TOWN COUNCIL WORK SESSION

Monday, February 4, 2019 @ 7:00pm

Town Hall Council Chambers

1. <u>Electric Cost of Service Study</u> – *Director of Energy Services*

SUMMARY: The Town has seen an increase in wholesale power cost over the past year to include transmission and congestion charges on the transmission network. This increase has prompted staff to engage GDS Associates to perform a Cost of Service Study to determine the appropriate rate structure to recover all costs. Jacob Thomas, GDS Associates, will be present to discuss the Cost of Service Study with a summary and recommendations for rate structure now and into the future.

STAFF RECOMMENDATION: Staff recommends approval of electric rate charges and fees as presented in presentation.

ELECTRIC RATE STUDY SUMMARY & RECOMMENDATIONS

Presented by GDS Associates & Engineers, Inc.

- Primary objectives
  - Reset PCA factor
  - Evaluate reserve levels
- Study components
  - Financial review
  - Allocated cost of service
  - Rate design
- Focus on FY20 and FY21 planning horizon

FINANCIAL REVIEW

- Determine appropriate revenue requirements
  - Cover operating expenses
  - Cover ongoing capital replacements & improvements
  - Meet long-term financial targets
- Start from a historical test year and make adjustments to reflect expected operations
- Typical key target financial metrics
  - Debt Service Coverage
  - Cash reserve levels
  - Rate of return on rate base

FINANCIAL PERFORMANCE

ASSUMING NO CHANGE IN PRESENT BASE RATES OR PCA FACTOR

Line No. (a)	Item (b)	FY17 per Books (c)	FY19 Adjusted (e)	FY20 Projected (f)	FY21 Projected (g)
1	Total Revenues	$16,427,094	$19,067,225	$19,067,225	$19,067,225
2	Purchased Power Costs	$14,004,049	$14,732,568	$14,301,138	$13,956,974
3	Other Operating Costs	$1,507,270	$1,694,621	$1,729,200	$1,764,815
4	Total Costs	$15,511,319	$16,427,189	$16,030,338	$15,721,789
5	Operating Margins	$915,775	$2,640,036	$3,036,887	$3,345,435
6	Non-Operating Margins	$172,658	$5,000	$5,000	$5,000
7	Transfers Out	($1,500,000)	($1,950,000)	($1,950,000)	($1,950,000)
8	**Total Margins**	**($411,567)**	**$695,036**	**$1,091,887**	**$1,400,435**
9	Cash BOY	$2,413,425	$650,631	$1,316,627	$2,379,474
10	Additions to Cash	$343,135	$1,494,291	$1,891,142	$2,199,690
11	Capital Improvements	($902,366)	($482,905)	($482,905)	($482,905)
12	Other Uses of Cash	($843,386)	($345,390)	($345,390)	($345,390)
13	**Cash EOY**	**$1,010,808**	**$1,316,627**	**$2,379,474**	**$3,750,869**
14	Rate Base	$12,346,776	$12,473,538	$12,414,443	$12,355,348
15	**Rate of Return on Rate Base**	**-3.33%**	**5.57%**	**8.80%**	**11.33%**

- This plan pays for $1.45M in capital improvements for FY19-FY21
- Capital plan calls for $3.96M
- Electric department has had to delay some capital improvements due to low reserves

RECOMMENDED RATE REVISIONS

Goal is to balance tradeoff between funding additional capital improvements with impact on customer bills

Line No. (a)	Item (b)	FY19 Adjusted (e)	FY20 Projected (f)	FY21 Projected (g)
1	Total Revenues - No Rate Change	$19,067,225	$19,067,225	$19,067,225
2	Total Rate Revenues* - No Rate Change	$18,690,925	$18,690,925	$18,690,925
3	Reduce PCA Factor		($2,152,439)	($2,201,733)
4	Raise Base Rate Revenues		$2,366,998	$2,545,307
5	Total Proposed Rate Revenues	$18,690,925	$18,905,484	$19,034,499
6	System-Wide Change in Total Revenues		$214,559	$129,015
7	System-Wide Percent Change in Revenues		1.15%	0.68%

* Excludes other revenues from miscellaneous service fees, late payment penalties, etc.

IMPACT OF PROPOSED RATE REVISIONS

WITH PROPOSED RATE CHANGES

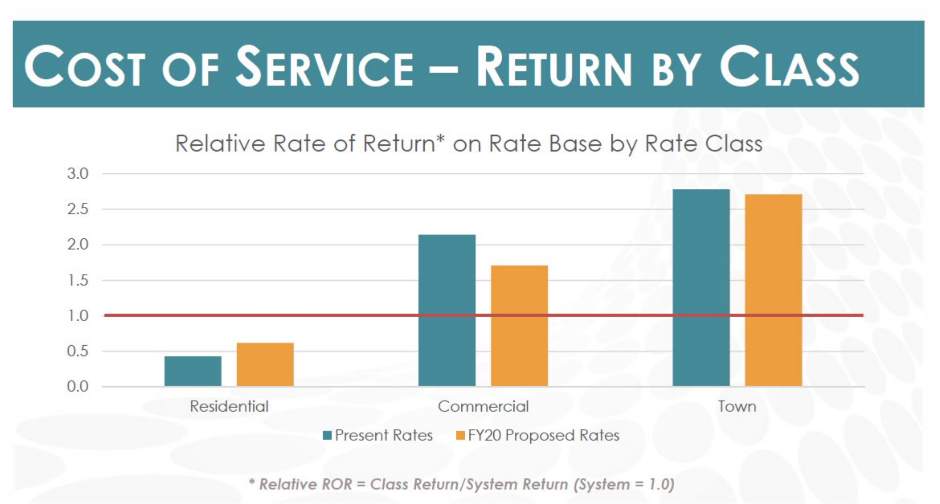
Line No.	Item	FY17 per Books	FY19 Adjusted	FY20 Projected	FY21 Projected
(a)	(b)	(c)	(e)	(f)	(g)
1	Total Revenues	$16,427,094	$19,067,225	$19,281,784	$19,410,799
2	Purchased Power Costs	$14,004,049	$14,732,568	$14,301,138	$13,956,974
3	Other Operating Costs	$1,507,270	$1,694,621	$1,729,200	$1,764,815
4	Total Costs	$15,511,319	$16,427,189	$16,030,338	$15,721,789
5	Operating Margins	$915,775	$2,640,036	$3,251,446	$3,689,009
6	Non-Operating Margins	$172,658	$5,000	$5,000	$5,000
7	Transfers Out	($1,500,000)	($1,950,000)	($1,950,000)	($1,950,000)
8	**Total Margins**	**($411,567)**	**$695,036**	**$1,306,446**	**$1,744,009**
9	Cash BOY	$2,413,425	$650,631	$1,316,627	$2,594,033
10	Additions to Cash	$343,135	$1,494,291	$2,105,701	$2,543,264
11	Capital Improvements	($902,366)	($482,905)	($482,905)	($482,905)
12	Other Uses of Cash	($843,386)	($345,390)	($345,390)	($345,390)
13	**Cash EOY**	**$1,010,808**	**$1,316,627**	**$2,594,033**	**$4,309,003**
14	Rate Base	$12,346,776	$12,473,538	$12,414,443	$12,355,348
15	**Rate of Return on Rate Base**	**-3.33%**	**5.57%**	**10.52%**	**14.12%**

- Reduces PCA factor
- Increases base rate revenues
- Overall small increase in revenues
- Helps to replenish cash reserves

PROPOSED REVENUE SPREAD BY CLASS

Line No.	Rate Class	FY17 Consumers	FY17 kWh	Present FY19 Rates			Proposed FY20 Rates			Increase		
				Base	PCA	Total	Base	PCA	Total	Base	PCA	Total
(a)	(b)	(c)	(e)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	Residential Service	6,411	83,291,524	$7,783,685	$1,934,860	$9,718,545	$9,031,847	$832,916	$9,864,763	$1,248,162 16.04%	($1,101,944) -56.95%	$146,218 1.50%
2	Commercial Service	973	72,086,996	$6,552,011	$1,674,583	$8,226,594	$7,557,113	$720,870	$8,277,983	$1,005,102 15.34%	($953,713) -56.95%	$51,389 0.62%
3	Town Usage	65	7,315,558	$575,847	$169,939	$745,786	$689,581	$73,157	$762,738	$113,734 19.75%	($96,782) -56.95%	$16,952 2.27%
4	Total	7,449	162,694,078	$14,911,543	$3,779,382	$18,690,925	$17,278,541	$1,626,943	$18,905,484	$2,366,998 15.87%	($2,152,439) -56.95%	$214,559 1.15%

Line No.	Rate Class	FY17 Consumers	FY17 kWh	Proposed FY20 Rates			Proposed FY21 Rates			Increase		
				Base	PCA	Total	Base	PCA	Total	Base	PCA	Total
(a)	(b)	(c)	(e)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	Residential Service	6,411	83,291,524	$9,031,847	$832,916	$9,864,763	$9,147,243	$807,681	$9,954,924	$115,396 1.28%	($25,235) -3.03%	$90,161 0.91%
2	Commercial Service	973	72,086,996	$7,557,113	$720,870	$8,277,983	$7,615,488	$699,029	$8,314,517	$58,375 0.77%	($21,841) -3.03%	$36,534 0.44%
3	Town Usage	65	7,315,558	$689,581	$73,157	$762,738	$694,119	$70,939	$765,058	$4,538 0.66%	($2,218) -3.03%	$2,320 0.30%
4	Total	7,449	162,694,078	$17,278,541	$1,626,943	$18,905,484	$17,456,850	$1,577,649	$19,034,499	$178,309 1.03%	($49,294) -3.03%	$129,015 0.68%



RATE DESIGN: Residential Class

Rate Recommendation

RATE RECOMMENDATION	Present	FY20	FY21
Customer Charge	$7.00	$8.50	$10.00
Energy Charge	$0.08490	$0.09850	$0.09850
PCA (Estimated)	$0.02323	$0.01000	$0.00970
COST OF SERVICE (*Based on FY19 Expenses*)			
Customer-Related Costs ($/Customer/Month)			$10.22
All Other Costs ($/kWh)			$0.10877

General Bill Impacts

	Present Rates - FY19	Proposed Rates - FY20			Proposed Rates - FY21		
kWh Usage	Amount	Amount	Difference from Present	% Difference from Present	Amount	Difference from Present	% Difference from Present
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
0	$7.00	$8.50	$1.50	21.43%	$10.00	$3.00	42.86%
50	$12.41	$13.93	$1.52	12.24%	$15.41	$3.00	24.21%
100	$17.81	$19.35	$1.54	8.63%	$20.82	$3.01	16.88%
200	$28.63	$30.20	$1.57	5.50%	$31.64	$3.01	10.53%
300	$39.44	$41.05	$1.61	4.08%	$42.46	$3.02	7.66%
400	$50.25	$51.90	$1.65	3.28%	$53.28	$3.03	6.02%
500	$61.07	$62.75	$1.69	2.76%	$64.10	$3.03	4.97%
600	$71.88	$73.60	$1.72	2.40%	$74.92	$3.04	4.23%
700	$82.69	$84.45	$1.76	2.13%	$85.74	$3.05	3.68%
800	$93.50	$95.30	$1.80	1.92%	$96.56	$3.05	3.27%
900	$104.32	$106.15	$1.83	1.76%	$107.38	$3.06	2.93%
1,000	$115.13	$117.00	$1.87	1.62%	$118.20	$3.07	2.66%
1,200	$136.76	$138.70	$1.94	1.42%	$139.84	$3.08	2.25%
1,250	$142.16	$144.13	$1.96	1.38%	$145.25	$3.08	2.17%
1,500	$169.20	$171.25	$2.05	1.21%	$172.30	$3.10	1.83%
1,750	$196.23	$198.38	$2.15	1.09%	$199.34	$3.12	1.59%
2,000	$223.26	$225.50	$2.24	1.00%	$226.39	$3.13	1.40%
2,500	$277.33	$279.75	$2.43	0.87%	$280.49	$3.17	1.14%
3,000	$331.39	$334.00	$2.61	0.79%	$334.59	$3.20	0.97%
3,500	$385.46	$388.25	$2.79	0.73%	$388.69	$3.23	0.84%
4,000	$439.52	$442.50	$2.98	0.68%	$442.79	$3.27	0.74%

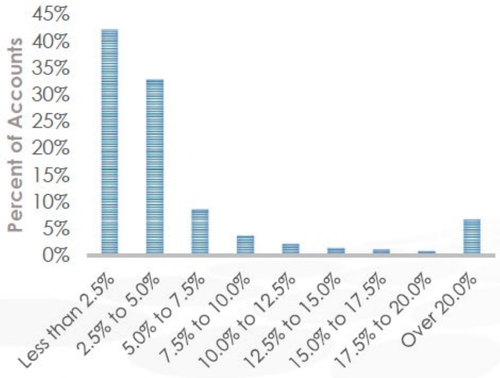
Note: Present dollar amounts include PCA factor of $0.023230 per kWh
Revised dollar amounts include PCA factor of $0.010000 per kWh in FY2020
$0.009697 per kWh in FY2021

Average monthly usage in FY17 1,083 kWh

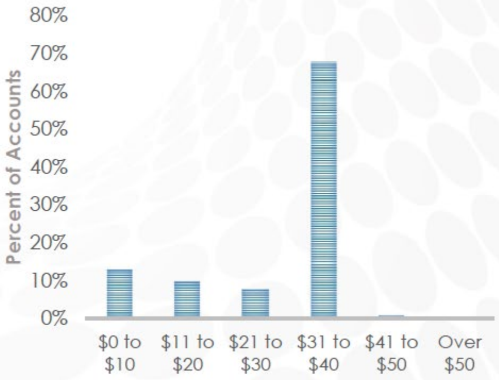
GDS Associates, Inc

DISTRIBUTION OF ANNUAL BILL IMPACTS

Annual Percent Impact FY21 vs. Present

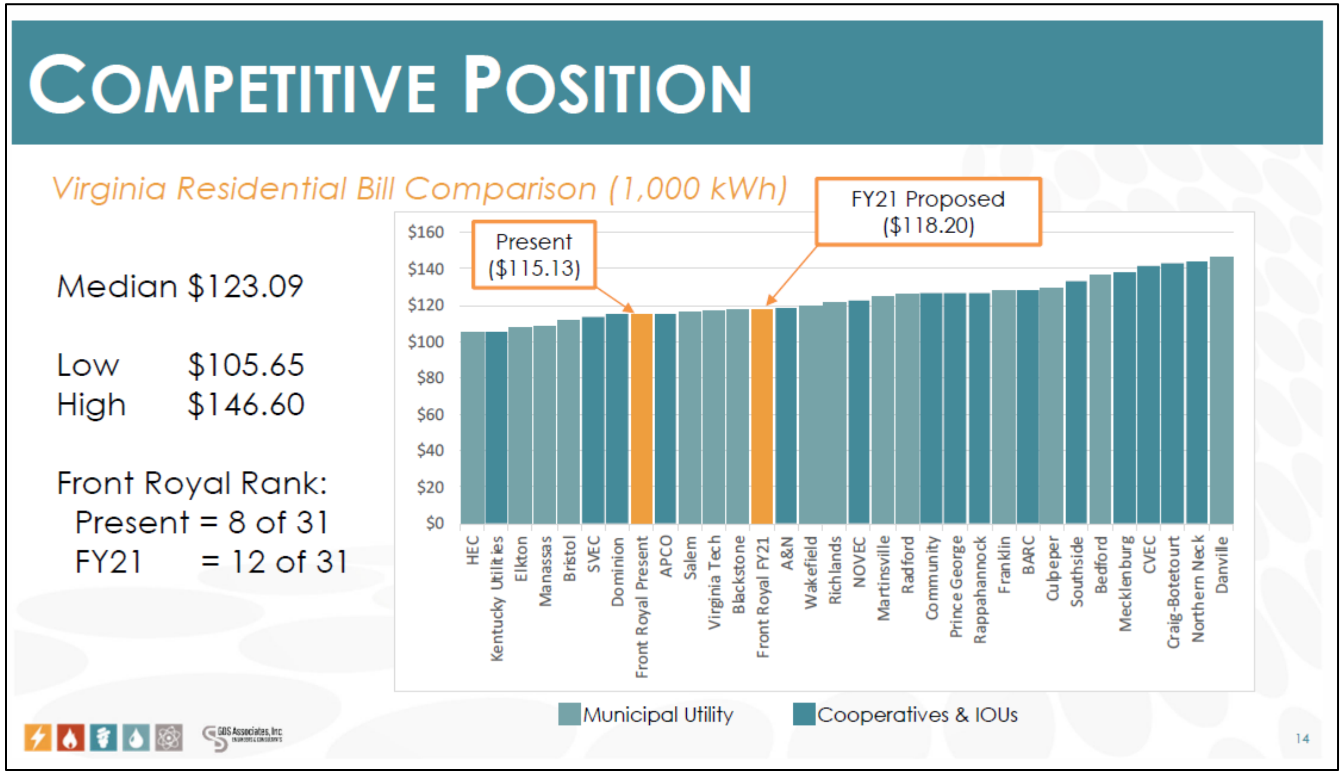


Annual Dollar Impact – FY21 vs. Present



Based on FY17 Billing Data for All Residential Accounts

GDS Associates, Inc



Council Discussion:
David Jenkins noted that the Town has seen a significant increase in power and that determined the need for the Town to seek out GDS. He stated that the Town has not raised rates in ten years, and they are now proposing to lower the PCA charge and raise the regular rates. Mr. Jenkins stated that they must recover the cost of service and he, the Town Manager and the Finance Director have worked closely with GDS to determine the most accurate amounts. Jake Thomas with GDS noted that he has been with GDS over 22 years and he worked with the Town Staff for several months to handle matters regarding the Town electric rates, including the PCA factor. GDS also presented the Rate Design for Commercial and Town Class.

Mr. Thomas noted that the Town had to delay some capital projects due to low revenues and AMP is projecting power cost to come down over the next few years. He stated that the current budget is adding a bit to the reserves but not adding as much as it could be. He added that they are recommending that they raise the base rate for the next two years 1.2% increase and then .7% increase for the next year. Mr. Thomas stated that it would be a very modest increase and lower than current inflation. He explained that the commercial accounts would get slightly lower increase than residential. He added that commercial and industrial accounts always show a greater return than the residential accounts. Mr. Thomas stated that on $7 it would be $8.50 in FY20 and $10 during FY21 and the PCA amounts would be going down.

Councilman Holloway asked about just removing the PCA from the bill. Mr. Waltz noted that it could not. Mr. Sealock noted that putting matters in basic language would be helpful. Council discussed that there are many unfunded projects in the Electric Department. Mr. Thomas noted that a normal reserve amount is 120 days at least, not including projects, though a detailed analysis would be debt levels and capital projects and it varies on each locality. Mayor Tharpe and Councilman Tewalt reiterated that the Town was not making a profit and projects were costly and intense to plan and provide for. Councilman Meza noted that using PCA as much as possible is his preference; Council expressed her agreement. Mr. Waltz noted that Staff would work to have matters prepared for a public hearing.

2. <u>Bad Debt on Utility Accounts/Ordinance Amendment</u> – *Director of Finance*
SUMMARY: Council requested staff research historic values on business utility accounts and review options for collecting bad debt on utility accounts associated with business accounts, such as LLC's or Inc. During the last three years the Town has written off $53,364.65 associated with business utility accounts; which equates to approximately 10% of the total dollar amount written off and 5% of the number accounts for the previous 3 years. The business accounts are usually some of the larger dollar figures being written off each year due to the commercial use. A small number of accounts makes up a larger amount of the total dollars written off.

One concern the Town has relating to business accounts is that the owner may have multiple accounts under different names due to having separate LLC's or incorporated businesses. Each LLC or Corporation is treated as a separate entity, so currently the only means the Town has to collect is from the specific LLC or Corporation. A solution to collecting on business accounts could be to require either a personal guarantee or if the responsible party is not willing to sign a personal guarantee require an additional amount for deposit. The document following this cover sheet illustrates possible wording to assist in collection of possible bad debt on business utility accounts. This could be adopted to be enforced on all current utility accounts or adopted to be enforced on future utility accounts moving forward from a specific date.

STAFF RECOMMENDATION: Staff recommends for Council to approve the additional section in Town Code as presented to assist in the collection of bad debt:

E. BUSINESS ACCOUNTS. The Town shall require any entity not a natural person requesting a utility account to either: (1) provide the written personal guaranty of payment from a natural person holding an ownership interest in the entity or, (2) pay an additional deposit amount equal to the greater of: (a) twice the average monthly utility bill during the preceding twelve (12) month period for utilities provided at the service location or, (b) $375.00. Any deposit paid pursuant to (2), above, after applying same to any past due balances, shall be refunded to the entity within a reasonable time after the utility account is closed.

Council Discussion: Mr. Wilson noted that utilities are ended after 2-3 months at times before accounts are disconnected. He stated that personal guarantees would then be required under this new plan and this would tighten this plan. Council voiced their support of the proposed changes. Mr. Wilson suggested updating the deposit amount and the criteria changes.

Councilman Thompson noted that she agreed with Mr. Sealock stated that two months deposit may be excessive. Mr. Sealock stated that the Town is not being as proactive as possible for the accounts that are behind. Mrs. Thompson stated that small amounts are not garnishments and liens. Mr. Tewalt asked about holding the deposit until the account is closed. Mr. Waltz noted that Mr. Wilson has made great strides over the last few years in pursuing bad debt and shut off accounts. Mr. Wilson stated that they have implemented other areas of mistakes in the past. Mayor Tharpe stated that they recognize the actions that have taken place to assist the Town. Mr. Meza stated that perhaps the Town could offer direct deposit in exchange for a lower amount.

3. <u>Revenue/General Fund Expenditures Review</u> – *Director of Finance*
Staff will present and review the FY20 Proposed Budget revenues and general fund

expenditures.

STAFF RECOMMENDATION: Staff recommends to discuss any questions or concerns regarding the FY20 budget and discuss any additional information council would like to be provided prior to voting for adoption of a FY20 budget that is currently scheduled for April 22, 2019.

Mr. Wilson presented the following to Council:

FY2020 PROPOSED BUDGET OVERVIEW PART 1

PROPOSED BUDGET HIGHLIGHTS
-FY20 Proposed Budget increased 3.4% when compared to FY19
-Salaries & Fringe Benefits include funding for 2% merit raise for employees based on performance and effective on the anniversary of their date of employment.
-Salaries & Fringe Benefits including funding for the second phase of the results from the compensation study.
-Page 8 shows a breakdown of all personnel changes, machinery & equipment, vehicles, buildings/structures, and other projects funded & not funded for the Proposed FY20 Budget

GENERAL & STREET FUND REVENUE (PAGE 15/16)
-Revenues included in proposed budget are based on projections provided to council and have been updated accordingly based on best information available
-Real estate taxes are proposed to increase to $0.14 per $100; with additional revenue realized from reassessments and increase allocated to future debt service on the Police Department Headquarters.
-Personal property taxes are proposed to remain the same and have taken into account the mandatory equalization of Personal Property Tax Relief.

GENERAL & STREET FUND REVENUE
-Transfers to general fund from enterprise funds decreased $1,000 when compared to FY19
-Revenue sharing funds have not been included for FY20. Staff will return to council when additional information is available regarding revenue sharing, funding for primary extension program, and/or other possible programs the Town is seeking toward paving projects.
-Overall General Fund Revenue Proposed Budget increase is $309,265 and street fund increased $81,205

ASSET FORFEITURE & ECONOMIC DEVELOPMENT REVENUE
-Asset Forfeitures remains the same
-Economic Development –portion of real estate tax revenue to fund debt service to the EDA as seen on page 49 for reference.
-Debt service due to the EDA is unknown at this time.
-Staff will review differences with Council once accurate figures are available and possibly request budget amendment accordingly.

SPECIAL FUND REVENUE
-Special Projects –funds set aside from real estate tax revenue for the Police Dept, Leach Run Parkway, and W Main Connector.
-The FY20 Proposed Budget includes a real estate increase of $0.005 per $100 of assessed value increase (half of one cent increase) which has been allocated to debt service on the construction of the police department.
-This increase is estimated to add an additional $67,500 in revenue
-Additional revenue received from reassessments of real estate in the amount of $183,000 has also been allocated to debt service on the construction of the police department.
-These increases will bring the total allocated toward the debt service of the Police Department to $493,000

POLICE DEPARTMENT FUNDING
FY19 Current Funding Allocation
FY19 Current Funding Allocation -$242,500
Additional Revenue from Reassessment-$183,000
Additional Revenue from Half Cent Tax Increase -$ 67,500
Total FY20 Proposed Budget$493,000

Estimated VRA Pooled Financing Payment$580,000

The Town will request to pay interest only in FY20; estimated between $350,000-$400,000; and to have first principal payment be due early FY21.

ELECTRIC FUND REVENUE
-Revenue for the electric fund has been budgeted to increase $15,090
-Electric revenue is based on current electric rates and power cost adjustment.
-Adjustment of electric rates is anticipated which will increase facility charges, increase kilowatt hour rate, and reduce the power cost adjustment factor.

WATER/SEWER REVENUE
-Water –FY20 revenue increased $194,295 when compared to FY19
-Sewer –FY20 revenue increase $880,335 when compared to FY19
-The additional revenue for water/sewer is mainly attributed to an increase in budgeted connection fees.
-Funding was included in FY18 budget for a water/sewer rate analysis. A water/sewer rate increase is not proposed for FY20. The rate analysis will be performed once additional

SOLID WASTE REVENUE
-Solid Waste rates are budgeted to remain the same as FY20
-Total Solid Waste Revenue is budgeted to decrease $10,970
when compared to FY19 budget
-Decrease is due to less commercial refuse customers

PERSONNEL HIGHLIGHTS
-No new positions have been budgeted
-A position in Fleet Management and a position in Human Resources/Risk Assessment has been budgeted for restructuring
-Medical insurance premiums are expected to increase 6.5% and have been incorporated into the proposed budget using the current FY19 employer/employee allocations ($122,036 additional expense across all funds)
-Second phase of compensation study has been incorporated and is separated out for each department
-2% Merit based on performance has been incorporated and is separated out for each department

TOWN COUNCIL (PAGE 22)
-Overall Increase of $8,345
-Increase of $7,000 under professional services due to increase in annual auditing contract
-Increase of $700 for Printing & Binding
-Increase of $750 for Council Expense
-Operating expense increase during FY17 was due to expense for Community Development Position under professional services

CLERK OF COUNCIL
-Overall increase of $4,415
-Increase of $4,075 in Salary/Benefit due to 2% Merit & 6.5% increase in medical insurance
-Operating expense increased $340 for increase in office supplies
-Increase in Personnel from FY17 to FY18 was due to transitioning from part-time to full-time

TOWN MANAGER
-Overall Decrease of $103,755
-Decrease of $99,015 in salary & fringe benefits associated with Town Engineer Position being previously funded under Town Manager Department and has been transitioned to own department for FY20.
-Salary/Benefits includes 2% merit and 6.5% increase for insurance

-Reduction of $4,740 in operating expenses due to reducing line item for office furniture, travel/education, and removing line items for POL & Auto Maintenance associated with Town

TOWN ENGINEER
-Previously funded under Department of Town Manager
-Separate budgetary department established for FY20
-Personnel & Fringe Benefits -$112,830 (Includes 2% merit & 6.5% insurance increase)
-Operating Expenses -$7,250

HUMAN RESOURCE & RISK MANAGEMENT
-Overall decrease of $5,265
-Increase of $10,335 for salaries & benefits due to 2% merit, insurance, & tuition assistance
-Also includes $1,840 to allow restructuring of Risk Assessment Manager to Deputy Director of H/R
-Reduction of $15,600 in operating expense
-Advertising decreasing $10,000 with anticipation of using other means to advertise for open positions, such as online.
-Furniture & fixtures decreased $2,000
-FY16 spike in personnel & benefits was due to employee retiring and receiving payout for leave accrued

BENEFITS & INSURANCE
-Decrease of $20,000
-Workman's comp decreased by $5,000
-General liability increased by $20,000
-Motor vehicle insurance decreased by $38,000
-FY16 decrease mainly attributed to worker's comp

INFORMATION TECHNOLOGY (I/T)
-Overall increase of $56,420
-Increase $7,600 in Salary/Benefits due to 2% Merit, Compensation Study Phase 2 & 6.5% Insurance Increase
-Operational increase of $48,245 includes:
-$9,000 for fiber for police radio system
-Increase of $36,300 for increase on reoccurring and additional maintenance contracts
-$10,000 for software for online employment applications
-Capital expense increase of $22,950
-Additional phone equipment $5,000
-Computer Equipment -$71,525 includes $33,9900 for replacement of current hardware, $27,625 toward replacement of Police In-Car Camera Systems, & $10,000 for replacement of Rapid Recovery Server.
-Security $5,000 adding security alarms, secure entry, alert systems

TOURISM
-Overall Decrease of $8,457
-Salary/Benefits increase of $15,283 due to 2% merit, compensation study, & 6.5% insurance increase
-Operating expense decrease of $23,740
-Increase of $7,000 in professional services for search engine optimization, graphic design, signage
-Decrease of $38,000 in advertising due to utilizing social media and online capabilities
-Increase of $4,960 in furniture & fixtures for additional displays
-Increase of $4,000 in materials for resale to purchase additional items

COMMUNITY DEVELOPMENT DEPARTMENTAL BUDGET
-Funding for the Community Development Department in the amount of $23,450 has not been incorporated into the FY20 Budget at this time
-The Town has $45,896.96 that has been encumbered from prior years to use for Community Development
-Staff recommends to for council to allow staff to release a portion of the encumbered funds and to approve a FY20 Budget Amendment to create the Departmental Budget for Community Development
-Overall department decrease of $18,050 from FY19 to FY20

TOWN ATTORNEY
-Overall decrease of $3,050
-Salary/Benefits increase of $1,800
-Includes 2% merit, compensation study phase 2, & 6.5% increase for insurance
-Removed 10% of allocation (10% = $4,818) of Office Assistant salary/benefits that was previously split 90%/10% between Police Dept & Town Attorney; 100% of salary now allocated to Police Dept.
-Operational budget decreased $4,850
-Reduced recoding & court costs by $1,000
-Reduced telecommunications by $400
-Reduced office supplies by 2,500
-Reduced travel & education by $1,000

FINANCE ADMINISTRATION
-Overall increase of $9,295
-Increase of $10,010 in salary/benefits includes 2% merit and 6.5% increase in insurance
-Operating reduced by $715
-FY17 decrease for personnel & fringe benefits is due to retirement of Director of Finance and duration of positions being backfilled

FINANCE BILLING & CUSTOMER SERVICE
-Overall decrease of $10,785
-Decrease of $18,985 in salary/benefits due to employee changes in health insurance
-Includes 2% merit, compensation study phase 2, & 6.5% increase for insurance
-Operating expense increase $8,200

-Postal services increase $8,700 due to increase in postage effective Jan 2019

FINANCE -PURCHASING
-Overall increase of $1,195
-Salary/Benefit decrease of $3,275; includes 2% merit & 6.5% increase in insurance
-Decrease in salary/benefits due to previously estimated amounts for assistant purchasing position & retirement of senior employee
-Operational Expense increase of $4,470
-Increase in Travel/Education to allow Purchasing Manager to obtain Virginia Contracting Officer Certification from Commonwealth of Virginia

POLICE ADMINISTRATION
-Overall increase of $14,470
-Increase of $19,670 in Salary/Benefits
-Includes 2% Merit, Compensation Study Phase 2, & 6.5% Insurance Increase
-Operational expense decrease of $4,200
-Decrease of $3,000 for travel & education

POLICE PATROL
-Overall increase of $95,700
-Salary/Benefit increase of $61,225 includes 2% Merit, Compensation Study Phase 2, & Insurance Increase
-Operational decrease of $11,560
-Decrease of $3,000 for Travel & Education
-Decrease of $5,000 for Auto Maintenance
-Decrease of $5,000 for Uniforms & Wearing Apparel
-Increase of $2,000 for K-9 Maintenance for second K-9 Unit
-Capital Expense increase of $29,400 and includes:
-$12,960 to replace some body worn cameras
-$65,305 for the 2ndyear payment of 10 years on the radio system
-$145,775 to replace three vehicles (3 –2017 Ford Explorers); including replacement of in-car cameras

POLICE INVESTIGATIONS
-Overall increase of $24,940
-Salary/Benefit increase of $31,940 includes 2% merit, compensation study phase 2, & insurance increase
-Operating expense decrease by $7,000
-Decrease of $3,500 for travel/education; previous budget included one time training course
-Decrease of $2,500 for dues & memberships

POLICE SERVICES (DISPATCH/EVIDENCE TECH/CROSSING GUARDS)
-Overall increase of $56,415
-Salary/Benefit Increase of $57,165 includes:
-2% Merit, Compensation Study Phase 2, & 6.5% insurance increase
-Reallocation of 10% (10%=$4,818) from T/A budget to Police Services for Office Assistant
-Operational expense decrease of $750

POLICE GANG/DRUG TASK FORCE
-Overall increase $15,595
-Salary/benefit increase of $16,945 includes 2% merit, compensation study phase 2 & insurance increase
-Operating expense decrease of $1,350
-Reduced Postal Services by $300
-Reduced Police Supplies by $500
-Reduced Travel & Education by $500

EMERGENCY SERVICES (SWAT)
-Overall decrease of $2,000
-Travel/education decreased by $2,000

PLANNING & ZONING
-Overall decrease of $26,910
-Salary/Benefits decrease of $26,335
-Decrease due to estimates previously used for new planner position & retirement of a senior employee
-Includes 2% merit & 6.5% insurance increase

-Operating Expense decreased by $575
-Professional Services includes $38,500 that can be used for property maintenance
-Current FY19 Budget also includes $40,000 that can be used for property maintenance

PLANNING BOARDS & COMMISSIONS
-Overall reduction of $625
-Reduced amount of NSV Regional Commission Fees by $525

ECONOMIC DEVELOPMENT FUND / TRANSFER TO STREETS
-Transfer from General Fund to Street Fund increased by $17,125
-FY17 spike of $1.2 million for G/F to Streets transfer is comprised of:
-$400,000 –Transfer from G/F Balance to Streets for Criser Road Trail
-$331,500 –Transfer from G/F Revenue to Streets for Slurry Seal
-$472,345 –Adopted FY17 budget transfer from G/F to Streets
-Repayment of internal loan for Town Hall Building remains consistent and will end in 2022

SPECIAL PROJECTS EXPENSES
-Graphs show actual expenses for FY14-18 and budgeted amounts for FY19-20
-Actual expenses for FY19 will differ from budgeted amounts due to carried funds
-Debt Service Economic Development is budgeted to pay to the EDA; actual expense is unknown at this time & has been budgeted based on prior billings. Once actual expense is known staff will review with Town Council & may request a budget transfer/amendment be approved to utilize funds for other projects.
-Community Development Fund contains funds allocated to Police Dept HQ, LRP, & W Main

FLEET MANAGEMENT (PAGE 59)
-Overall decrease $1,875
-Salary/Benefits increase of $11,525 include 2% Merit and 6.5% insurance increase
-Also includes $2,250 to restructure Manager of Fleet Services to Director
-Operating expense decrease of $13,400 mainly due to auto service chargebacks increasing
-Each department is responsible for paying for parts associated with department's vehicles.
-Parts purchased by shop are expensed to 45407 Repairs & Maintenance Supplies
-Each month the individual departments are charged and the credit is applied toward line item 43038 Auto Service Chargeback

GENERAL PROPERTIES
-Overall increase $18,855
-Salary/Benefits increase of $4,355 includes 2% Merit, Compensation Study Phase 2, & Insurance Increase
-Operating expense increase of $14,500
-Electrical Service Expense increase $20,000 to accommodate additional anticipated expense for new Police Department and increase in electric rates.
-General Properties Electrical Service line item covers utility expense for all general fund buildings such as; Police Dept, Town Hall, CID Building, Public Works/Fleet Maintenance, & Visitor Center

HORTICULTURE
-Overall increase of $65,420
-Salary/Benefits increase of $12,820 includes 2% merit, compensation study, & 6.5% insurance increase
-Operational expense decrease of $5,900
-Professional Services decrease of $4,000
-Professional Services includes mowing of Leach Run Parkway, tree work, & town-wide weed control
-Capital Expense increase of $58,500 includes:
-Replacement of walk behind mower with zero turn mower -$15,000
-Replacement of 72" mower deck with a 60" mower deck -$3,500
-Replace unit#716 a 2003 Chevrolet 2500 Pickup with liftgate & snowplow -$40,000

STREETS NON-VDOT(PAGE 71)
-Overall increase of $3,450
-Salary/Benefit increase of $4,450 includes 2% merit and 6.5% insurance increase
-Operational expense decreased by $1,000 for travel & education

HIGHWAY MAINTENANCE
-Overall increase of $97,900
-Salary/Benefit increase of $26,870 includes 2% merit, compensation study, & 6.5% insurance increase

-Operation expense decreased by $52,650
-Professional Service line item removed $2,000
-Curb & gutter concrete line item removed $15,000 (note line item 45477 Curb & Gutter & 47941 Concrete)
-POL (Petroleum Oil & Lubricants) line item reduced by $20,000
-Line Painting reduced by $10,000
-Engineering Materials line item removed $2,500
-Capital Expenses increased $123,680 and includes:
-Setting money aside to replace asphalt roller (Year 2 of 5) -$30,000
-Replace Sign Cutter $12,000
-Street sweeper payment $22,080 year 3 of 10
-Fully funding primary paving plan $179,100 (Paving N Shenandoah from W 17thSt to W 14thSt)
-Funding 50% of the secondary paving plan $286,945 (If V-DOT Primary Extension Program funds Primary Plan then money can be used for secondary)
-Concrete $25,000 used for voluntary curb/gutter installations & curb/gutter associated with paving plan

CONSTRUCTION/INSPECTIONS
-Overall decrease $20,145
-Salary/Benefits increase of $5,180 includes 2% merit and 6.5% insurance increase
-Operational expense decrease of $10,325
-Removal of Maintenance Service Contract line item $1,500
-Removal of Advertising line item $500
-Reduce Surveying line item by $2,000
-Reduce Auto Maintenance line item by $1,000
-Reduce Other Operating Expenses by $2,000
-Capital expense decrease of $15,000 includes:
-Purchase of Construction Plan Printer -$5,000
-Replace Air Monitor -$5,000

Council Discussion: In response to Council questions, Mr. Wilson noted that he would show the Police Department amounts in the future with one penny and 1.5 penny. He stated that ½ penny would not cover the full amount and that is why they are paying interest only. He stated that they will not know the amount until they receive the assessment books and he is NOT proposing equalization. Mr. Wilson clarified that the Town stills has the MPO program in place for the Town's Police Department. He noted that the second printer for the inspection office would be at Public Works and Mr. Waltz stated that the Town Engineer would also be using the printer.

Councilman Meza noted that the Compensation Study was being implemented and he was excited to see it take place for Staff. Mr. Waltz noted that the Study would be the 2% and they would work towards developing a mechanism to implement matters further. Mr. Meza asked about 250 and 500 options for the medical insurance options, Mr. Wilson noted that he would show both at a coming meeting.

4. <u>Goal Setting</u>
Mr. Waltz presented the following to Council:

Infrastructure	Completion of the PD facility	Dustin continues with construction of the facility		On-going	$ 10.2 Million
Infrastructure	PD facility financing	VML/VACO pursing finance options		In progress	TBD
Infrastructure	Electric AMI	Automatic Metering Infrastructure		On-hold	$1.5 Million
Infrastructure	Primary Paving Plan	Paving primary roads		On-going	TBD

Infrastructure	Secondary Paving Plan	Paving secondary roads		On-going	TBD
Infrastructure	Happy Creek Road Phase 2 and 3	Road construction between Wakeland Court - County Line (Happy Creek Phase 4 - County)		No Activity	$16.5 Million
Infrastructure	Inflow and Infiltration Issues	Repairing sewer system with lining mains and service laterals, sealing manholes, and line replacement		On-going	$450K yearly
Infrastructure	522 Corridor Water Redundancy loop	Complete a loop system in the corridor to increase reliability and limit the risk for system failure		In-progress	$5.5 - $10 M
Infrastructure	Prospect Bridge Repairs	Replacing wood deck, hold down clamps and structural repairs on bridge		No Activity	$210K
Infrastructure	W. Main Street Extn (2nd phase through Royal Phoenix Site)	Phase 2 (2,900') road construction to connect both W. Main Streets		No Activity	$3.5 Million
Infrastructure	Extend Underground electrical lines along LRP to John Marshal Hwy	Main electrical feed from John Marshall Hwy along LRP to the Hospital (loop)		No Activity	$500K
Infrastructure	Royal Lane Extension	Extension of Royal Lane to intersect with Remount Road due to workforce housing		No Activity	$2.1 Million
Ordinance	Taxi-cab Ordinance	Ordinance relating to taxi-cab operation		No Activity	N/A
Ordinance	Antique tag Issue	Issue with non operational vehicles in the public right-of-way		No Activity	N/A
Parking	Parking (study being performed by NVSRC (CDBG))	Parking Study part of the CDBG		In progress	$12K
Parking	Parking meters (Pilot project on S. Royal across from the Court House)	Installation of parking meters to better manage the short term parking for business		Developing	TBD
Pedestrian Safety	Kendrick Lane Sidewalk	Sidewalk along Kendrick from 6th Street to the new sidewalks on W. Main Street		TBD	$600K

Pedestrian Safety	Main Street Sidewalk	additional sidewalk along W. Main (near Massie) to the new W. Main Street		TBD	$600K
Pedestrian Safety	Sycamore Trail	New trail running North/South from Happy Creek Road to John Marshall Hwy		TBD	$500K
Pedestrian Safety	Westminster Sidewalk	Sidewalk along Westminster Drive to include handicap accessible crosswalks		In progress	$125K
Pedestrian Safety	John Marshall to LRP sidewalk	Sidewalk along John Marshall Hwy from Westminster and LRP		TBD	TBD
Pedestrian Safety	Controlled crosswalks	Controlled crosswalks at intersections and mid-block		On-going	$30K -$100K per installation
Policy	Bad debt policy	Recovery of bad debt from business (LLC) that open utility accounts		In progress	N/A

5. Council Discussion/Goals

There were none.

PRESENT: Mayor Tharpe and Councilman Tewalt, Councilman Gillispie, Councilman Holloway, Councilman Meza, Councilman Thompson, Vice Mayor Sealock, Town Manager Waltz, Town Attorney Napier, Clerk of Council Berry, Director of Planning Camp, Director of Finance Wilson, Director of Energy Services Jenkins, Police Chief Magalis, Interim Director of Environmental Services Boyer, IT Director Jones, Director of Tourism Hart, members of the public and members of the press.