



TOWN OF GLASGOW, VIRGINIA



MEMORANDUM

Malcolm “Shane” Watts
Mayor, 2021

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Barrett McFaddin, 2021
Aaron Britton, 2020
Andy Ryan, 2020
Sonny Williams, 2020

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Date: February 25th, 2020
From: Eric Pollitt – Town Manager
To: Mayor & Council
Subject: FY 2021 Budget Workshop
CC: Staff

Dear Mayor & Council,

This memorandum is my summary of the FY 2021 Budget Workshop for the February 25th, 2020 Council Meeting. The first section is a summary of the presentation, followed by the second section which has questions from Council.

I. Town Manager’s Fiscal Year 2021 Recommended Budget

- The Town of Glasgow has 3 funds which is operates out of: The *General Fund*, *Water Fund*, and *Sewer Fund*. Each fund provides unique services to residents, business owners, and visitors.

General Fund

- Revenue - The *General Fund* operates primarily based on taxing authority granted from its charter which is recognized by the Commonwealth of Virginia.
- The Towns 4 largest sources of revenue are: Real Estate Taxes, Personal Property / Machine & Tools (M&T) Taxes, Sales Taxes, Meals Taxes. These 4 sources make up over 55% of our revenue in FY 2021’s Budget.
- Expenses – As a Chartered Town in Virginia, we have certain obligations we must make that residents pay for through their Town taxes such as: public property, streets, parks, trash pickup, and law & code enforcement.

Water Fund

- Revenue - The *Water Fund* operates based on its charges for services to customers as a Business-Type-Activity. In Glasgow, almost 75% of its customers are in-town residents.
- Expense – As an enterprise fund with debt obligations, there are 4 categories of expenditures: Personnel, Operations, Debt Service, and Capital Expenses.



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- The largest cost driver by far for the *Water Fund* is its debt obligations to our loan agency at 56% to the Virginia Resource Authority. The *Water Fund* pays a little more than \$162,500 a year in debt obligations.

Sewer Fund

- Revenue - The *Sewer Fund* operates based on its charges for services to customers as a Business-Type-Activity as well. Like the *Water Fund* where a vast majority of its revenue comes from residents at 65%.
- The other primary source of revenue is waste from sources outside the wastewater collection system, known as septage. This stream of revenue makes up 22% of the *Sewer Funds*' sources of revenue. The primary sources of septage are Hamilton, Humphreys, C&S, and Rockbridge PSA.
- Expenses - Over 80% of the costs for the *Sewer Fund* are from its Personnel at 39% and Operations at 42%. This is a little more than \$225,500 a year. This means sewer plants are expensive to run because of the staffing requirements that come with it and equipment necessary to process wastewater.

Method of Budget Development

Revenue Projections

- At the end of November, I took the average of 5 periods (July - November) and multiplied it out for 12 periods. These projections were provided at the January 2020 Council Meeting.
- I did this for last year FY19 and this year FY20 to compare how close this projection model was to the actuals for FY19. Many were very close or higher, so I applied the same principal to FY20's actuals.
- For Real and Personal Property Taxes, I took the amount we billed out for each set of taxes and projected an 87% collection rate for Real Property and 90% collection for Personal / M&T taxes.
- In FY18 we collected 84% of our Real Property taxes, and this year we are at 87% so far for collections.
- Water and Sewer numbers are based off of Jeff's recommendations and my projections, with the goal to be realistic of what amount of money coming in next year and not grossly over or under estimate.

Department Head Requests

- Department templates were sent out to staff for the following budgets: Police, Trash, Buildings & Grounds, Parks & Rec., Water, and Sewer.
- Staff was instructed to request what they needed in the Blue Baseline column and what they wanted next year if I could provide it in the Red Baseline + column.

Town Manager Recommendations

- I did my best to build this budget from the ground up with the zero based budget approach.
- My recommendations for next year are based on expenditure trends this year and what departments requested, meeting our operational and contractual needs while improving efficiency.
- The recommendations are based on what is realistic for what we have spent so far in FY20 and what was spent in FY19 and FY18.
- The detail costs column helps explain what the line item is used for in a department.



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2 by 2s with Council & Mayor

- Once the recommendations were developed, I met with the Mayor & Council members either individually or in groups of 2 to review my recommendations for feedback.
- Minor tweaks were made based on feedback from Council.

Differences Between This Year and Last

General Fund

- The Community Development Committee will be responsible for meeting our fundraising goal of \$7,500 for our first annual concert series 'Rockin the Gorge' this coming year.
- We made over \$800 from one concert last year which is a net number including beer sales.
- The new Town Attorney will be roughly \$4,000 more at \$150 an hour. Council does not have to use all the budgeted monies on the attorney since she bills the Town hourly and not a flat rate like before.
- Council contingency went down from \$26,774 to \$7,500 which still meets our financial policy recommendations. A majority of these funds went to starting a Capital Reserve Maintenance Fund (CRMF) program for the *General Fund* which will fund small projects and be used to replace equipment in town.

Water & Sewer

- I evaluated the personnel cost allocation for each employee and tweaked employees whose costs are allocated to both funds in a manner which balances the funds fairly allowing enough money to operate efficiently, meet our debt obligations, while still putting money aside for capital replacement and future projects.
- The *Sewer Fund* is now paying the Town's *Water Fund* for its water consumption which is used to meet its DEQ requirements. The *Sewer Fund* is projected to pay the *Water Fund* \$40,235 next year. This is based off what the *Sewer Fund* would have paid *Water Fund* in FY19 if this policy was applied.

Major Policy Initiatives and Projects

- i. New Town Attorney with a new perspective on updating ordinances and approaches to legal matters;
- ii. Starting a Capital Reserve Maintenance Fund (CRMF) program for the *General Fund* including recommendations for ADA accessible bathrooms at the Farmer's Market and Hiker's Shelter;
- iii. Contracting of services with our regional planning district for staff support in updating our Comprehensive Plan which is in line with Council Retreat Goals;
- iv. Farmer's Market Manager and money in the budget for one big event for the market;
- v. Canceling the continuance of picking up and hauling off of large trash items not included in weekly pick up, **with the exception of brush**. If Council wants to continue to pay for this service it will need to increase the trash rate from \$4.50 a month to \$9.00 a month;



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- vi. Reduction of equipment & vehicle repair costs with creation of Public Works and Utilities Committee;
- vii. Hosting first ever concert series 'Rockin the Gorge' from May until October estimating \$7,500 total or \$1,500 per event;
- viii. Reducing redundant aid to the regional library system since residents pay for the system through Town taxes, eliminating electrical costs and an annual donation, both of which are much more generous than any other Town of our size provides to their regional library.
- ix. Annually evaluating the personnel cost allocation of employees between the 3 funds;
- x. The *Sewer Fund* paying the Town's *Water Fund* for its water consumption.

II. Questions & Comments from Council

- Andy Ryan – This is the first time we have had the budget explained to us in a way it makes sense, so I don't think we have many questions.
- Town Manager – What happens if we receive a rate increase from VACORP, health insurance, or VRS?
- Consensus among Council was to use contingency for that scenario.
- Large Brush and Trash – There was unanimous agreement to not go up on the trash rate to cover the costs of the pick up of large brush and trash. Council gave direction to the Town Manager to look into possible methods of how to continue to provide the service and charge residents. The Town Manager said he would contact other colleagues in the field to see what they do if they provide this service. A report will be given at the next workshop in March. The consensus was if we could not find a way to provide the service by charges and fees we would forge it.
- The discussion shifted to the Capital Improvement Plan
- Ipads – Council as a whole liked the idea of getting ipads or tables from another manufacturer to help cut down on paper costs for Council Packets. The Town Manager said the construction durable ipads would cost more than \$5,000 for everyone. He would look at other options and see what is available. If a cheaper option was found it would be purchased with a user agreement in case of damagers. Council concurred.
- Mower – Andy Ryan stated he wasn't completely against getting a new mower. To Town Manager Pollitt's knowledge, the Faris zero-turn was still running after it was repaired by Councilman Ryan. Consensus from Council was to run the current mower until it was no longer usable or worth repairing then purchasing a new mower as needed.
- Dumpsters – Council did not see the need for dumpsters since no longer doing pick up.
- Councilman Williams and Ryan stated the need to start planning to purchase land and suggested the Town start to put money away each year for it.
- There was one citizen in attendance. The Mayor stated residents could comment on the budget at the April Public Hearing before voting on it. The Town Manager also stated residents could email their elected officials or the Town Manager about the budget.