars and fifty cents per bi annual period which is a

dollar and fifty per month. On the sewer side, it's slightly higher three dollars and sixty cents. And overall you can see the dollar change on the bottom line from your fiscal year 19, each year is about seven dollars per bi monthly period per year increasing. So the bill goes from [inaudible] over this five year projection so it's a cumulative increase of about what is at forty dollars over that time period. [off mic] Bi monthly, forty dollars bi monthly. Correct. The last slide key takeaways and we'll have a lot of discussion. The financial projections here and you know that 3 percent rate increase really was a desire of the town previously and it is sustainable given the cash flow assumptions in this model and you can see we don't run out of money but we use a lot of our existing money that we've sort of built up over the years. The second bullet point here the current and that's really the capital funding if we took out your capital program your systems you know nice and steady everybody's is that's not what's driving. The capitals was driving these are these increases in this draw down on cash and with the discussion of the town's financial adviser which is here tonight Davenport we believe that the capital program is what it is for the most part. You need these projects re-evaluating how we fund that capital program is really where we can make an impact on the utility fund and the general fund and maintain you know reasonable and predictable revenue increases in the form of rate increases rather than making some other drastic changes you know throughout the structure so that's really our takeaway. The 3 percent and what we're seeing in these projections is sort of built in. If there's only so much we can do on the revenue side and the expense side with the funding of the capital program is really where Davenport can really you know bring forth some options and that's what they're gonna be talking about tonight.

**Bridge Littleton:** Anybody have any questions at this time?

**Peter Leonard-Morgan:** Eric. Thanks for that. I have one question which is about the sewer membrane replacement and maybe it's more of a technical one [inaudible]. But I believe that we are and Danny you know this as well with delaying paying a deposit of seventy five thousand dollars. And is there a risk associated with that? Do we risk the price of the membrane itself going up?

**Eric Callocchia:** Yeah

**Peter Leonard-Morgan:** And if we pay it now can we hold the price of the membrane.

**Eric Callocchia:** That depends on on your agreement. Probably that's pretty standard.

**Danny Davis:** That's my understanding based on our conversations with [inaudible] as the provider of that that we could potentially lock that price in with probably 25 percent or so deposit, so about seventy five thousand dollars. We have pushed that back a year to currently to 2021 in the CIP just because of the current cash flow kind of situation that we're looking at. Not to say that if we end fiscal year '19 current fiscal year and a positive situation that perhaps there's a use of those funds that we could jump the gun if you will and get that locked in. And then the remaining piece would only be due when we actually need to call them and say hey it's time. So that is a potential that we're keeping is an option on the table.

**Peter Leonard-Morgan:** OK. Because I think it's something kind of important that we should keep our eyes on and the membrane at one point. I think the membrane was actually projected to last longer and now with all the rain we've had I think [inaudible].

**Danny Davis:** So yeah it's a non-negotiable item. It has to be done. I spoke with Stuart earlier today because we've had to delay our regular dislodging process of those membranes because we've had so much water coming through the system. I asked him today to tell me what it will take to get that process done as soon as possible. I think we're at a level where we've gotten our basins down where we can turn one system off for long enough to get the dislodging taken care of. If not we'll do what we can to get done because cleaning them now will help the plant run more efficiently and then also keep them just help with their longer lasting for the membranes themselves. So it's been a challenge with the rain but we're going to tackle it as soon as we can.

**Bridge Littleton:** Any other questions? So one quick question and Danny you and I talked about this earlier today. So on Slide 5 it said future operational cost increase. I'm assuming you mean by there is not future from now, but looking back. In the past each future the average was two and a half percent.

**Eric Callocchia:** It's a combination of both.

**Bridge Littleton:** Or two point one.

**Eric Callocchia:** It's a combination of both. Most of your operating budget is relatively flat. You have a couple of items that increase, but yeah that's going forward is two point one. And it's based on both the historical and the looking forward cost increase [inaudible].

**Bridge Littleton:** So an accurate of saying this is future operational cost expected to increase

**Eric Callocchia:** Correct.

**Bridge Littleton:** At an average rate of [inaudible]. Not increase. If that's a path [inaudible].

**[Speaker]:** Yup. Sorry. [Multiple speakers].

**Bridge Littleton:** No, it's fine. So here's my question then. So that is truly just operational costs? That is not capital expense or debt service or debt payment.

**Eric Callocchia:** Correct. Your debt payment and Davenport has a lot of detail here. The way your debt payment is structured has a certain format. It doesn't increase. Sometimes it increases and decreases. But this is strictly yes your operating which the largest line item there is your operating contract with IES I believe.

**Bridge Littleton:** Sure.

**Eric Callocchia:** And everything else from that is you know salaries, chemicals, and electricity. So that's strictly day to day routine stuff.

**Bridge Littleton:** Right. Okay. So in Danny when you and I talked about this earlier, right? If I understand it right. So we're increasing our rates by 3 percent but year over year our total costs to our operate our system operational, CAPEX and interest on the debt is like between like 6 and 7 percent.

**Danny Davis:** That's correct. We have a few items programmed into this current year. One particularly being debt service to pay ourselves back for the loan from the general fund beginning that and also a study for the wellhead protection Advisory Committee. So those things combined together along with the other operational costs increase is about seven point four percent.

**Bridge Littleton:** Okay.

**Danny Davis:** And that's not specific capital funding that's just the debt service side and everything else.

**Bridge Littleton:** Okay. Now I just want to make sure [inaudible] get the impression that you know we're raising our rates by 3 percent, but it's only costing us two point one more. It's actually gonna cost us about seven point one or seven point four all things taken in total for the system.

**Eric Callocchia:** Correct. Your operating is about half of your total cash needs. So if that increased that's you know 1 percent ballpark.

**Bridge Littleton:** Okay. All right. Great. No I appreciate that clarification. Does anybody have any other questions? Yeah.

**Darlene Kirk:** Didn't you tell me that our usage was also up though? 7%?

**Danny Davis:** It is. That's correct. But that gets back to the point of it's great to have today. And don't know if that's associated again with Salamander being you know in a very good spot, restaurants doing very well or we haven't done a deep dive analysis of the usage trends by particular property. So we had not anticipated that continued level into fiscal year 20 in our current revenues. We we took our FY19 budget and increased that essentially by 3 percent for those user rates. So if we see continued positive momentum into 20 that will just be again a little bit extra that we can use for either fund balance or for projects but we're hesitant especially with the volatility on this side to get overconfident in our revenues.

**Eric Callocchia:** Our model has usage data going back almost 10 years at this point and I wouldn't have to get specific numbers, but you are selling even with this increase you're selling less water today than you were 10 years ago. Even with that you know you'll have some bumps in there. [Laughter]. And that's true for every single one of our clients that's true for. People are just using less water in general.

**Bridge Littleton:** Okay. Any other questions for Eric? Yeah, go ahead.

**Peter Leonard-Morgan:** So we've got an issue with I&I which is infiltration and [off mic]. Thank you. So presumably once we're investing some money in that once we've figured that problem out we'll have less fluid going down into the wastewater systems, so less burden on it. I mean is that accounted for, or are we just assuming what goes out goes?

**Eric Callocchia:** No that's that's accounted for. Your billable usage is the same for water and sewer generally for you use water usage as a proxy. But what goes to the plant of course is influenced. That one hundred thousand dollars per year sort of ongoing maintenance that includes a certain amount of I&I work in your system. So as that happens you will see and it's tough because we didn't have the most rain I think in 40 years. I think last calendar year 18 was was one of the rainiest and a lot of our clients are seeing that problem. But yeah that will reduce the amount of non water usage flow that gets to your treatment plant and that will help both on the operational side and things like the membranes that last last longer, yeah.

**Danny Davis:** There will be I mean the the impacts on the plant itself, electricity chemical use, things like that, how long it has operated as a single time, but some of those are margin numbers it's really looking at being able to increase the longevity of those membranes by not running it so often.

**Eric Callocchia:** Those are some of the best dollars you can spend is on I&I work in terms of extending the life your plant.

**Bridge Littleton:** Let me ask one other quick question. So I know some places have done this, so I'm curious what your other clients have done. So if I remember correctly our system we only use about 30 to 40 percent of its actual capacity?

**Danny Davis:** We're 40 to sometimes 50 percent on average.

**Bridge Littleton:** Okay, yeah. And how much water are we basically pouring back into the creek? One hundred thousand gallons a day?

**Eric Callocchia:** It's more than that I think.

**Danny Davis:** 120 maybe.

**Bridge Littleton:** Okay. So I know like in *Purcellville* it's like 10 times that or whatever. So here's my question. Are other municipalities finding alternative sources of revenue for this potable water? I mean it's a hundred thousand gallons a day, right? And you know how much do you buy a thing a bottle of water for? I'm not saying it's bottled water, but you know.

**Eric Callocchia:** Yeah.

**Danny Davis:** It's actually it might be cleaner than [inaudible].

**Eric Callocchia:** Loudoun Water actually does sell gray water effluent, but it's for cooling of Verizon's big data centers and stuff like that and that's millions of gallons a day.

**Bridge Littleton:** We're not gonna incentivize that.

**Eric Callocchia:** Yeah. There's a couple aspects that. Yes, clients are doing that. They're finding ways. We have some clients that sell their sludge for fertilizer and stuff like that. Out of the plant. We have some clients that are getting into the reuse water business. The infrastructure that you need to be able to do that can be expensive. There's a lot of upfront costs. Long term it tends to get a payback. But you know if you had the cash great, if not you know you have other things to worry about. So we do have some clients that are and they're also getting to the wholesale water business. A lot of our clients are regionalizing, Northern Virginia somewhat but actually in the southern part of the state where there are a bunch of small communities on the Eastern Shore of Maryland, Somerset County. There's a lot of small communities that can't afford to own and maintain their communities. But they're close enough together that they can regionalize at least administratively and financially if not operationally. They can't interconnect their systems necessarily. A couple of them can, but they're doing that. There's a lot of that going on. Like you said you know you are an outlier in terms of the size of your system, the location of your system, and the operational characteristics of your system. But given those facts you're actually in very good shape compared to a lot of our clients. I just sent a report to a client in Delaware recommending 40 percent rate increases [laughter].

**Cindy Pearson:** [Off mic].

**Eric Callocchia:** Well their rates are incredibly they're too low. They're too low to to maintain their system, so I mean you have been doing this long enough that you have issues that you need to tend to, but they're not catastrophic. They need a good financial plan and they need some good help from from Davenport and us, and I think you're in a good position.

**Bridge Littleton:** Okay. Thank you. Anybody have any other questions? All right. Eric thank you very much.

**Eric Callocchia:** Thank you.

**Bridge Littleton:** Next is Davenport.

**Danny Davis:** Mr. Mayor and Council If you haven't had a chance to meet David Rose with Davenport I've had a chance to work with him for a number of years and he has a lot of great experience in the world of municipal finance and debt issuances as needed, capital finance, fund balances, sustainability, and so we really appreciate his expertise and also the way he's seen this work in other jurisdictions and how those ideas can be applied for Middleburg.



**Bridge Littleton:** Well first let me say [inaudible] says hello. I saw him over the weekend we were talking about that you guys were coming.

**David Rose:** He's a good man.

**Bridge Littleton:** He's a very good guy.

**David Rose:** Those of you I appreciate the opportunity Mr. Mayor. Again I'm David Rose and this is my first time in front of y'all from Richmond. And I'm gonna give anybody else here [inaudible]. But I know some of my colleagues have been working with you. I've had the good fortune of working with Danny when he was in Purcellville, but I know Eric alluded to certain places. Loudoun Water I started there as their advisor in 1983. They had interestingly enough, Eric, in 1983 they had one million dollars of cash in the bank and now we try to keep about 250 to 300 million of cash in the bank. So just give you a perspective. But they also had two million dollars of debt and now they've got a few hundred million but they are a triple-A rated and they're in very good shape and. But having said all that let's talk about you if we could. I would start if I could before I get into the presentation underscoring I think Mr. Mayor I suspect you are speaking and asking for a lot of folks here on council in the audience about trying to be there when the loss of revenues invariably will come. My wife and I stayed at the Salamander this past fall and did that just purely socially and again I know exactly what you're talking about. So one of the things that we're going to do based upon some of all this is to make some recommendations. I will tell you one of the recommendations you're gonna have is to create some and amend some financial policy guidelines. We'll eventually do that on the general fund, which we're not gonna talk about tonight. We're also gonna do that on the on the utility side because I share your concerns it's not if but when there will be a recession or a slowdown. This is now my fortieth year in this business. So inevitably it's gonna happen again. We just don't know when. So to add to that I can't remember if you said it Danny or Eric, but there are some strategies that have not been talked about yet on the expenditure side. Just the way we'll look at the capital funding I will tell you we are not gonna recommend you drop down your fund balances as it is represented for the moment. Not by recommendation by Eric, but we're not gonna recommend going down to those levels but we're going to show some strategies as to how to think about your debt portfolio and the right balance and even the way you go about doing your debt. All of that is going to be an item that we're going to address. I just want to let you to know that. That's a critical part of how we're thinking about all this. Having said that Loudoun Water, the one I was alluding to, [inaudible] LCSA now Loudoun Water. We created their policy and their policy is basically to have between 100 to 200 percent of annual operations in terms of true cash dollars. So with that being said as Eric alluded to one hundred percent here is only a million dollars and I'm no engineer, but I know enough about the economies of scale and what have you. So we're gonna recommend something that's going to be significant. But in real dollars it'll be more modest. So I've gotten away from worrying about percentages and more about real dollars and we did that Danny may recall when I got involved with Purcellville a bunch of years ago they did not have a lot of dollars in their general fund and we recommended no matter what the general fund balance would be. We said three million at a minimum. And that was probably now my memory is not great. We probably recommended that about a dozen years ago. Now they're considerably over that. So we think about that. So with that said I'd just like to walk you through a few pages here. I promise not to be too long, but in background I think again we've touched on the idea that we are here as your financial advisor. We're not here to sell you anything. We're not here to provide you the money. That's the type of thing that we're going to bid out and look to get whether it's banks, brokerages, state programs we are indifferent as to all of those and that's the way I've been and my colleagues have been. So again Joe Mason's been in front of y'all and he lives up here and he and Kyle [inaudible] who you've met perhaps also. Both of them been with me for a number of years. Joe about 14 and Kyle about 16. So got a lot of stability. They may be back, maybe I won't, but suffice it to say we do this as a team and not just one person's opinion because I don't trust myself even after all these years I need some other good folks. So with that said we talked about your reserves, making sure they're going to be appropriate and we have worked closely with MFSG and Eric's boss. [Inaudible] and I have known each other for decades. So the other thing here is y'all have gotten as part of this overall program [inaudible] and associates, the

economic consultant. Part of the reason is to answer your question and that is to say within the cycles of not just for utilities but also the general fund what can we expect. So we want to work towards plans and recommendations that incorporate what happens if indeed and when a slowdown occurs. Not just on the revenues on the utility side as I just said but also some of your other major revenue sources as it relates to the general fund and how it even then impacts utilities. So with that all being said just go on page two. Our goals and objectives is to ultimately have a financially sustainable and responsible plan working with that 3 percent rate increases as sort of a I'll call it a benchmark to really try to make sure that we stay self-supporting. And what I mean by that is that again the user rates charges take care of all of the various requirements that you have including debt service for the utility enterprise system. That's a way of helping the general fund be insulated from issues you're not going to be and you're not the first folks that I've worked with that have one particular very large user. That's not atypical for us. It's not as typical obvious across the board, but we're very much used to that and as a result we have to do certain things or recommend certain things that again as much as realistically possible insulate us from whether it's a permanent loss, hopefully not but a temporary loss or a drop down. So that will be part of our overall goals and objectives to address. So we've got some initial observations on page three. First again we recognize what Salamander means. We also recognize that they'll be hopefully some of their residential that will further help the overall base. I will say that your debt outstanding at roughly 4 million, it's a little bit less than that when we start into the 2020 fiscal year, about three point eight five or so. Again you're not an outlier in terms of the level of debt. That'll be another thing we will address in terms of what feels right, what is right in terms of utilities. And I'll just tell you typically the very nature of utilities they tend to be heavier in terms of debt because again the nature of what you're putting into the ground literally and figuratively is a longer term. So that is something we want to make sure when we look at the levels of debt to let's say revenues. You will typically see again debt will be a larger component and that's for any number of your Northern Virginia or national systems and we'll show you that and let you get hopefully somewhat comfortable. Most folks are debt averse, but there is a happy medium with all this. We're going to show that and put that out there so that you're not just shooting in the dark. We will make it clear we are not going into debt or recommending debt because we can't cash flow something. The best systems out there from the Fairfax waters to the Loudoun waters to the Leesburg town all recognize the time value of money. They recognize the fairness and equity of having these major I'll call it capital requirements and improvements set up in such a way that they're paid for by those users over time. That's an important important concept that we want to get to. It's not sometimes some folks think oh you go to debt because you don't have the cash flows. Even if you do like Loudoun Water has the cash flows, you don't do that because those things are going to last for a number of years. It's not fair to put it on the current users overnight so to speak or a very short period. So with that said we also know the Enterprise Fund really doesn't have a million two at the end of 2018 fiscal year. There's a portion of that that's already been drawn down for that water line project. So again when we talk about ultimately we're gonna be back if you'll let us with some specific recommendations all of that will be properly incorporated into this. So page 4 again I think I've sort of hit on these various points about creating some policies and making sure that that general fund again is going to also be looked at in context of overall how to operate sustainably for years to come. Page 5 next steps we're recommending again you adopt the 2020 budget with those 3 percent user rates. We believe that that can be done. It's not going to create some sort of imbalance or get you off on the wrong foot. So we very much concur with Eric and MFSG in that perspective. But we also are going to recommend here that we revisit how we look at the capital program and that really means how we fund the capital program and we'll give you that. We're going to have some of those recommendations and our thinking was the June 4th meeting of the Finance Committee. We will roll out our numbers, our approach, and we'll factor in what happens. So we'll give you as we were anticipating with through Danny we'll give you a couple of different scenarios. I'm not one that believes in giving you five different scenarios. No, I think we're going to try to give you what I'll call the the dumbbells or the bar bells. You know two ends of the spectrum let you see and then something in the middle. Having said that typically what we do is we visit or revisit I should say every year your rolling capital program for what happened in the previous year and what changes, what surprises we had. So when you ask Mr. Mayor that two point one percent that is very much those are what we typically look at for example as chemicals rise as health insurance and all those other things that you have little if any control over. I think Eric you'd

agree with that. That's what we're talking about. Then again the debt service component and other things kick in because it's very possible, no pun intended, you could have the perfect storm. You have a situation whereby recessionary type environment coupled with a particularly bad year in terms of the environment meaning you know wet weather, dry weather as the case may be and you still have your fixed cost you can't change. So we're going to make sure that the plan incorporates that as how we think about all this or what would have to happen if that happens in subsequent years in terms of rates and charges. So that's really what I was wanting to do. I'm happy to answer any questions. I may be back on the fourth. But again one of my colleagues, but we'll all be working collaboratively on that. And Danny has seen us before. I was in front of Purcellville last week. Maybe some of y'all good or bad saw it, but we created a model for them. I think they appreciated seeing that, working with the consultants there as well. And it's the type of thing that they're able to work with and use. So we understand I think how to be looking at all systems.

**Bridge Littleton:** Does anybody have any questions for Dave? I just had one. I think right now like half of our debt is at like 2 percent something like that. The other half is it like 5. Is that right actually?

**David Rose:** I would say this I don't have the exact breakout in front of me but we've worked with that debt of course.. So we've got all that. What I did put on page 7, I'm sorry I should've said, [inaudible] could've put the rates and it's my fault. But we wanted you to see what your debt profile looks like. It is basically as we call it flat essentially we created that reworking and restructuring when all had some issues a number of years ago. So the good here is we can work with that as necessary. On top of that we also take a look at how fast your debt is paid off. So for example here. That's again as of 2019 we're past that in just a few short weeks basically, but you have to slightly under 4 million of principal outstanding. That's how we look at that. But you can see that over the next decade you're going to pay off well over half of that. So we're in a good mode and then the next five years after that you're really paying off. So from a utility sustainability standpoint when we talk about let's call it you know sort of fail safes and things that we have we've got some ability if we had to to work with the debt over time. We also may be working with the debt over time just to lower applicable rates when it comes time to do that. The Federal Government changed some of those rules as you may know just a year ago. So but that's fine. So we will have that in the back of our minds. Not just in the back of our minds, but it's there as is necessary.

**Bridge Littleton:** No, thank you. OK. Any other questions? Thank you very much.

**David Rose:** Thank you.

**Bridge Littleton:** Really appreciate it.

**David Rose:** You're wonderful town. Y'all know that since we're in all such good moods.

**Bridge Littleton:** You can't leave unless you spend at least 500.

**David Rose:** Well I was gonna say.

**Bridge Littleton:** That's why A.J. is here and he's armed. [Laughter].

**David Rose:** I get it. I get it. No what you what you need to do is to take a look at the month that we're here was October I think there was a bump in your. [Laughter]. So you know, all right. Thank you.

**Bridge Littleton:** Wait a minute. Only one month? [Laughter].

**David Rose:** I can only afford it so often. No no, I really appreciate it. All right.

**Bridge Littleton:** Thank you very much.

**Danny Davis:** Mr. Mayor if you'd like after these presentations we also attached in your packet our CIP.

**Bridge Littleton:** Yup.

**Danny Davis:** Draft CIP. I don't if you spend a few minutes for us to walk through that if you've had a change to look.

**Bridge Littleton:** [Inaudible]. Let me ask a quick question. Did everyone have a chance to look at the CIP? Anybody have any questions or issues, concerns or input for Danny or Will? Yeah.

**Peter Leonard-Morgan:** I'd like to make a comment. I think it's very easy to read and helpful. Thank you very much.

**Danny Davis:** Absolutely and we'll continue refining it as we can. And you know as opportunities might arise to move things up if possible we'll bring that back to you. I will say that as you know the water and sewer projects, the utility committee provides a lot of great feedback and input in. They would prefer if I could move everything up to current year, but they have identified priorities and we've tried to accommodate that as much as possible within the constraints that we just talked about.

**Bridge Littleton:** So I appreciate also put the priorities on there. And one thing with the membrane. Yeah, exactly. That you made me think of, is there and this may be just too much to even worry about but is there anything in there that we should be worried about in terms of price volatility? You know like hey this may be a medium priority, but the prices on these things.

**Philip Miller:** [Off mic].

**Bridge Littleton:** Right exactly. I was thinking about the exactly the price of pipe with the tariffs.

**Kevin Daly:** [Off mic].

**Danny Davis:** To fiber. I don't know exactly.

**Bridge Littleton:** Don't eat it.

**Kevin Daly:** [Off mic]. [Laughter].

**Danny Davis:** That's probably and I don't want to jinx it I think that's probably less volatile than as we get into especially these other things like steel or [inaudible].

**Bridge Littleton:** I mean I just you know where you got priority right next that you could just have you know price volatility. Sure. Sure. Is this something that typically is very sensitive to price volatility and so if we have something that's high priority and high volatility you know.

**Danny Davis:** Get it done sooner.

**Bridge Littleton:** Yeah exactly. Or like Peter said put the deposit down and lock the price in or whatever.

**Martin Crim:** Mr. Mayor.

**Bridge Littleton:** Yes.

**Martin Crim:** Can I address that? Because that was one of the things that Danny and I talked about with the SUEZ contract and there's also the fact that this is being made in Hungary and shipped overseas. And so the ability for us to lock in the price has to be weighed against the potential that there will be shall we say business or political interruptions that might affect the delivery at all of the stuff that we order.

**Danny Davis:** Now the positive of that is that you know they have tens of thousands of clients and I don't know the exact number, so it's something where formerly G.E. purchased by SUEZ, this portion of G.E. was bought by SUEZ, has so many clients that it's a product they have to find a way to get to their clients, but there is potential volatility [inaudible].

**Bridge Littleton:** Yeah I mean you know they could say delivered all day long, but it is not a 30 percent tariff on it.

**Martin Crim:** Sure right. Right.

**Bridge Littleton:** You know?

**Martin Crim:** We don't have a trade war with the E.U. yet.

**Bridge Littleton:** Give it time. I guess they're gonna let the Brexit one settle and then they'll go after the EU. So OK. I mean again it's a recommended. I mean just a thought I don't know if it's if it's overkill or not but just you really got me thinking about the deposit. Okay. Anybody have any questions on capital improvement projects that are on here? Just as a note I shot Danny an e-mail earlier today we were talking about the steel building down by the treatment plant for the police and stuff and so they're going to do one of those and put that on here too. Yeah that was missing the utility bill for the [multiple speakers] because AJ's got so much stuff. He's got to have his own warehouse.

**Kevin Daly:** [Off mic].

**Bridge Littleton:** Right, exactly. [Laughter].

**Peter Leonard-Morgan:** One quick question I don't want to get into the weeds obviously, but I know we got low priority on the extending sewer lines to the remaining houses which are on septic and then I'm wondering about weighing against the risk of having those properties on septic if they fail or if they go into the groundwater so should they be medium, but maybe that's a long discussion.

**Danny Davis:** And that's probably not a bad idea. The wellhead Protection Advisory Committee definitely identifies those as challenges and items to address based on our source water protection plan as well as we saw one of these private laterals have a break back in January February along stonewall. So it may be an option we pursue some grant opportunities for. It may be that we try to scope out what this cost would be. So I think it's potentially maybe a yeah definitely a medium more than a low. The two on Lincoln Road you know thankfully right now are not quite as concerning perhaps as the few that are here along stonewall.

**Peter Leonard-Morgan:** That's probably a bigger a problem isn't it? We're having a gradient.

**Danny Davis:** Yeah a little more of a challenge to get to those than the ones that are here just down the street. Yeah.

**Bridge Littleton:** So before we leave the discussions of the utility fund budget anybody have any input, thoughts, things we want to make sure that we're covering focusing on. Just you know it's this is big stuff, it's long term stuff. You know I'm really nervous about the graph that Eric showed where our reserve budget goes I mean way down in a couple of years and it takes a decade to get back. I mean I've no

doubt we're going to arrive at a solution. But you know there might be some tough choices ahead in terms of long term rates and things like that. So just want to make sure anybody has any questions.

**Peter Leonard-Morgan:** I just have one question which I sort of discussed briefly with Danny which is about the building of the new town Hall and focusing on sustainability and and health and wellness. And you brought up I asked you about LEED and that's another 30 percent on top. So it's probably not something we want to focus on, but do you think that sustainability is sort of built into that budget of six and a half million. Not built in but considered.

**Danny Davis:** For the town hall project? I think in a sense and I don't want to jump too early in that answer because we're not really even to the point of knowing exact footprint, size, pieces of it. However, I think at that level that we're anticipating I think it would hopefully include a lot of those lower energy costs. I think solar if we can do it would be fantastic. I think it sets a great example for the rest of the community. And so as we discussed I think targeting the right balance of those sustainable practices that will serve us well and have long term returns without being focused on a title or a particular standard I think is the way to go. And I think that will be a great piece of the design project to for council to identify what are what are the core requirements and what are the key desires that as much as we can implement these practices into town hall. So at that level I would hope that we'd be able to get a fair amount of those in there, but I really shouldn't commit or say at this point.

**Bridge Littleton:** That's a great point I mean maybe one things we should always do is have an eye towards you know if we spend on something like solar you know. [Off mic]. Right. If it's a 10 year payback and then after that we're actually doing better than it's great, but if it's not maybe we don't do it right? That's a good point.

**Danny Davis:** That's exactly. And architects and design firms would should and I would expect to have that capability as part of their design process.

**Bridge Littleton:** Great. Any other question before we move on? Okay.

**Danny Davis:** If I may add one more thing. We had the public hearing on the full budget earlier as well. If there's any input or comments on that we'd be happy to take that now if you have questions. Our intent right now is that we would bring all this information back to the next meeting for adoption to go ahead and approve the appropriations of the budget for next year and all the remaining fees and tax rates. So we're open to any questions you might have now or in the next week or so that we could incorporate into the budget. But we've discussed it a few times. We feel pretty confident. The Treasurer has done a very good job in putting this budget together [laughter]. [Multiple speakers]. And so is a nice send off you know maybe we can improve the budget at the next meeting.

**Bridge Littleton:** We'll do in June and make her come back for it. [Laughter]. Yeah. I had one question. I know we talked about this earlier and it's in regards to the and Martin I know you were here and we were trying to figure out exactly how to do it, how have to account for it on the balance sheet. But it's the million dollars in advance fees that Salamander paid for all their units way back when. We still don't have that on the books. So how are we? I mean I get it. They build the houses, it's all square, but until they build them it's a liability.

**Danny Davis:** So we're discussing that now. So I don't want necessarily state one way or another. [Multiple speakers]. We're reviewing it and identifying. We have not identified it previously in prior audits as a liability.

**Martin Crim:** Could I interject here. I'd be happy to discuss that with you in closed session.

**Bridge Littleton:** Okay. No problem. I guess we're done. Anybody have any questions on the general fund budget we have a public hearing on? Nope?

**Darlene Kirk:** [Off mic].

**Bridge Littleton:** Even better. Okay next item. [Off mic]. Yeah. Next item is information items. Darlene Kirk review of budget options with an eye on enhance transparency, communication and forecasting. Thanks Eric. Take care.

**Darlene Kirk:** It keeps coming on itself. [Laughter].

**Bridge Littleton:** [Off mic].

**Darlene Kirk:** A couple of times I've looked and it was on. Anyway, I don't have a whole lot. But as you know our staffs work very hard on the budget this year. They always do and they are really good at really getting down in the nooks and crannies and they started in November. They presented it to us January? [Inaudible] I think, and we've had continued input on it. And again if you did have any input or any our citizens have input call up and ask or come and stop by and ask questions. We had a public hearing tonight on water and sewer changes and we adopted the property tax rate on the 28<sup>th</sup> [inaudible], so we expect to get our budget through next time which is in two weeks. [Inaudible] strong I think capital improvement program and it incorporates into the long term what we really need. There's some short term things in there as well but most of it is long term and long term debt. So we're going to have that for a while. We discussed it tonight and the strategic finance committee is going to meet with our auditors, Mitchell and Company on the 14th of May and then [inaudible] long term issues on June 4th. So if you come to those meetings please do. Yeah, open to the public. So please come and speak and tell what you need and what you think. They've met quite a few times I think they've met several times and they continue to meet most months. They don't meet every month but they're reviewing our long term revenue strategies, fiscal policies and our budget preparation process. I think that's pretty good. Our budget preparation process seems pretty good. I mean it goes out and then it comes back but anyway the other thing that I mentioned before about our usage in the water was up 67 percent. Was that something I learned this week which I was very happy about. We do have some projects that are going to be ongoing such as with [inaudible] and then we're gonna be getting some membranes to be replaced. So we're just working along doing what we can. Again we've got a great treasurer, a great town manager, asking questions [inaudible].

**Bridge Littleton:** Thank you Darlene. Anybody have any questions for Darlene? Yes ma'am.

**Cindy Pearson:** I kind of have a comment more so than a question with the water and the billing and the new software program that we had I think that's a huge difference in actually finding the water that's being used and it's not just out there hanging out. Probably not the right language to use, but that's pretty much what has happened. So she's done a really good job/

**Danny Davis:** And if I can comment real briefly. I feel like I came in at really an ideal time because so many different pieces have come together in the last six or eight months, but the new meters that council has been putting money into we have situations where we can go and we get the 30 day read back of when the problems started. We can tell if it's a toilet leaking because it's running at 40 gallons an hour every single hour of the day and they say oh it can't be a toilet. The numbers don't lie. [Laughter]. Yeah. Oh it's great. [Laughter]. I miss that I guess. [Laughter]. So those are those are great things. But I mean being able to see the consumption, the software is great, the meters are great, and now hopefully soon being able to get payments online too in an easier way really becoming more technologically advanced and that's a great testament to the town and to the council.

**Darlene Kirk:** I think replacing some of the water meters really helped in finding some of the lost water too. And we just have to figure out what's going on out here so we're not cleaning clean water.

**Bridge Littleton:** Ok. Any other questions? Or I think this last issue we have. Oh, we have closed session in a second, but anybody else have any other information items before we go to the closed session. Nope? Yeah sorry.

**Cindy Pearson:** May I go back to a discussion item real quick.

**Bridge Littleton:** Yes you may.

**Cindy Pearson:** Kind of. As we sit in these chairs for long periods of time. [Laughter]. [Inaudible]. These chairs are absolutely miserable.

**Danny Davis:** I'll come back to you with some options. How about that?

**Cindy Pearson:** Thank you.

**Kevin Daly:** [Off mic].

**Danny Davis:** Don't say that on camera.

**Bridge Littleton:** They're from the 50s. They're exempted. [Laughter].

**Darlene Kirk:** We talked about this at one of our town meetings before and and got voted down when we approved the chairs for out there. I know but these have lasted a long time and I don't like putting money into things when we're gonna have to save some.

**Philip Miller:** You won't be saying that when it's [inaudible].

**Cindy Pearson:** Yeah. [Laughter]. This is our health that I'm speaking of [Multiple speakers]. I'd like to say on top of that to Darlene that this is our health we're speaking of here and sitting for these long amount of times is not healthy and at least with the newer chairs in this day and age you can move them so you're not sitting in the same spot and harming your body.

**Bridge Littleton:** So I think the that the note is just to be fiscally conscious as we see what our choices are. Okay. Okay. Anybody else have any discussion plans or information items? Great. All right we'll now go into closed session. Dan's favorite part. Yes five minute bio break

**Chris Bernard:** Ready? I move the council go into closed session as allowed in the Virginia Freedom of Information Act sections 2.2-3711A31 and 8 for discussion or consideration of the acquisition of property or the disposition of publicly held property where discussion in an open meeting would adversely affect that bargaining position or negotiating strategy of the public body and for the discussion consideration or interviews of prospective candidates for employment assignment, employment promotion, performance, demotion, salaries, disciplining or resignation of specific public officers, appointees, and employees of the public body. I further move that these matters be limited to one the acquisition of property for town administration building, two the disposition of the Asbury church, and three the resignation of the town treasurer, and four Salamander [inaudible] fees. I further move that in addition to the council the following individuals be present during the closed session. Danny Davis, Will Moore, Rhonda North, and Jamie Gaucher for the first two items and Danny Davis for the third item and who's for four? Danny and Martin for item four. I further move that the council thereafter reconvene in open session for action as appropriate.



**Darlene Kirk:** Second.

**Martin Crim:** Mr. Mayor I just want to just to be complete and I should have caught this earlier. The 8A provision is for specific legal matters requiring advice of counsel so you would normally show that as being a reason..

**Bridge Littleton:** Okay, so noted. And I guess we're also adding you to be present for all matters. Ok. Any discussion? All of those in favor say aye.

**Everyone:** Aye.

**Bridge Littleton:** Opposed? Abstention? And we're in closed session. [Off mic]. Yes. All right. I asked the council certifies the best of each member's knowledge one only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act and two only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting. I would like to remind those present for the closed session and any discussion that occurred within it should be treated as confidential.

**Chris Bernard:** Yes.

**Kevin Hazard:** Yes.

**Philip Miller:** Yes.

**Darlene Kirk:** Yes.

**Bridge Littleton:** Yes.

**Peter Leonard-Morgan:** Yes.

**Cindy Pearson:** Yes.

**Kevin Daly:** Yes.

**Bridge Littleton:** [Off mic].