

Proposed FY2025 Glasgow Town Budget

Revenues	FY24 Budger	FY25 Proposed
Real Estate Taxes	\$ 118,852.00	\$ 140,000.00
Person Property Taxes	\$ 72,750.00	\$ 86,000.00
Penalties & Interest	\$ 4,000.00	\$ 4,000.00
Other Local Taxes	\$ 206,450.00	\$ 275,200.00
Permits/Fees/Licenses	\$ 550.00	\$ 650.00
Fines & Forfiteres	\$ 2,500.00	\$ 1,000.00
Revenus from use of money/property	\$ 2,000.00	\$ 29,000.00
Charges for Services	\$ 64,819.00	\$ 24,900.00
Park & Recreation	\$ 15,200.00	\$ 9,600.00
Misc. Revenue	\$ 3,500.00	\$ 2,000.00
State Non-catagorized	\$ 21,462.00	\$ 21,462.00
State Catagorized	\$ 69,779.00	\$ 66,352.00
Federal Catagorized	\$ -	\$ -
Balanced Carryover	\$ -	\$ 150,000.00
Total Revenue	\$ 581,862.00	\$ 810,164.00

Expenditures

Council/Legal	\$ 23,700.00	\$ 173,025.00
Admin/Finance	\$ 237,177.00	\$ 256,275.00
Farmers Market	\$ 6,400.00	\$ 4,750.00
Police	\$ 59,221.00	\$ 55,450.00
Fire & Rescue	\$ 40,000.00	\$ 40,000.00
Refuse Collections	\$ 37,504.00	\$ 44,000.00
Buildings & Grounds	\$ 141,165.00	\$ 132,244.00
Parks & Recreation	\$ 27,340.00	\$ 40,000.00
Community Non Profit	\$ 9,355.00	\$ 9,920.00
Transfers	\$ -	\$ 54,500.00
Total	\$ 581,862.00	\$ 810,164.00

Water Fund

Revenues	FY24 Budget	FY25 Proposed
Water Revenues	\$ 279,190.00	\$ 285,400.00
Transfer from GF		\$ 27,250.00
Fund Balance		\$ 9,726.00
Total	\$ 279,190.00	\$ 322,376.00

Expenditures	FY24 Budget	FY25 Proposed
Operating	\$ 116,654.00	\$ 159,840.00
Debt Services	\$ 162,536.00	\$ 162,536.00
Total	\$ 279,190.00	\$ 322,376.00

Sewer Fund

Revenues	FY24	FY25 Proposed
Sewer Revenue	\$ 276,441.00	\$ 285,800.00
Transfer from GF		\$ 27,250.00
Fund Balance		\$ 20,185.00
Total	\$ 276,441.00	\$ 333,235.00

Expenditures	FY24	FY25 Proposed
Operating	\$ 241,401.00	\$ 298,195.00
Debt Services	\$ 35,040.00	\$ 35,040.00
Total	\$ 276,441.00	\$ 333,235.00



TOWN OF GLASGOW, VIRGINIA



To: Mayor and Town Council

From: Jon Ellestad, Interim Town Manager

Subject: Proposed FY2025 Town Operating Budget

Date: May 3, 2024

I am pleased to present to you the Proposed FY2025 Town Operating Budget. This year's budget totals \$1,465,775 (all funds included). Following this memo is a summary of each of the major revenue and expenditure categories for each fund, which is then followed by the more detailed line-item budget. It is extremely hard to say just how much of an increase this truly is over the previous fiscal year since the FY24 budget was adopted as a flat budget from the previous year, with no real analysis as to the revenues or the expenses of the Town. At this time, I am unable to say whether or not expenses exceeded or will exceed revenues in FY24 or FY23. Staff and I are working with the accounting firm of Rodefer Moss (Mary Earhart) to try to establish reasonable financial reports for FY22, FY23 and FY24. This is going to be a very lengthy process that will take a great deal of staff time, as well as a significant amount of auditing fees. I wish that I could be more confident in my estimating of both revenues and expenditures for this budget, but without reliable historical data, this is simply my best guess based on what we have learned so far. This is especially true for the Utility Fund revenues.

Overview

There are a number of issues that affect each of the funds in the budget. First, the line item revenues and expenses for this year-to date and last fiscal year totals cannot be relied upon as a comparison in many cases. So please do not rely upon this historical data when evaluating the recommendations presented. In the area of personnel, I am recommending a 3% across the board pay increase for our staff. In addition, the health insurance premium will increase by 10%. I am also trying to, more realistically allocate compensation expenses to the various funds. This has been done in the past with the Public Works staff and the Administrative Assistant, but not I am proposing to do that also with the Finance Specialist and to a limited degree the Town Manager. In order to present a more honest allocation to the Utility Funds (which should financially stand alone), I am proposing these changes, including allocating health insurance costs. A final issue is the amount of fund balance allocated to each of the funds. It is impossible to follow the fund balances through four unaudited years to see what realistically is available to each. This is a major issue that will need to be resolved with our auditor. What we do know is that, overall, the Town has a cash balance of between \$1.1M and \$900K. While this might sound like a lot, when a breakdown at the sewer plan can cost tens of thousands of dollars and replacing just wone specialized piece of equipment can be \$100,000 or more, this amount is not excessive.



TOWN OF GLASGOW, VIRGINIA



General Fund

Revenues:

In the General Fund, revenues are looking quite strong overall. The real estate and personal property tax collections are greater than last year and the Other Local Taxes are up substantially. Especially the meals tax and the sales tax. Of course, beginning to collect on the cigarette tax is also extremely helpful. The other large increase is in the Revenue from the Use of Money (interest earnings) category. Now that the Federal Reserve is fighting inflation by raising the prime rate, banks are increasing their Money Market and CD rates. In addition, we have the Local Government Investment Pool (LGIP) program that we can take advantage of. The result of these additional revenues is that I believe you can drop the refuse fee of \$4.50 per month entirely. Instead of transferring this fee from the utility billings to the general fund, I am proposing that it be split, with \$2\month added to the base water rate and \$2.50/ month added to the base sewer rate. But more on this when I get into the Utility Fund. You will also note that I have included \$150,000 under the Balance Carryover line to account for the amount of ARPA funding that is estimated to be spent from July 1 until the end of the year.

Expenditures:

Town Council/Legal: The remaining ARPA funds that have yet to be spent (estimated at \$150,000) are included in the Council Contingency line, leaving only \$5,000 to Council's discretion. I have also raised the Legal Services line by \$2,000.

Administration/Finance: I am proposing to allocate a portion of the Town Manager and Finance Specialist's salary and health insurance to the Water and Sewer Funds. This allows for a more accurate accounting for the true cost of those funds. I have also increased the amount allocated for accounting services to \$40,000, but after a more recent discussion with our auditors, this will not be enough.

Farmer's Market: Following discussions with Carolyn Bradley, we believe that the previous budgeted amounts can be reduced.

Police: In essence, I kept the previous budget flat, though I have no real idea of this will be sufficient for a part-time position. You will note that I have moved the Toys for Tots program to the Parks and Recreation budget.

Fire and Rescue: No changes from previous years.

Refuse Collections: This budget takes into account the increase in the refuse collection contract with C&S which went into effect last July 1. Regarding the Town-wide clean-up, I'm not sure why this is still done, since the County's collection center a mile out of Town collects most all of the items disposed of at our center.



TOWN OF GLASGOW, VIRGINIA



Buildings and Grounds: The primary reason's that this program has a reduced budget from this year is that one of our employees has an alternative health insurance plan and did not want ours, and that a portion of the other is being distributed to the utility funds. The contract services line has been reduced to zero because we no longer have a need to hire contract public works help. Finally, we have increased the amounts for equipment repairs and replacement. Though we do not have any specific pieces in mind, something always breaks down and we have to evaluate repairing or replacing it. I would also like to point out that much of our rolling stock is very old and would normally have been replaced by now. If not for the need to support the utility funds to the tune of over \$50,000, I would have recommended establishing an equipment reserve fund for replacing the older pieces. This was established in 2020, but the Town appears to have dropped it from subsequent budgets. This is not something that can be put off forever!

Parks and Recreation: Included in this budget is the aforementioned Toys for Tots program, plus Trunk or Treat, under Public Events. Also, I have proposed the amount of \$10,000 for additional or replacement equipment in the playground. Though these items are quite expensive and this may not be enough to purchase what the community desires. This may have to be augmented with a fund-raiser.

Community Non-Profits: A change that I am proposing for the utility service payments is that you remove the 3,000 gallon cap to these bills and instead, make a donation to each group an amount equal to the minimum bill and let them pay their own utilities. In this way, they will know how much water they are using, which should create an incentive for conservation. Presently, we don't even account for the water that they use.

Balance Carryover: I am proposing to use the excess in the General Fund to help support the two utility funds. This should only be a transitional step, with each of those funds standing on their own within a year or two.

Utility Funds

Overview:

Due to the lack of reliable financial information, I had a particularly difficult time in estimating what can be expected in revenues for FY24, much less estimating for FY25. It is extremely clear, however, that the utility funds are not covering their expenses, much less building a fund balance for future improvements. As a result, I am proposing to use the revenue from the refuse fee to add to the base water and sewer rates (\$2 for the water rates and \$2.50 for sewer rates). In addition, I am proposing an additional increase of 5% across the board for most all of the rates. The exception is the supplemental rate (the rate over 3,000 gallons) for sewer services. That I am proposing to double (this only affects about a quarter of our customers). Even with these increases, the fund revenues do not completely support the expenditures. It must be remembered that the water rates have not been



TOWN OF GLASGOW, VIRGINIA



increased since 2015 and the sewer since 2020. These rates should be reviewed every year with an eye to raising them a little every year. Until you can provide three years audits and prove that each of these funds can support themselves, you have virtually no chance of receiving grants/loans for the utility systems. The proposed existing and new rates are attached to this memo along with a second attachment which compares both existing and proposed rates with those of surrounding jurisdictions.

In addition to these increases, I am proposing that you modify your water and sewer ordinance to delete all references to these rates and fees and replace them with wording that allows the rates and fees to be set each year by resolution. This can be done at the time of the budget adoption and is far simpler to change than ordinances.

Water Fund: Other than the rate increase proposal and the fact that the fund is still \$37,000 out of balance, there isn't much more to say regarding revenues. On the expenditure side, the big change is in the well sampling line item where it jumps from \$1,500 to \$14,000. This is due to new PFAS testing that is now being required. If you haven't heard about these "forever chemicals", you will. We will need to have a special work session with Jeff Rankin to update you on these and other regulations coming down the pike for both water and sewer. The budget for chemicals is also up substantially. I don't believe that the budget amounts for past years was even close to accurate.

Sewer Fund: This fund is the greatest concern the Town has. The wastewater treatment plant is over 30 years old and most of the components are worn out. Some of the pieces have be replaced or re-built, but overall, it needs a major refurbishment. The \$5 million grant/loan that was submitted last summer was never followed up on due to the requirement of a significant rate increase and the need for audits. Both of these issues absolutely must be addressed if you expect to continue operating the plant. The Town does not have nearly enough cash to do what must be done. And, that doesn't even address the I&I issues in certain parts of Town. Some of that was addressed 5 years ago, but not all of it. Just since I have been here, I have seen the basins at the plant overflowing. Of course, there are also possible additional discharge regulations that could significantly affect operations and costs. Our permit needs to be renewed this year and some of these additions are anticipated. Once again, a work session with Jeff is very needed. As for expenditures, increased health insurance allocations and increased repair and maintenance monies are the prime culprits.

Addendum

Since I finalized the numbers in this budget, I have received the most recent utility billing report. This now gives me two accurate months from which to project revenues. On this basis, I will be presenting you with revised revenue estimates for both the utility funds, under separate cover.



TOWN OF GLASGOW, VIRGINIA



Budget Schedule

I will be making a presentation of this budget, in summary form, at the Town Council's regular meeting on May 14. I am also proposing to have a public work session to go through the detail and recommendations included in this budget on May 21 at 7pm. If that date does not work for the entire Council, we will need to find another no later than May 24. A copy of the summary budget will then be advertised for a public hearing and adoption on June 11. If Council needs other work sessions, they will need to be scheduled prior to that May 24 date so that any proposed changes can be reflected in the advertisement. Once the budget has been approved, a special meeting will need to be called, prior to July 1, for approval of an appropriations resolution which authorizes the expenditures and sets the various tax rates and utility fees.

Thank you, and I look forward to meeting with you regarding this annual spending plan.

Proposed Utility Rates

Sewer

User	Present	Proposed
Res in town	\$32.08 + .13/100 over 3,000 gal	\$36.50+.26/100 over 3,000 gal
Res out of town	\$32.08 + .33/100 over 3,000 gal	\$36.50 + .66/100 over 3,000 gal
Res out town sewer only	\$41.00 flat rate	\$43.00 flat rate
Com in town	\$32.08 +.23/100 over 2,000 gal	\$36.50 +.36/100 over 2,000 gal
Com out of town	\$41.00 +.33/100 over 2,000 gal	\$43.00 +.66/100 over 2000 gal
Non-Profit	\$32.08 flat rate	\$36.50 + .26/100 over 3,000 gal
Septage	\$.072/gal	\$.076/gal

Water

User	Present	Proposed
Res in-town	\$31.50 + .49/100 over 3,000 gal	\$35.00+.54 over 3,000 gal
Res out- town	\$47.25+.89/100 over 3,000 gal	\$47.25+.89 over 3,000 gal
Com In-town	\$42.00+1.58/100 r 2,000 to 15,000 \$42.00 + 1.31 to 30,000 gal \$42.00 +1.05 to 45,000 gal \$42.00 +.79 to 60,000 gal \$42.00 +.53 to 100,000 gal	\$66.00 same as present
Com out-town	\$63.00 + 2.30 2,000 to 15,000 gal \$63.00 +2.00 up to 30,000 gal \$63.00 +1.58 up to 45,000 gal \$63.00 +1.26 up to 60,000 gal \$63.00 + .84 up to 100,000 gal	\$66.00 same as present
Non-Profits	\$31.50 flat	\$35.00 +.54
permit	\$52.50	\$55.00

Refuse

All	\$4.50/month	0
-----	--------------	---

**UTILITY BILL COMPARISSON
(FROM 2023 STUDY)**

3000 gallons

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Glasgow (present)	\$ 31.50	\$ 32.08	\$ 4.50	\$ 68.08
Glasgow (proposed)	\$ 35.00	\$ 36.50	\$ -	\$ 71.50
Buchanan	\$ 48.25	\$ 36.75	\$ 14.50	\$ 99.50
Buena Vista*	\$ 22.44	\$ 22.32	\$ 22.00	\$ 66.76
Lexington*	\$ 27.43	\$ 54.54	\$ -	\$ 81.97
County PSA*	\$ 33.63	\$ 53.65	\$ -	\$ 87.28

5000 gallons

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Glasgow (present)	\$ 41.30	\$ 36.75	\$ 4.50	\$ 82.55
Glasgow (proposed)	\$ 45.80	\$ 41.70	\$ -	\$ 87.50
Buchanan	?	?	\$ 17.00	?
Buena Vista*	\$ 37.40	\$ 37.20	\$ 22.00	\$ 96.60
Lexington*	\$ 45.72	\$ 90.90	\$ -	\$ 136.62
County PSA*	\$ 47.93	\$ 76.95	\$ -	\$ 124.88

* Increase are being proposed FY25