



MIDDLEBURG TOWN COUNCIL
Regular Monthly Meeting Minutes
Thursday, April 10, 2025



PENDING APPROVAL

PRESENT: Mayor Trowbridge M. Littleton
Vice Mayor Chris W. Bernard
Councilmember Pamela Curran
Councilmember J. Kevin Daly
Councilmember Morris E. “Bud” Jacobs
Councilmember C. Darlene Kirk
Councilmember Peter A. Leonard-Morgan (arrived late)
Councilmember Cindy C. Pearson

STAFF: Danny Davis, Town Manager
Martin Crim, Town Attorney
Rhonda S. North, MMC, Town Clerk
William M. Moore, Deputy Town Manager
Shaun Jones, Chief of Police
Angela Fletcher, Town Treasurer/Finance Director
Ali MacIntyre, Business Development & Community Partnerships Director

The Town Council of the Town of Middleburg, Virginia held their regular monthly meeting on Thursday, April 10, 2025 in the Town Hall Council Chambers, located at 10 West Marshall Street. Mayor Littleton led Council and those attending in the Pledge of Allegiance to the flag. The roll was called at 6:00 p.m.

Public Comment

Meghan Gallagher, 214 East Marshall Street, thanked the Town Manager and Town Attorney for drafting an update to the Town’s water conservation ordinance and advised that she shared the Town’s concern that drought would be a big threat again this summer. She suggested the need for a comprehensive strategy to ensure the Town had water to meet its needs and opined that the three proposed response levels were sensible. Ms. Gallagher noted that the proposed ordinance would ensure the Town’s largest water users would have to make the same reductions as the smaller ones. She reminded Council that eighty percent of the residential water customers did not exceed an average of one hundred fifty gallons per day, which was related to one of the levels identified in the ordinance. Ms. Gallagher noted that she watered the plantings for her HOA and acknowledged that under the proposed ordinance, she would be able to hand water them until the water rationing level was reached. She advised that this was a best practice. Ms. Gallagher noted that native plants only needed supplemental water in the first year; after which, they could survive future droughts.

Special Recognition of Mayor & Council

Resolution of Appreciation – Mary Ann Burns

Mayor Littleton recognized Mary Ann Burns for bringing unique cultural events to Middleburgh through her service on the Middleburg Arts Council, including as its Chair. He expressed sorrow that she was retiring. Mr. Littleton noted that she went above and beyond for the Town not only when she started the Old Ox Brewery, but in her volunteer efforts.

Vice Mayor Bernard noted the impact Mrs. Burns had made on Middleburg in the minuscule amount of time she was here. He thanked her and her husband for everything they did and wished them the best of luck.

Councilmember Curran noted that she had the pleasure of working with Mrs. Burns on the Arts Council and advised that she had a presence and was a true leader. She noted that she would be missed.

Councilmember Pearson that the Burns' came to Middleburg to start the Old Ox Brewery and advised that they added to the community. She noted that they would always be a part of Middleburg and invited them back to visit and participate in the events as guests rather than as organizers.

Councilmember Jacobs advised that the Town would miss Mrs. Burns' extraordinary energy, kindness, and warmth.

Councilmember Kirk noted that everything Mrs. Burns did was perfect and thanked her for doing a great job.

Mayor Littleton noted that he had a T-shirt that read "The office is closed", which he was going to present to Mrs. Burns. He read a resolution expressing appreciation to Mrs. Burns for her service on the Middleburg Arts Council from February 27, 2020 to January 17, 2025 and presented a signed copy to her.

Mrs. Burns thanked the Council and noted that this recognition was very special to her. She opined that Middleburg was an event planner's dream due to its unique setting and incredible talent. Mrs. Burns noted that the Council was supportive of local businesses and the staff were a pleasure to work with to make things happen. She recognized Punkin Lee, of the Middleburg Business & Professional Association for her support and wise counseling. Mrs. Burns advised that the Middleburg Arts Council was an incredible experience for her and noted that she admired and respected the people she worked with. She thanked the Town Council for giving her the opportunity to be a part of such a special place.

Mayor Littleton also presented a piece of art, which included scenes from events the Arts Council organized and the Town, to Mrs. Burns.

Staff Reports

March 2024

Deputy Town Manager Moore reported that the Planning Commission began their review of the Comprehensive Plan during their March meeting and noted that it could take several months to complete. He further reported that the new owner of the former Market Salamander property presented an application before the HDRC for façade improvements and a new entry vestibule on the Pickering Street side of the building. Mr. Moore advised that a construction permit was issued for 104 Chestnut Street and noted that the application was submitted prior to the most recent zoning ordinance changes; therefore, it would be developed under the old regulations. He advised, however, that it would closely meet the new standards. Mr. Moore reported that the interim improvements were completed on South Madison Street. He advised that Facilities & Maintenance Supervisor Cole was recovering nicely from his knee surgery and should return to work in a few weeks. Mr. Moore reported that the directory sandwich board signs the Town had implemented had not weathered well and had reached the point of being irreparable. He advised that because of that and feedback from the businesses who were not satisfied they contributed anything, he removed them and did not intend to replace them. Mr. Moore noted that he encouraged some of the businesses to work with the MBPA to identify potential ideas. He advised that the Town would then see whether they were workable within the regulatory framework and in the VDOT right-of-way.

Town Clerk North reported on the status of the Town Hall Project, specifically on the efforts to complete the unfinished and deficient work that were currently underway. In response to an inquiry from the Council as to whether the gaps in the millwork would be repaired, Ms. North confirmed this work was included in the proposal that was currently under review.

Business Development & Community Partnerships Director MacIntyre reminded Council of the Wellness Day event that was scheduled for April 12th and reported that they exceeded their goal for the number of runners registered to participate in the 5K and Kids Run races. She advised that in addition to having electronics recycling, there would be twenty-nine vendors, as well as food trucks. Ms. MacIntyre reported that she was also continuing to work on Art in the Burg, Middleburg Day, and the Middleburg Farmers Market. In response to inquiries from the Council, she confirmed there would be one food truck vendor at the Wellness Day event and noted that they would be located in the Community Center's parking lot so they would be more visible. She reported that she had twenty-three full-time vendors signed up for the Farmers Market and a few others who would be there once a month. Ms. MacIntyre reported that the content day that was originally scheduled for the end of the week was postponed due to the weather forecast.

Mayor Littleton inquired as to what the current economic environment was doing to the Town's income from its investments. He suggested the need for advice from the Strategic Finance Committee.

Town Manager Davis suggested that Mr. Laux would probably speak to this during his presentation later in the meeting. He advised that the short answer was there should be little impact and explained that most of the VIP investments were tied to treasuries and current interest rates. Mr. Davis noted that the slight interest rate increases have even helped a bit. He opined the Town would not see any major changes right now; however, this could change if the feds changed their rates significantly.

In response to an inquiry from the Council, Chief Jones reported that the new police officer was doing great and advised that he would appear at the next Council meeting to take the Oath of Honor. He further advised that he was getting to know the community and was currently training with Officer Hinegardner. Chief Jones reported that his last job was as a Deputy Sheriff with the Spotsylvania Sheriff's Office. He noted that he was also a retired law enforcement officer from the Delaware area.

In response to an inquiry from the Council as to whether he planned to keep the job announcement live now that the department was fully staffed, Chief Jones reported that he had already taken down the advertisements.

Mayor Littleton suggested he consider keeping one active in the event someone retired or left unexpectedly.

Vice Mayor Bernard noted that the traffic warnings have been low since October when compared to the prior six-month period, which was when the Council changed the speed limits throughout town. He questioned the cause of the reduction and whether it was due to the issuance of more tickets.

Chief Jones advised that he was trying to encourage his officers to do more traffic enforcement; however, he could not say why the numbers were low. He opined that their visible presence may be helping to deter speeding.

Vice Mayor Bernard noted that normally, the officers issued forty to fifty traffic warnings per month; however, it went down to six, seven, zero and four. He opined that radar enforcement did not appear to be increasing.

Chief Jones advised that he would look into this and report back to the Council.

In response to inquiries from the Council as to the status of bills from the State legislature, Town Attorney Crim reported that the veto session was coming up and advised that they would be returning bills to the Governor on some of the issues. He advised that if there was a particular bill the Council would like him to track, he would be happy to do so. Mr. Crim reported that all of the short-term rental bills were dead. He advised that the cannabis legalization bill was vetoed and opined that because it passed by a narrow vote in both houses, he did not expect any real effort to override the veto.

Councilmember Jacobs noted that he was talking to a police officer in Arlington over the weekend who talked about there being three or four law enforcement personnel in the Commonwealth of Virginia who were trained to recognize cannabis intoxication. He noted the difficulty in determining this form of intoxication.

Chief Jones advised that he would look into this training.

Asbury Church Project Report

Town Clerk North reported that Town Manager Davis, Deputy Town Manager Moore, herself, and Councilmember Jacobs interviewed two firms for the architectural/engineering services and two firms for the construction management services for the Asbury Church Restoration Project. She advised that a recommendation would be forthcoming to the Council in May.

Town Clerk North reported that the Advisory Church Project Committee was continuing to meet with Caandor Ventures on the Oral Histories Project. She further reported that Caandor would be in Middleburg later in the month to tour the town and identify a location for the interviews, as well as for the b-roll footage. Ms. North noted that she had asked the Town Attorney to revise the release form to include archival materials and advised that once available, she and Phyllis Cooke-Taylor would initiate making contact with the potential interviewees. She expressed hope that some test interviews would be scheduled for early May, with the remainder being scheduled in late May to early June. Ms. North reported that the videos would then proceed to the editing process.

Mayor Littleton advised that he was excited that great progress was being made.

Action Items

Council Appointments – Virginia Municipal League Policy Committee appointments

Town Clerk North reported that it was time for the Council to make appointments to the VML Policy Committees. She reviewed the members who served on them in 2024. In response to an inquiry from the Council, Ms. North advised that the policy committees met virtually once in July.

With the exception of Councilmember Curran, the remaining members agreed to continue service on the same committees.

Mayor Littleton asked Councilmember Curran to discuss what Committee she was interested in serving on with Town Clerk North.

Council Approval – Purchase of Server

Town Manager Davis reported that the request was to update the Town's current network server, which was used to locally authenticate users in the network access network drives and for the Town's financial system, which was hosted in-house. He noted that this was being proposed in concert with the Town's new IT provider. Mr. Davis advised that the staff knew the server was in need of upgrade. He explained that due to the higher cost, it was being brought before the Council. Mr. Davis reminded Council that they suggested that if there were any items that could be affected by tariffs, the staff should jump on them and advised that the staff was already seeing increases in the quote that was obtained for this item two weeks ago. He requested Council's support for the purchase so he could lock it down.

Councilmember Daly moved, seconded by Councilmember Kirk, that Council authorize the Town Manager to approve quote # 004781 from Vision Technology Group for a server in the amount of \$28,459.60.

Vote: Yes – Councilmembers Bernard, Curran, Daly, Jacobs, Kirk, and Pearson

No – N/A

Abstain: N/A

Absent: Councilmember Leonard-Morgan

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

DISCUSSION ITEMS

Utility Fund Debt Options

Kyle Laux, of Davenport Financial Advisors, reported that Middleburg was in very good financial shape in both its General and Utilities Funds. He noted that his presentation contained a lot of information and suggested the members review those pages that he did not review at a later time.

Mr. Laux reminded Council that the General Fund covered the vast majority of the Town's general governmental functions and was separate from the enterprise funds, which in Middleburg's case, consisted of water and sewer. He reviewed the General Fund and reported that the Town had produced very nice surpluses over the past five years. Mr. Laux noted that Middleburg was unique in terms of its dynamic economic environment. He reported that the Town had experienced nice growth in its revenues and advised that they were outpacing expenditures. Mr. Laux reiterated that the Town had experienced five good years financially, with annual surpluses of approximately \$1 million. He reported that all signs were good for the moment. Mr. Laux reviewed the individual components of the General Fund revenues. He reminded Council that while the property tax revenues were growing, they had largely been equalizing the tax rate. Mr. Laux noted that the Other Local Taxes consisted of meals and transient occupancy taxes, which have been growing an average of 10% per year, which was a substantial increase. He encouraged caution, however, moving forward as economists expected expectations to tamp down a bit. Mr. Laux reiterated that the Town's fund balance had grown very substantially. He reminded Council of the interest income that had been realized as a result of the Town's investments. In response to the Mayor's earlier inquiry, he recommended it was a good time to think about the evolution of the market and how the Town should plan going forward. Mr. Laux noted that the Town could earn real dollars on its cash in the bank and suggested the need for a good plan. He reminded Council that in 2024, the Town's investment income equaled two-thirds of its real property revenues. Mr. Laux reviewed the breakdown of the Other Taxes revenues, which included meals tax, business license tax and occupancy tax revenues. He reported that the Town had experienced a good five years in terms of meals and occupancy tax revenues, with the revenues growing on a compound average of 17% a year. Mr. Laux opined that while the Town had been overly conservative at times in projecting its revenues, it needed to reduce its expectations going forward. He reviewed the Town's expenditures, which had increased an average of 5% a year. Mr. Laux noted that when compared to revenues, the Town was clearly maintaining control over its expenditures. He also reviewed the Town's fund balance. Mr. Laux reminded Council that the Town had several financial policies and advised that it was in compliance with all of them. He noted that Middleburg was unique in terms of its source of revenues and reminded Council that the Salamander Resort was a core component of those revenues. Mr. Laux opined that anytime a municipality faced having its tax base in a big concentration, it was good to have a higher-than-normal fund balance compared to its peers in order to protect the Town against things outside of its control. He reminded Council that Davenport had worked with Middleburg for a long time and noted that ten years ago, the Town was in a much different financial position. Mr. Laux recommended the Town continue to be in a strong financial position going forward. He reiterated that the General Fund's fund balance was growing each year. Mr. Laux reminded Council of its policy to maintain a fund balance in reserve that was equal to 125% of its operating expenditures and noted that the Town had even more. He further noted that the Town had an unassigned fund balance of approximately \$4.5 million and a total fund balance of approximately \$10.5 million. Mr. Laux reiterated that the Town should not touch \$5.8 million of this, which equated to 125% of its General Fund expenditures. He compared Middleburg's fund balance to that of other localities in Virginia.

Mayor Littleton noted that the fund balance percentages of the towns used in the comparison were 70%, 80% and 100%. He questioned whether those numbers were representative of their reserve policies as a percentage.

Mr. Laux advised that it varied based on the size of the locality. He cited Warrenton as an example and noted that although they were much larger than Middleburg, their reserve policy was only 50%. Mr. Laux reminded Council that they looked at the policy in terms of the size of the jurisdiction.

Mayor Littleton noted that the Council agreed to a 125% policy because Middleburg was so tourism dependent. He further noted that half of its revenues could disappear should there be another pandemic. Mr. Littleton explained that the Council wanted to know that Middleburg would be able to weather multiple years of storms if necessary.

Mr. Laux agreed. He reiterated that Middleburg had an unassigned fund balance of \$4.5 million and noted that the Town had already identified some capital projects it wished to move forward with using approximately \$1.5 million of that balance. Mr. Laux reviewed the Town's outstanding debt and explained that given its small size, they looked at the debt of both the General and Utilities Funds in aggregate. He reminded Council that in 2020, the Town took out two interim financings – one in the amount of \$1.1 million that was a tax-exempt note and one in the amount of \$300,000 that was a taxable note – both of which were due June 30th. Mr. Laux advised that the question was how the Town could take care of that debt. He noted that the Town also had \$10.5 million in outstanding debt mostly related to the Town Hall Project, which it was paying for over time. Mr. Laux noted that the Town was paying interest at a rate of 2.7% and was earning approximately 4.25%

on its investments, which was in the Town's favor. He advised that in terms of the utility debt outside of the \$1.4 million, the Utilities Fund's debt and its annual debt service were relatively small. Mr. Laux questioned how the Town should deal with the \$1.4 million that would be due on June 30th. He reminded Council that the Utilities Fund was self-supporting and in compliance with its financial policies. Mr. Laux recommended it continue to keep the fund as a self-supporting one. He reminded Council of the financial policy that the Town not take more than twenty cents out of every General Fund dollar for debt service payments and advised that it was currently at nineteen cents, mainly related to the Town Hall Project. Mr. Laux reported that the Town had no real plans to borrow money to support the General Fund in the near future and advised that this meant the debt ratio would get better in the future if revenues continued to grow at a reasonable pace. He reviewed the Utilities Fund and noted that Mr. Callocchia would report on that next. Mr. Laux reiterated that the Utilities Fund was self-supporting and recommended it remain that way. He acknowledged that this fund would have capital needs moving forward. Mr. Laux reviewed the revenues, which were growing primarily due to growth in the town. He reported that usage had been increasing, with an average compound growth rate of 8% on the water side and 7.5% on the sewer side. Mr. Laux reported that expenditures were growing on average of 6.5% per year, which have resulted in surpluses in the Utilities Fund. He noted that the Utilities Fund also had financial policies and reported that the Utilities Fund's fund balance was at approximately 280%, which was in excess of the \$2.5 million that needed to be retained based on the 100% of operating expenditures formula. Mr. Laux advised that in terms of policies, the fund balance had a revenues-to-debt service ratio of 18%, which was below the policy level of 25%. He reiterated that the Town had \$1.4 million in interim financing that was due on June 30th and, in addition, anticipated having \$750,000 for water and sewer capital projects between 2027 and 2028, for a total of \$1.5 million in capital funding that was needed in addition to the \$1.4 million.

Mayor Littleton suggested the need for the Council to have an intense conversation about the General Fund's fund balance. He noted that while the amount seemed like a lot, 125% of it was in reserves and \$1.5 million had been committed to projects. Mr. Littleton advised that this only left \$1.5 million; however, changes to the economy, particularly tariffs, could erode that quickly. He reminded Council about the uncertainty of what was occurring. Mr. Littleton advised that while he believed the Council could do the things it wanted to do, it needed to start being prudent about spending money. He noted that there were things the Council should do and things it wanted to do and suggested the need to be more discriminating. Mr. Littleton questioned how the Town could make sure it always had the ability, through cash on hand, to do what it needed to do. He acknowledged the Town's existing debt and noted that it was planned. Mr. Littleton advised that the Town secured great interest rates; however, it did not have a lot of borrowing capacity left. He suggested the Council could change its financial policies to allow it to borrow more; however, he did not believe that was prudent. Mr. Littleton noted the need to adjust the cost of future projects to account for tariffs or a recession.

Mr. Laux agreed and noted that there was a lot of uncertainty. He advised that one of the best ways to guard against that was through the philosophy of "cash is king." Mr. Laux reminded Council that they had cash, which allowed them to earn interest and noted that having \$4-5 million earning 4-4.5% interest provided real dollars to help offset any surprises and inflation. He opined that if the Town was prudent about maintaining its policy levels or cash above its policy levels, it would assist in terms of future capital projects.

Mr. Laux advised that as to the Utilities Fund, it had \$2.6 million in its fund balance at the end of the fiscal year. He reiterated that there was \$1.4 million in interim debt that was due on June 30th. Mr. Laux reported that Davenport was recommending the Town pay the \$300,000, which was the taxable debt with a higher interest rate, with cash from the fund balance. He noted that as a result, the Utilities Fund's fund balance would be slightly above the reserve policy. Mr. Laux recommended the Town not spend any more of the Utilities Fund's cash reserves. He advised that as to the remaining \$1.1 million in debt that was due, which was tax exempt, the Town could either permanently finance it with a bank or could seek a new line-of-credit to cover that and other future capital projects. Mr. Laux reviewed the details of each option and opined that permanent financing of the \$1.1 million over a twenty-year period would be at an interest rate of 5%. He suggested the Town could then seek a \$1.5 million line-of-credit for future capital projects; although, he noted that it may be too early to plan that now. Mr. Laux reviewed the effects of these proposals on the Town's financial policies and advised that he wanted to give the Town a lot of flexibility and options for managing the capital projects. He reiterated that the Town could borrow money to repay the \$1.1 million that was coming due, or could take a \$1.1 million loan from the General Fund's fund balance to pay it off. Mr. Laux recommended that if this was the option the Council selected, they set it up as a loan to ensure the Utilities Fund remained self-supporting. He advised that in terms of the \$1.5 million for future capital projects, the Council could wait to make a decision until further details on those projects were available. Mr. Laux noted that if the

Town used a loan from the General Fund to pay off the \$1.1 million, it would not have the option to refinance it under the rules of borrowing; therefore, the cash would have left the system. In response to inquiries from the Council, he opined that the interest rate for a line-of-credit would probably be in the mid-four percent range and cost approximately \$75,000 in terms of the fees associated with obtaining the line-of-credit.

Mayor Littleton opined that if the Town was earning 4.5% on its cash and if it paid 4.5% interest on a loan plus the cost for obtaining the line-of-credit, it would be more expensive to borrow the money from a bank.

Mr. Laux confirmed it would; however, the Town would retain its cash-in-hand, which would continue to earn interest. He advised that if it repaid the loan with the cash on hand, it would essentially be in the same position. Mr. Laux noted that part of the issue was timing and questioned whether the Council wished to move forward now or wait and assess the capital projects, including their costs. He reiterated that if the Town repaid the \$1.4 million that was coming due with cash, the cash would have left the Town and could not be gotten back again. Mr. Laux agreed the Town had the reserves to accomplish this and would still have reserves above its policy requirement. He questioned how the Council felt about managing the timing in terms of the scope of the projects.

Town Manager Davis advised that the second option would mean potentially pushing off the \$1.5 million for future capital projects until the Town had a better sense of its actual needs. He reminded Council that the Town would soon begin its study of the Town's water capacity and treatment needs in relation to Well 3. Mr. Davis noted that the Town could find it needed a new treatment facility and a new well, which would cost more than \$1.5 million. He suggested delaying that borrowing could give the Town the opportunity to combine the capital projects into one large financing. Mr. Davis noted the need to review the policies and utility rates to see how the revenues fit with the options. He opined that the Town may have the ability to go after grants or to finance all the projects at once.

Mayor Littleton advised that one large financing would also be more efficient in terms of the cost to obtain the debt. He opined that the Town may also get a better rate. Mr. Littleton advised that if the Town used the General Fund's fund balance to pay the \$1.1 million coming due in the Utilities Fund, it would not preclude the Town from borrowing money if needed. He noted that the Town would also be paying itself interest, as opposed to paying a bank interest.

Mr. Laux confirmed this was correct; however, he noted that the Town would have to have projects that it wished to finance in order to borrow money, as it could only borrow for capital projects.

Mayor Littleton opined that the Town would only take on more debt if it had a need.

Mr. Laux reviewed the earnings rates for the Local Government Investment Pool where the Town invested its money, which was a State run program that functioned like a money market for municipalities. He noted that the Town investments and returns started at \$0 and advised that at one time, it was earning 5% on its money. Mr. Laux advised that the Town was currently earning around 4.3-4.4% and noted that the more dollars it had in it, the more money it was earning. He noted that as to the interest rates to borrow money, it would probably be in the 4-5% range, most likely in the mid 4% range. Mr. Laux advised that the Town was in an environment where it could borrow and invest the cash and would effectively earn the same rate as the cost of borrowing. In response to an inquiry regarding the federal law which banned arbitrage, he explained that the Town could earn up to the cost of borrowing in interest, subject to caveats. Mr. Laux advised that the Town could borrow from the State's SNAP program, which was currently at 4.5% and put that money in an investment earning 4.5%, which would cover the Town's cost. He reviewed the current long-term borrowing rates and advised that they had been very volatile this week. Mr. Laux opined that they would settle down; however, he acknowledged that there would probably be more volatility going forward from a market perspective.

Mr. Laux noted that he provided a schedule in the event the Council wished to move forward with some external borrowing. He advised that they would go to the banks in April and May and return with the results in June.

In response to an inquiry from the Council, Town Manager Davis confirmed the Strategic Finance Committee reviewed the options during their last meeting. He advised that they agreed to one option; however, subsequent to their meeting, he was contacted by some of the members individually who asked that the Town consider using some of its cash from the General

Fund to repay the Utilities Fund debt as a loan, as opposed to a grant, the latter of which was the option presented to the Committee. He advised that he then reached out to Davenport, who agreed that was feasible. Mr. Davis advised that he sent that back to the Strategic Finance Committee and reported that the members individually responded that they supported that option in terms of flexibility and timing.

Mayor Littleton questioned why the Town should pay a bank when it could pay itself at a fair market interest rate. He advised that if the Town found it had projects it needed to finance, it could then borrow for those. Mr. Littleton opined that having the General Fund lend money to the Utilities Fund retained a lot of flexibility in the future. He noted the need to make a decision in terms of the \$1.5 million that was due in June. Mr. Littleton advised that he agreed with the staff and Strategic Finance Committee that this was the smarter option at the moment.

Mr. Laux advised that in terms of the investment side of things, the Town was earning 4.5% in the VIP Fund and its other investments. He suggested it look at a more specific investment program to lock in more of the interest rates. Mr. Laux noted that he could not predict what was going to happen; however, the markets were projecting interest rates would go down. He reiterated Davenport's suggestion that the Town lock in some more certainty with some very specific super safe investment treasuries, certificates of deposit and other things. Mr. Laux noted this would allow the Town to set its budget with more certainty with respect to the amount of interest earnings for FY '26 and FY '27. He suggested he discuss this with the Town Manager separately.

Mayor Littleton suggested the Strategic Finance Committee be asked to look at that. He questioned how the Councilmembers felt in terms of the options that had been presented.

The members agreed they would prefer to have the flexibility that came with lending money from the General Fund to the Utilities Fund to pay off the \$1.1 million due.

Town Manager Davis advised that he would work with the Town Attorney to memorialize the loan, get it recorded properly on the books, and develop a mechanism for the transfer. He further advised that the staff would get that done in May and would use the cash to pay the outstanding note with Truist Bank.

Mayor Littleton noted that because the Town was transferring money from one fund to another, it would not incur an origination fee.

Utility Rate Model Review

Eric Callocchia, of NewGen Strategies & Solutions, noted that Mr. Laux did a good job of providing the background and historical information related to the Utilities Fund. He explained that he would talk about the forecasting scenarios and noted that one of the things he would focus on was the policy decision in terms of rate structure and how the Town charged for water and sewer usage. Mr. Callocchia reviewed the components of a utility rate study, which included the revenue requirements, operating debt service, capital improvements, and customer demand. He explained that he looked at a financial plan specific to the utilities, which focused on debt service, fund balance metrics and utility pricing.

Mr. Callocchia reminded Council that utility pricing was how the Town priced its service in relation to customer demand. He noted that the Town had done periodic updates to its rate model since 2012 and regularly imposed 3% rate increases. Mr. Callocchia advised that the Utilities Fund was in great shape partly due to this and partly due to growth. He reminded Council that the Utilities Fund revenues were historically growing at a rate of 7.5-8% on top of the 3% rate increases. Mr. Callocchia further reminded Council that when they reviewed rates, they were looking at a long-term plan. He explained that while he would talk about the next five years, the rate model projected out ten years in order to ensure the Town was planning to finance its costs and ensure a proper reserve.

Mr. Callocchia advised Council that the proposed options all focused on internal borrowing and noted that he was focusing on the reserves component of the policy rather than the debt service since the Town was not looking to take on any additional debt. He explained that the data he relied upon in looking at the forecast was the proposed FY '26 Budget, which he used to forecast out to FY '30. Mr. Callocchia advised that he used reasonable estimates of inflation. He noted that the study

was based on the Town paying off the \$300,000 interim debt with cash and repaying the \$1.1 million debt through a General Fund loan with a 4% interest rate. Mr. Callocchia reminded Council of its policy to keep 100% of the Utilities Fund operating expenses in the form of cash reserves and advised that he maintained that in his forecast. He reported that the forecast included a little over \$2.5 million in capital spending over the next five years, which was based on a pay-as-you-go basis as opposed to additional debt. Mr. Callocchia advised that there was some flexibility in terms of how the \$1.4 million was repaid. He reported that he included \$1.2 million for potential emergency capital funding if needed. Mr. Callocchia noted that this would not fund a new well and treatment plant if needed but would cover water main breaks or something of that nature to the existing infrastructure.

Mr. Callocchia reminded Council that because of Middleburg's size, it could not achieve economies of scale. He noted that Middleburg was unique in terms of its level of service and service population. Mr. Callocchia reminded Council that it had been selling more water than it was budgeting for over the past several years, which generated surpluses. He reported that the forecast was based on the FY '24 water demands, which were elevated. Mr. Callocchia acknowledged the Town could be moving into a drought situation that would result in less water being sold and advised that he ran the scenarios based on the FY '24 and FY '23 demand levels, which equaled essentially a 10% decrease in consumption. He reviewed the five-year high-level forecast charts in terms of revenue requirements and operating revenue requirements. Mr. Callocchia reported that some interest income was included in the numbers; however, very little was included in terms of connection and availability fee revenues. He reviewed the history of the Utilities Fund's fund balance as it compared to the reserves policy, based on no rate changes. Mr. Callocchia also reviewed the fund balance based on an additional \$1.2 million in capital projects in FY '29, again with no rate increases, and advised that the fund reserves would drop to the policy level in FY '29 based on the FY '24 consumption level. He also reviewed what would happen if the historical practice of the 3% rate increases continued and advised that in using the same assumptions, the Utilities Fund's fund balance would increase by \$1 million by FY '29 when the capital needs would occur.

Mr. Callocchia reviewed the impact of continuing the 3% rate increases on a couple of typical utility customers, including the customer who only used the minimum of 2,000 gallons per billing cycle and a customer who used an average of 6,000 gallons per billing cycle, as well as the impact of a 10% reduction in water usage. He noted that in the case of the latter, the Utilities Fund's fund balance would fall below the 100% reserve policy level when the \$1.2 million in capital needs occurred. Mr. Callocchia reminded Council that they discussed flexibility options, such as a line-of-credit or long-term debt, with Mr. Laux and advised that the Town would only maintain reserves equal to 50-60% of the policy based upon the \$1.2 million capital outlay and a 10% reduction in demand.

(Councilmember Leonard-Morgan arrived at the meeting at 7:46 p.m.)

Mr. Callocchia reminded Council that the utilities rate structure was designed to be revenue neutral with the previous forecasts and explained that under the 3% rate increases, approximately the same amount of revenue would be generated. He noted that the Town Manager mentioned that the Town was looking at its water supply, including Well 3 and the possibility of needing to make capital improvements or expand the system. Mr. Callocchia reminded Council that the Town had a flat rate, with the minimum covering up to 2,000 gallons of water per billing cycle, and a per 1,000-gallon charge above the 2,000 gallons; however, they were both charged at the same rate. He reported that he looked at transitioning to a three-tiered rate structure that would maintain the 2,000 gallon minimum per bimonthly billing period but that would reduce the minimum charge to \$20 for water and \$20 for sewer and noted that this would apply to anyone who did not use more than 2,000 gallons per month. Mr. Callocchia advised that the rates for the second group of customers, who used between 2,000-10,000 gallons of water bimonthly, would be reduced to \$16/1,000 gallons for water and \$17/1,000 gallons for sewer and would apply to the 1,000-gallon unit charge. He advised that for any customer who used more than 10,000 gallons per bimonthly billing cycle, the charge would be \$25/1,000 gallons for the usage at 11,000 gallons and above. Mr. Callocchia noted that the majority of the Town's utility customers fell in the 6,000 gallons or less group; therefore, they would not pay the increased rates.

Town Manager Davis advised Council that the Strategic Finance Committee had been raising the question of whether it was possible to look at the utility rates to help lower income residents. He noted that Middleburg's rates were higher than Loudoun Water and the surrounding municipalities. Mr. Davis advised that there were ways to look at the structuring of the rates to help minimum users; however, the Town could not provide separate rates for low-income residents. He reiterated

that it could look at structural changes that could benefit those on the lower scale. Mr. Davis noted that there would be impacts on others. He explained that the reason the Town was looking at this was due to input from the Strategic Finance Committee, as well as a desire to serve the community better in this way.

Mr. Callocchia advised that under the proposed three-tier rate structure, the Town would earn the same amount of revenue and be able to maintain the financial forecasts. He reiterated that it would help the minimum and average use customers, with the minimum use customer seeing a 50% decrease in their bill and the average use customer seeing a 28% decrease. Mr. Callocchia reported that the impact would be on the highest use customers who would pay more than they currently paid.

Town Manager Davis summarized that any customer who used 19,000 gallons or less during the bimonthly billing period would see a decrease in their bill and noted that the less water someone used, the greater the decrease. He advised that if they used 20,000 gallons of water or more, their bill would increase. In response to an inquiry from the Council regarding whether there were any customers in Windy Hill that used greater than 19,000 gallons of water per billing cycle, Mr. Davis advised that other than the apartments, he was not aware of any single user who used that much water.

Mayor Littleton noted that Windy Hill took the utility bill for the apartment buildings and unitized it to the tenants, which was a significant consideration.

In response to an inquiry from the Council, Town Manager Davis reported that the Llewellyn Apartments had sixteen units and Levis Hill had twenty units.

Mayor Littleton noted that if their water consumption was 60,000 gallons per bimonthly period, the tenants would receive a massive increase in their bill since Windy Hill divided the bill amongst the tenants. He advised that this was not what the Town intended to do and questioned how it would be addressed. Mr. Littleton noted that the same issue applied to other properties that were billed through one meter. He advised that for those units that were not individually metered, the tenants could end up paying substantially more per gallon than they currently did. Mr. Littleton questioned whether the creation of new rate structures such as this one would drive a reduction in consumption.

Vice Mayor Bernard noted that the customers who were hit the hardest by the proposed three-tier rate structure would be the biggest businesses in town and questioned what would happen if they reduced their consumption by 10-20%. He expressed concern about the amount of water the Town had available; however, he noted that it also needed the consumption to make the system work. Mr. Bernard questioned whether another locality had done this and what happened with the high users.

Mr. Callocchia explained that this was the reason he ran the 10% reduction scenario. He noted that this was a great question that was essentially about price elasticity of water service. Mr. Callocchia confirmed he had done studies for larger utilities in the region and reported that there were two things that essentially had a significant impact on the demand for water – the weather and the unemployment rate. He noted that no one could control the rain. Mr. Callocchia reported that when the unemployment rate increased, the demand for water decreased. He advised that he had found the price of the service was not terribly impactful and explained that they found people temporarily decreased their usage; however, the decrease was not sustained for the long term. Mr. Callocchia noted that relative to other household expenses, the water bill tended to be one of the lower ones; therefore, the evidence was that rate increases tended to have a short-term impact. He opined that drought restrictions would be much more impactful.

Mayor Littleton noted that if the Town changed its rate structure, it would change it for decades. He further noted that he was not worried about a blip due to a drought. Mr. Littleton reminded Council that the Salamander Resort used 40-45% of the Town's water production. He opined that if their bill increased by 40%, they would look for significant ways to reduce their consumption. Mr. Littleton questioned whether Mr. Callocchia had done a study in which one for-profit customer used 30% of the water and their rate doubled.

Vice Mayor Bernard inquired as to how much control Salamander had over their water consumption and noted that their customers would shower, and people would order at the restaurant.

Mayor Littleton opined that they would make reductions in other areas, such as bringing in an outside water hauler to fill their swimming pools because it would be cheaper. He noted that they also had their own wells that they could use for irrigation. Mr. Littleton opined that this was worthy of a lot of thoughtful consideration.

Mr. Callocchia advised that the single largest user would see an increase of 25% in their bill under this rate scenario. He acknowledged that they had wells they could use to supply their irrigation water; however, he opined that the Town did not get a lot of revenue from that. Mr. Callocchia reported that Great Wolf Lodge used a lot of water and advised that they were the single largest water user in some communities. He advised that an analysis determined that they were not terribly price sensitive at the level the Town was talking about and opined that this was a small amount for them. Mr. Callocchia agreed the Town may see some decrease in their consumption and reiterated that he built a 10% decrease into one of the scenarios. He agreed it would take a lot of consideration to change the rate structure and noted that everyone understood when the rates increased 3% per year. Mr. Callocchia acknowledged that it would be more difficult to explain to people that some customers' bills would decrease by 50% and others would increase by 25%, with the Town getting the same amount of revenue. He reviewed the effect of the alternative rate structure based on the 2024 demands and advised that if everyone started using 10% less water and the Town built in its entire capital program, it would be able to support an emergency reserve of \$1 million.

Mr. Callocchia summarized that the Town was in a very good financial position on the utility side and had a lot of flexibility based on a 3% rate increase scenario. He noted that the Council was not in a position of having to increase rates by 50% across the board because of its diligence year after year.

Councilmember Jacobs noted that he had not considered the impact of an alternative rate structure on Windy Hill and others who resided in workforce housing. He suggested the need for options that would mitigate the impact as much as possible.

Mr. Callocchia advised that in similar instances, some communities have structured their rates on a per apartment unit basis and suggested the 2,000 gallons apply on a per unit rather than a per meter basis. He noted that this would be subject to the Town's ability to measure their usage and incorporate that into the billing system. Mr. Callocchia advised that he could run scenarios using different rate alternatives.

Mayor Littleton noted that part of the issue was what the State Code would allow the Town to do. He agreed with Councilmember Jacobs and advised that the Council's intent was to not go into a new rate structure that contained a donut hole for multifamily units that would allow them to get hit by the upper rates.

Town Manager Davis noted that one of the suggestions from the Strategic Finance Committee was to fund a regular grant that could be used to offset the costs of the water. He advised that the Town did not have the legislative authority to set different rates for low-income individuals; however, it could provide grant money to non-profits for that purpose. Mr. Davis suggested the Town could provide a grant to Windy Hill to offset the cost of the water usage for their residents or could provide a grant to Middleburg FISH that would go toward people they vetted. He noted that there were many potential scenarios.

Mayor Littleton opined that the challenge would be that this could become unpredictable, as grants came and went depending on whether times were good or bad. He noted that people could become used to them, and they could vanish if the Town could not afford to provide them anymore. Mr. Littleton expressed a preference for a rate structure that would also allow the Utilities Fund to be self-supporting. He advised that he was not saying the staff should not explore other options. Mr. Littleton opined that there was a lot of work left to be done before the Council could make a decision and suggested this work could not reasonably be done by June 30th. He noted the need for public input, as this would be a massive change in the way the Town potentially looked at its rate structure. Mr. Littleton noted the need to also hear from the businesses. He questioned whether there was anything to prevent the Town from setting rates now and changing them again at the beginning of the calendar year. Mr. Littleton suggested the staff do more work, the Council figure out the path to pursue and then it work to implement a new rate structure in November.

Town Attorney Crim confirmed the Council could change the rates at any time. He questioned what the Council wished to accomplish and whether it needed to change the rates before July 1st or whether that could be put on hold for a while. Mr. Crim noted that two rate changes in one year were unusual; however, there was nothing to stop it from being done.

Councilmember Curran expressed concern about impacting Windy Hill. She agreed it would take a lot of work to figure this out and suggested the Town set the rates now and continue to work on an alternative rate structure.

In response to a suggestion from the Council to meter the individual apartments, Vice Mayor Bernard noted that the expense would outweigh the benefit.

Town Manager Davis advised Council that if the Town used sub-meters, it would need to apply this solution equitably across all multi-family properties, not just those at Windy Hill, including those that shared a meter with a retail component. He reminded Council that the Town Code currently required one meter, with the bill being paid by the property owner. Mr. Davis confirmed that if the Council wished to go that route, some type of submeter or carve-out option could be considered. He noted the need to review it against the rate model.

Councilmember Leonard-Morgan noted that the largest utility user was a five-star resort and advised that he could not imagine they would ask their guests to do something like not take a bath. He opined that a lot of water was used by the guest rooms. Mr. Leonard-Morgan cited, on the other hand, Windy Hill with a number of apartments, whose bimonthly bill was divided by that number. He opined that it would be an exercise to determine whether they used a lot of water and questioned whether this would work.

Mr. Callocchia opined, based on his experience with other clients, that multi-family units tended to use less water than a typical single-family home. He opined that they may use less than the 2,000-gallon minimum, but when taken as a whole for the building, the use was a lot higher.

In response to an inquiry as to whether the Town was allowed to have different rate classifications for multi-family uses, commercial uses and residential uses, Town Attorney Crim advised that the rate structure needed to be fair and reasonable.

Mayor Littleton advised that the multi-family units were creating a hitch and suggested the need for the staff to look at what the Council was authorized to do, what options were available and what would work.

Mr. Callocchia acknowledged that the rate structure would have to apply across the board to all customers of a similar demand profile.

Councilmember Pearson noted that she also thought about something along the lines of grants; although, she acknowledged it would be bad if the Town could not afford them at some point. She suggested the Council implement the 3% annual rate increase for the coming fiscal year and then explore the options that may be available.

Councilmember Kirk agreed and opined that it would take a long time to work out the details of an alternative rate structure that would not hurt those residing at Windy Hill and the Levis Hill House. She agreed the Council should impose the 3% rate increase, while the staff continued to work on alternatives.

Councilmember Jacobs noted that during the Planning Commission's review of the Comprehensive Plan, they discussed water conservation. He suggested that a way to highlight this for the utility customers was by adding language to the Plan.

Councilmember Leonard-Morgan agreed with Councilmembers Pearson and Kirk that the Council should consider imposing the 3% rate increase, while the staff looked at alternatives in order to determine what would work best for the different classes of customers.

Mayor Littleton summarized that the Council wished to move forward with a 3% rate increase. He suggested that once the budget was adopted, the plan should be to really start digging into the options in July. Mr. Littleton further suggested that if a structure could be developed by December, the Council could implement it. He noted the need to have enough time to really consider the options and not be under pressure to adopt something.

Mr. Callocchia advised that this would also allow time to gather more data about water consumption relative to the impacts of water conservation.

Town Manager Davis reminded Council that the budget public hearing and the setting of the utility rates were being pushed back to June. He confirmed there was time before the public hearing ads had to be sent to the newspaper.

Proposed FY '26 Budget - General Fund Discussion

Town Manager Davis noted that he did not have any revenue updates at the moment; however, he would have some at the next meeting. He suggested delaying the discussion on the Police Department's budget until the next meeting. Mr. Davis reported that he made some changes in terms of expenditures; however, given the volatility of the revenue streams, this was still at a high level. He advised that he did not have the information ready for that discussion.

Town Manager Davis reviewed the proposed Maintenance Budget. He reported that he was proposing to reduce the line item for waste disposal by \$10,000 based on actual counts. Mr. Davis advised that the largest expenditure change was for landscape maintenance and explained that funding was included for the Middleburg Beautification Committee's request to landscape around the Town's entrance signs. He opined that the Council was generally in favor of this when they discussed it at their last meeting. Mr. Davis noted that the funding was for one-time expenditures, as well as maintenance costs. He advised that this also included the funding that was approved in the current fiscal year for the Route 50 bump-out landscaping. Mr. Davis reported that the other major change was to reduce the line item for dangerous structures repairs. He reminded Council that this line item was intended to demonstrate the Council's intent to be serious about dangerous structures when people did not care for them and advised that this line item had only been used once. Mr. Davis recommended that if there was a need to address a dangerous structure in the future, it be funded out of the fund balance or contingency reserves.

Town Manager Davis reviewed the proposed Planning & Zoning Budget. He reported that the major change was the increase in funding for engineering consultants and explained that this was to support the review of the Comprehensive Plan. Mr. Davis noted that it was currently under review by the Planning Commission and explained that the assumption was that some of the wording may need to be tweaked and some of the maps or other components may need to be updated. In response to an inquiry from the Council, he advised that the Town spent \$120,000 during the last major Plan rewrite.

Town Manager Davis noted that the Council had already discussed the Economic Development Budget and advised that he had no updates. He suggested the Council discuss events. Mr. Davis reported that he, the Mayor, and Business Development & Community Partnerships Director MacIntyre had conversations with the organizers of the Mille Miglia about returning to Middleburg; unfortunately, it did not appear they would be returning for the time being. He advised that the staff was looking at whether there was another car event the Town could support; however, at this time, it appeared this line item would be reduced for the coming year. Mr. Davis noted that the associated revenues would also be reduced. He reported that the organizers of the Mille Miglia were aware of the Town's interest in having their event return to Middleburg; however, the organization appeared to be taking a pause for now.

Town Manager Davis reviewed the Utilities Fund expenditures and noted that the Council had already discussed revenues. He noted that the budget was built on the assumption the consumption patterns would continue; however, that could change either by choice or because of water conservation measures. Mr. Davis advised that there were some fundamental questions he would like to get the Council's input on. He reminded the members that there was funding included in the proposed budget for administrative salaries and FICA, which traditionally covered 15% of his salary, 15% of the Town Treasurer's salary and 25% of the Accounting Assistant's salary. Mr. Davis suggested that one way to reduce the expenditures in the Utilities Fund was to eliminate that chargeback and allow their salaries to be fully paid by the General Fund. In response to inquiries from the Council, he confirmed the percentages were based on an estimate of the amount of time spent on

Utilities Fund items. Mr. Davis opined that because of the variations, there would be no way to track it specifically. He confirmed that localities that did not have dedicated utility staff tended to do this chargeback. Mr. Davis advised that there was no right or wrong and noted that it sometimes depended on what fund had a greater ability to pay. He opined that there were times when the Utilities Fund should pay for the services it used.

Mayor Littleton noted that the cost objectives should bear the cost of what it did and explained that in order to get an accurate picture of what the utilities cost, the chargebacks should occur. He opined that 15% was what the Town used back when the budget was tight. Mr. Littleton suggested the staff should use its best judgement as to what made sense. He opined that if they were only spending a couple of hours a month on utilities related work, eliminating the chargeback would be one way of eliminating the hassle of having to make accounting entries.

Town Manager Davis reviewed the proposed changes that had been made to date in the General Fund, which included a reduction in the line item for grants and sponsorships; an increase in the line item for the Juneteenth Celebration; a reduction in the funding for repairs to The Hill School's Christmas signs; and, a reduction in the line item for waste disposal. He noted that he included a change in funding for the chargeback of salaries to the Utilities Fund and advised that he would return with a recommendation on that. Mr. Davis noted that he would also return with an updated list of changes based on the discussions during this meeting. He reminded Council that this chart would also show any potential reductions in revenues to show how things balanced out across the board.

Ordinance to Amend Town Code Chapter 113 Pertaining to Water Conservation

Town Manager Davis opined that Ms. Gallagher did a great job of summarizing the proposed changes during the public comment period. He reminded Council that Middleburg was still in a drought and would likely continue to be in one. Mr. Davis noted the need to protect the Town's most precious resource. He reminded Council that the Town found its current conservation measures were not adequate last year and advised that the recommendation was to make changes to the ordinance. Mr. Davis expressed a desire to make the levels as simple as possible and to provide some flexibility, while also setting clear standards. He reviewed the proposed standards, which would consist of voluntary water conservation, mandatory water conservation, and water rationing and explained what each level would entail. Mr. Davis noted that 80% of the Town's water customers used less than 150 gallons of water per day on average; therefore, the water rationing level would have no enforceable impact on them. He explained that the bigger impact would be on those who were using water for higher uses, such as pools, and on restaurants that ran their water constantly. Mr. Davis advised that the challenge would be that it was easy to address residential usage; however, it was more difficult to address commercial usage, as one restaurant may use a lot of water, while another may only use a little. He explained that the proposal was to take a percentage of their average consumption and make that the standard by which they would have to reduce it by 10%. Mr. Davis suggested 10% may not be the right number and questioned whether the Council wanted more information to help them make a decision on the proposed amendments. He reminded Council that the top ten water users consumed 55% of the water the Town produced. Mr. Davis noted that last year, there were forty customers who used more than the average of 150 gallons of water per day, which meant that 8% of the system would be impacted by the proposed water rationing regulations. He suggested the Town engage the community in the form of a community meeting to obtain their input. Mr. Davis noted that the idea of changing the Town's water rate structure could also be discussed at the same time if appropriate. He suggested the need to implement the proposed changes to the water conservation ordinance by the end of May so the new regulations would be in place in June if they were needed.

In response to an inquiry from the Council as to whether incentives were considered, Town Manager Davis reported that during the recent Citizens' Academy, it was suggested that the Town support residents efforts to obtain rain barrels so they could use recycled water to water their plantings. He suggested that while the Town may not pay for them, it could try to find a vendor that would offer a bulk discount.

It was noted that rain barrels tended to attract mosquitoes, which would also need to be addressed.

Town Manager Davis advised that in terms of incentives, there were no monetary incentives that could be offered. He noted that even under mandatory restrictions, people would still be able to water their plantings; however, it would need to be from a different source. Mr. Davis explained that it was more of a behavioral incentive than a financial one.

Mayor Littleton agreed the Town needed to start somewhere and that the new regulations needed to be in place early. He opined that the Town could go into a more severe drought before June. Mr. Littleton suggested this be a starting point and noted the need to be diligent the first couple of months it was put into place to make sure something did not happen that was not intended. He further suggested the need to include a waiver clause if necessary. Mr. Littleton cited as an example, a water leak, and opined that the Town did not want to impose additional charges for violating the rules in such a case.

Town Manager Davis advised that in such a case, the Town would reduce the surcharge back to the normal rate. He noted that it would be incumbent upon the Town to do regular water meter readings and advised that the staff was trying to get back into the habit of weekly readings. Mr. Davis advised that if water rationing was imposed, the Town would want to do readings at least twice a week, possibly three times a week.

Mayor Littleton agreed with the need to hold a public hearing to obtain public input. He suggested the Town let people know in advance of the proposed changes in order to get their feedback.

In response to an inquiry from the Council, Town Manager Davis advised that the Town was not required to hold a public hearing on the ordinance amendment. He suggested a community meeting be held in mid-May to obtain public comment, with the ordinance then being presented to the Council during the May 22nd meeting for adoption.

Information Items

Christmas in Middleburg

Vice Mayor Bernard reported that the organizers of Christmas in Middleburg held a community information meeting to get feedback from the business community and citizens related to what they could do differently. He noted that it was very lightly attended; however, they did get some feedback online. Mr. Bernard reported that generally, people said the event had historically been too big; however, it now felt like it was the right size. He further reported that they said they would like to see more community focus on the elements rather than in bringing people from far away. Mr. Bernard noted that the organizers were continuing to accept feedback.

Closed Session

Vice Mayor Bernard moved, seconded by Councilmember Daly, that Council go into closed session as authorized under Section 2.2-3711 of the Code of Virginia, for (1) consultation with legal counsel pertaining to actual litigation involving Cooper Building vs. Town of Middleburg, (2) consultation with legal counsel pertaining to actual litigation involving Salamander Farms, LLC vs. Town of Middleburg, both as allowed under Subsection (A)(7); and, (3) consultation with legal counsel employed by the public body regarding specific legal matters requiring the legal advice of counsel related to a potential franchise agreement as allowed under Subsection (A)(8). Vice Mayor Bernard further moved, seconded by Councilmember Daly, that Council thereafter reconvene in open session for action as appropriate.

Vote: Yes – Councilmembers Bernard, Curran, Daly, Jacobs, Kirk, Leonard-Morgan, and Pearson

No – N/A

Abstain: N/A

Absent: N/A

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

Mayor Littleton asked that Council certify that, in the closed session just concluded, to the best of each member's knowledge nothing was discussed except the matter or matters (1) specifically identified in the motion to convene in closed session and (2) lawfully permitted to be discussed in a closed session under the provisions of the Virginia Freedom of Information Act as cited in the motion, 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 9:19 p.m.

APPROVED:

ATTEST:

Trowbridge M. Littleton, MAYOR

Rhonda S. North, MMC, Town Clerk

April 10, 2025 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)

Bridge Littleton: [off mic] All right. We will call the meeting to order. First item is the Pledge of Allegiance.

All: I pledge allegiance to the flag of the United States of America and to the Republic for which it stands. One nation under God, indivisible, with liberty and justice for all.

Bridge Littleton: Next item is a roll call.

Bud Jacobs: Bud Jacobs.

Darlene Kirk: Darlene Kirk.

Bridge Littleton: Bridge Littleton.

Chris Bernard: Chris Bernard.

Cindy Pearson: Cindy Pearson.

J. Kevin Daly: John Kevin Daly.

Pam Curran: Pam Curran.

Rhonda North: Rhonda North, Town Clerk.

Danny Davis: Danny Davis, Town Manager.

Martin Crim: Martin Crim, Town Attorney.

Bridge Littleton: All right. Next item is public comment. Any member of the public who would like to address the Town Council, they may do so. Just provide your name, address and you would have three minutes. Hold on Rhonda, we have a member of the public who called in to sign up to be first. So, we're going to move them to the end of the line. No. First on the list, Megan Gallagher.

Megan Gallagher: Am I at the end of the line or am I now?

Bridge Littleton: You're first. [multiple speakers] Yeah, yeah.

J. Kevin Daly: You're the Alpha.

Megan Gallagher: My name is Megan Gallagher. I live at 214 East Marshall Street, where I manage the landscaping at the Missouri Square townhouses. That's part of this comment. I wanted to thank the Town Manager and Town Attorney for the helpful memo and draft update on the town's water conservation ordinance. I share your deep concern that drought is a big threat again this summer, and we need a more comprehensive strategy to ensure Middleburg has the water it needs. The Town Manager offers three to me sensible response levels. Voluntary water conservation, Mandatory conservation, and water rationing. Coupled with a three strikes and you're out approach to enforcement when things are most dire. I like that too. Water rationing would set a maximum water use limit for different levels of customers, exceed the limit once and the water rate doubles. Exceed it twice, it triples exceeded a third time your water is cut off until you

provide a plan to the Town Manager to get with the restrictions. Fourth strike and you are out with the water cut off until the end of water rationing, or the property owner or renter has changed. That should ensure that the town's largest water users make the same reductions as smaller ones like me. Hopefully without enforcement. Just being a really great, show of how serious you are at taking this. Now, that may seem really intimidating to the average homeowner, but as Danny points out, 80% of mostly residential water users like me never exceed an average of 9,000 gallons in a two-month billing cycle, an average of 150 gallons a day. He kindly looked up my water use last summer, and I used 7100 gallons in May June, when I was using a sprinkler theory. Bad to water new native plants in several HOA beds. Water restrictions went into effect mid-July. By September October, my use had dropped to 5000 gallons, a 30% reduction, and only 83 gallons a day. So, a more normal household would probably stay in the limit pretty easily. Under the draft ordinance this summer, I'd be able to hand water with a hose and wand, which is much better between 6 and 9 p.m. under the Voluntary conservation and the mandatory conservation restrictions, no outdoor watering would be permitted under rationing. And I can live with that. It's best practice and it's more than enough. I hope to keep new plants alive. The natives were growing at Mosby Square and need supplemental water only the first year, so they can grow the deep roots to survive future droughts, I hope. Thanks for going into more of the details. I'm not going to stay, Danny. I'm sorry. Thank you. Bye.

Bridge Littleton: Thank you. Would anybody else like to address the Town Council? Do I have to pick somebody? All right. We will close the public comment and move on to special recognition. So, we have a very, very special recognition tonight for someone who, although she never lived in Middleburg, she might as well have. Someone who has done an unbelievable and amazing job at bringing and expanding not only just economic development. I'm not going to say that stuff is easy. That stuff is very important. But bringing unique cultural events to town that truly enrich our lives as a community and the enjoyment of people when they come and visit. Mary Ann has been an absolute godsend and all for just the love of the town, the love of her customers, and the thrill of putting smiles on people's faces. It is understandable and yet, I wish we had some power to stop it, of her desire to retire and spend time with her husband and travel and do more fun things with kids and grandkids. We actually did look at state code to see if we could prohibit that. And unfortunately, we came up short. But no, Mary Ann, you have the what you have done for this town far beyond Old Ox Brewery, which, you know, was amazing, but everything else you did went so far beyond that. It's just amazing. And the most amazing thing is everything you've created is enduring and will live for, you know, forever. So, your touch to this town is immortal. So, we thank you so much for everything you've done. And I will say, like, you know, I think probably my favorite, if not my second favorite event is Oktoberfest. You know, it is just a great, great event. So, I don't know if anybody else wants to say anything. Go ahead, Chris.

Chris Bernard: Middleburg is a funny place. I have not lived here my whole life, and so many people here make, you know, a big deal about. Oh, I grew up here, and I've been here my whole life and everything. And the impact that you've made in, like, a minuscule amount of time here is really incredible. And I think, as Bridge said, it will last for as long as we can work hard enough to keep it up. Probably not as hard as you but thank you for everything that both of you have done. So, and we wish you the best of luck.

Pam Curran: You know, I had the pleasure of working with you on the Arts Committee, and I watched how you ran the meetings with such a quiet voice and such grace, but such a presence and you were such a leader. And I really will miss you and thank you for what you've done.

Cindy Pearson: I could probably go on for a little while, but I won't. I remember when you guys came to town. It was, you know, the whole experience of having you all here and what you've done for the town. You've just added to the community here. You'll always be a part of this community, so please come back and visit us. Come enjoy the events that will be dedicated to you, I'm sure. But I can't thank you enough. And Chris and I hope you guys get to do some really fun trips to enjoy yourselves for quite some time, because you certainly have earned it. And thank you so much.

Bridge Littleton: Uh oh Bud.

Bud Jacobs: We're going to miss your extraordinary energy, your kindness, your warmth and your beer. [laughter]

Pam Curran: Most of all.

Darlene Kirk: I didn't get to serve with you. But everything that you've done for this town is just, I mean, it's perfect. You've done a great job, and I think you should live here. That's all. [laughter]

Bridge Littleton: It just made me think of something when Cindy was saying that. So, Howard Armfield I was in the post office one time, and so it made me think of it. I've got a present for you. I'll have to find it at the house and bring it. But Howard Armfield stopped me in the post office one time after 2 or 3 people had stopped me to ask me a question or something like that. And Howard said, you know, it must be so tough that you can't even get in and out of the post office in probably less than 20 minutes. You know, what are the office hours like? I was like, there are no office hours, right? It's you're always open. So, you know, like you with all the events that you do, you are just omnipresent and fixing problems, running around, making sure it's, making sure everybody else is having an awesome time. So, to Cindy's point, now you can actually come and enjoy them just to be there. But everybody's going to recognize you, especially the first couple years. So, I'm going to give to you the t shirt that Howard gave me that said the office is closed. [laughter]

Chris Bernard: And he's going to shrink it.

Bridge Littleton: Yeah, exactly. I've never actually worn it, but anyway. So Well, Mary Ann, we have a couple of things for you. First, we've got is a resolution, and I want to read to you. So, if you don't mind joining us and your alter ego can join you if you he likes or. Okay. So okay. So, this is a resolution of appreciation for Mary Ann Burns service on Middleburg Arts Council. Whereas Mary Ann Burns was appointed to the Middleburg Arts Council effective February 27, 2020. Wow. That is right before the lockdown. I mean, like two weeks. Oh, incredible. And whereas on July 8th, 2020, Mrs. Burns was elected as Chair of the Middleburg Arts Council, a position she held until her resignation on January 17, 2025. And Whereas throughout her tenure on the Middleburg Arts Council, Mrs. Burns was instrumental in the organization of the town's Art in the Burg, Oktoberfest events, the latter of which could not have occurred without the support of her company Old Ox Brewery assisted the Middleburg Business Professional Association in the organization of their Dickens of a Christmas events and assisted the Middleburg Beautification Committee in the organization of their Foxes on the Fence fundraiser activities. And Whereas Mrs. Burns displayed exemplary leadership skills during her service on the Middleburg Arts Council, which greatly benefited the town, the businesses and its citizens. And Whereas Mrs. Burns demonstrated extraordinary personal dedication to the Town of Middleburg during her tenure and will be greatly missed by the Committee Members, staff and Council. And whereas, the Middleburg Town Council deems it appropriate to express its earnest and heartfelt gratitude to Mrs. Burns for her exceptional service to the town over the past five years. Now, therefore, be it resolved that the Mayor and Members of the Town Council hereby recognize and express our sincere appreciation to Mary Ann Burns for her exemplary service to the Town of Middleburg from February 27, 2020 to January 17, 2025, in the Middleburg Arts Council in particular as its Chair, and express our profound thanks to her and hope for her continued success in life. [applause]

Mary Ann Burns: Is this like the Oscars? Can I say something?

Bridge Littleton: Absolutely.

Mary Ann Burns: Well, thank you. The special recognition is very special to me. And I just want to say that Middleburg is an event planners dream. You have all of the talent. It's got a unique setting. It has artists, it has musicians, it has historians authors. Just an incredible amount of talent you can call on to put these events together. So, it really is a, and the Town Council is supportive of local businesses as well as the town staff. Danny, Rhonda, Ali it's been such a pleasure working with all of you to make these things happen. So, it's not just about me, it's about all of this coming together in a really positive way. And I have to say, the other aspect of it was the counseling service I had at Journeymen before, during and after business hours. Thank you for your wise counsel on how Middleburg works and what works and what doesn't work. [laughter] So thank you for that. And the MAC has been an incredible experience for me. Interesting people that I admire and respect, that have done just a great job in supporting the chair, who was surprised to find out she was chair when she came to her first meeting. But it all worked out. And just thank you for giving me this opportunity to be part of such a special place.

Bridge Littleton: Mary Ann thank you. Hold on, hold on. No, don't go anywhere yet. Oh, you got to wait. There's more. This is like Ronco. Okay. Well, first we have to make. Would someone like to make a motion?

Pam Curran: No, we've already done it.

Chris Bernard: We did it.

Cindy Pearson: We did it when [multiple speakers].

Bridge Littleton: Oh, that's right, when I wasn't here. That's right. Okay, so this has already been passed. All right. The other thing we have for you, Rhonda, remind me who painted it?

Rhonda North: Margaret.

Bridge Littleton: Margaret. Right. So, in honor of all your support and help and leadership on Foxes on the Fence Margaret Carroll painted this rabbit for you. And it represents multiple things from everything you were involved with at the town. So, there's Old Ox Brewery here. Oktoberfest is here. Dickens of a Christmas is here. What is this? Art in the Burg? And this is, you know, Madison Street and Federal Street in the back, so. Oh, and Foxes on the Fence is right here. Right. So, this is, you know, sort of the bookstore is and everything. So, and everybody on the staff and the Council signed it on the back.

Mary Ann Burns: Thank you so much.

Bridge Littleton: So, as I hobble over. There you go.

Mary Ann Burns: Well, this is wonderful.

Bridge Littleton: It's really she did a great job.

Mary Ann Burns: Of course it's marvelous.

Bridge Littleton: Yeah. So, if you want to stand here. And [inaudible] you want to come up?

Grant Burns: Bask in her reflected glory.

Chris Bernard: So well-trained.

Bridge Littleton: Absolutely. You guys come up. Grant you hold that.

Grant Burns: All right.

Mary Ann Burns: Okay. My partner from a long time ago.

Chris Bernard: You're on every committee. You know this? Exactly. [laughter]

Mary Ann Burns: So why would you sit down? I'm just looking at. [off mic]

Chris Bernard: Hey, Grant.

Grant Burns: How do you keep going down here?

Bridge Littleton: So, where's the first trip to? [off mic] I'll drive.

Darlene Kirk: Indianapolis 500.

Bridge Littleton: Exactly. Oh, alright, Mary Ann, thanks again. And you know, the door is always open. And if you ever get bored, the seat at MAC is always waiting. Okay on to the next item is staff reports. Mr. Moore, you're up.

Will Moore: Thank you, Mr. Mayor, Members of Council just giving an oral report this month. A couple quick things. The Planning Commission met on March 31st, and they have started their review of the Comprehensive Plan, which will be ongoing for several months, but got a good start. The HDRC met last week. One notable project that you will probably see some progress on in the very near future is at 200 West Washington Street. This is the former Market Salamander. So, the new ownership group was into HDRC the last couple of months. They got their final approvals. So, they'll be doing some facade improvements, a new entry vestibule on the Pickering Street side. A couple small changes on the rear. But in anticipation of a new restaurant, eventually in that space. Also, just recently demolition permit, and new home construction permit was issued for 104 Chestnut Street. You may recall, this was one that they were able to get their applications in right before the most recent set of regulatory changes. So, it is being developed on the pre-September, late September ordinance amendments that were made. However, it's very close to meeting our new standards anyway, but you'll probably see some activity there fairly soon as well. Obviously the interim improvements were implemented on South Madison Street. And then finally we have seen Tim a couple of times recently, so he's healing pretty well from his knee replacement. Has a little bit further to go with his rehab first but should be back up in a few more weeks.

Bridge Littleton: When did he get it done?

Will Moore: It was, I think March 19th, something like that.

Bridge Littleton: Okay.

Will Moore: Yeah.

Bridge Littleton: Awesome. Any.

Will Moore: Oh, sorry.

Bridge Littleton: No, Danny.

Will Moore: Oh, sure. So, one other update. The directory type sandwich board signs that we had kind of implemented administratively. Those have not been weathering well. In fact, a few of them are irreparable at this point. Based on that, as well as a lot of feedback from businesses who have not really been satisfied that they're contributing anything. We have temporarily removed those. We do not intend to replace them at this point, but we have encouraged some interested businesses to work together with MBPA to come up with some ideas that they think might be workable and that then we could meet with them and see how that fits into our regulatory framework. Whether it could work in VDOT right of way, those kind of things. But we don't intend on putting those directory signs back in that most recent form that you saw.

Bridge Littleton: Okay. Any questions for Will? All right. Next up is Rhonda North.

Rhonda North: Thank you, Mr. Mayor. A good bit of my time. The last couple of weeks have been devoted to finishing out the town hall project. We do have the mechanical and plumbing contractors in and out of the building, working to finish the unfinished work and address the deficiencies. Bull and Trane hopefully we'll have their materials at the end of this month and can do what they need to do. We'll then be able to bring in Annandale Balancing to do the final tab report. Electric contractor also in the building. His work is underway. The landscaper should be here in two weeks to plant the missing plantings and replace those items that that died. And we have received a proposal for miscellaneous items such as the millwork, the trim work, stonework, doors, things of that nature that's currently under review by the Town Attorney and the construction management firm. And the security vendor has come in to begin correcting some deficiencies. So, a lot of things are being addressed. I think the only vendor we need to find is an AV vendor at this point. So, things are moving along.

Bridge Littleton: Question, are they going to repair all like the gaps and stuff like that?

Rhonda North: Yes, that would be that would be the proposal that.

Bridge Littleton: That's the mill work. I just want to make sure they're doing.

Rhonda North: That would be the proposal that we're reviewing now.

Bridge Littleton: Okay great. Any questions for Rhonda? All right. Next up is dancing Ali MacIntyre.

Ali MacIntyre: There you go. All right. It's a little pep in my step. Good evening, everybody. You have my report. I just have a couple of updates. As you know, we do have the Middleburg Wellness Day this weekend. Unfortunately, it is looking rainy, so not thrilled about that, but hopefully it'll end right after the 5K. I think we have a Council Member running in it, so definitely come out and support. [off mic] Come out and support, Pam. There we go.

Pam Curran: I'm directing traffic.

Bridge Littleton: Make sure you have a stun gun. [laughter]

Ali MacIntyre: We have 89 total runners now, which is great. We exceeded our goal. We have 60 for the 5K and 29 for the kids run. So, we expect that we may have a few drop out just because of the weather. But we're all set for the race, and we've been coordinating with our not only our volunteers Stephanie and Laurie from the Cultural and Community Events Committee, but also Chief Jones and then our company that we use to help organize the whole race. Just as a reminder, we have a lot going on that day with electronics recycling, and that will be from 10 to 2. The Wellness Fair, we have about 29 vendors now. Hug count or hound hugs for wellness, food trucks, we have all kinds of stuff going on, so please come out if you can this Saturday. Other than that, just getting ready for all the other events next month. Art in the Burg, Middleburg Day, Farmers Market. All the things. So that's all I have for now. Any questions?

Bridge Littleton: Any questions for Ali? [off mic]

Ali MacIntyre: Yes. The food trucks so for the Wellness Day, we just have the one. So, we just have a Happy Family Ranch. They're going to be in the community center lot. We were going to have them in the gravel lot initially, but we're going to be moving things up just so they can be visible. Yeah. Yes.

Pam Curran: So, I missed the meeting. How many vendors do we have for the Farmer's Market now?

Ali MacIntyre: 23.

Pam Curran: 23?

Ali MacIntyre: Yeah, 23 full time. And then we have a few floating out in the ether, maybe once a month. We were initially going to have a content day tomorrow, but due to the weather, we're going to reschedule it to next week. But yeah, it's great. We have a lot of vendors, so we're really excited. Any other questions?

Bridge Littleton: Any questions for Ali? Okay. Thank you.

Ali MacIntyre: Thank you.

Bridge Littleton: Next. Name tag and all. Oh, you. Oh, you. Oh, okay. You said a name tag on it earlier, but it's the town logo.

Angela Fletcher: Thank you, Mayor and Council. I have nothing new to add to the report, but I'm happy to field any questions you might have from it.

Bridge Littleton: Who has any questions for Angela?

Angela Fletcher: Nope.

Bridge Littleton: Okay. Probably no answer, but and maybe this is something for the Strategic Finance Committee next time. With the rock-hard stability, we have right now in the markets. [laughter] What is that going to do to our income from investments? So, like the VIP pool and stuff like that. So, or other things right. Well, I mean I just you know, it would be great to have advice from them or you know, for I mean, whoever comes to, you know, help us figure that out. I just like, how do you. Yeah. And should we be thinking about other things to be safer?

Danny Davis: Yeah. We can we can grab more information for the next finance committee. And I think Mr. Lux can probably also speak to it during his presentation tonight. But I mean, the short answer is there should be little impact. I mean, the VIP does have, I think, some commercial paper in it, but it's I mean, most of it is all tied to treasuries and current interest rates. So actually, the interest rate, slight increases we've seen you know, can help a bit. So, I don't think we're going to see anything right now, major. It's more based on if the fed changes their rates significantly. But again Mr. Lux can talk to that in a few minutes.

Bridge Littleton: Okay, great. Thank you. Okay. Next item up is or next up is Chief.

Shaun Jones: You have my report in front of you. Anyone have any questions?

Bridge Littleton: Any questions for Mr. Shaun. Good.

Chris Bernard: How's the new guy doing?

Shaun Jones: He's doing great. My plan is to have him at the next Council meeting to do an introduction and oath of honor. But he's doing a good job, getting used to the community and getting to know the community. Right now, he is training with Officer Hinegardner.

Bridge Littleton: And his last job was.

Shaun Jones: Spotsylvania County Sheriff's Office.

Bridge Littleton: So, he was a sheriff's deputy?

Shaun Jones: Yes, sir.

Bridge Littleton: Gotcha. Okay.

Shaun Jones: And he's also a retired law enforcement from Delaware, New Jersey area.

Bridge Littleton: Gotcha. Any other questions for Chief at the moment? Okay. Just out of curiosity, now that we're fully staffed, do you plan to keep a rec just out there?

Shaun Jones: I'm sorry.

Bridge Littleton: A rec.

Shaun Jones: Oh, are you talking about a job announcement?

Bridge Littleton: Yeah.

Shaun Jones: We've taken it down for right now.

Bridge Littleton: Okay. I mean, I get it, you. But you never know, right? So.

Shaun Jones: Yes sir.

Bridge Littleton: I don't know. You know, some places, like, just keep one always there. And if someone retires unexpectedly and, you know. Oh, well, I just got three resumes two weeks ago. So, again, totally up to you. I'm just curious.

Shaun Jones: Yes, sir.

Bridge Littleton: Okay. Any. Yeah.

J. Kevin Daly: I understand there's going to be a lot of.

Shaun Jones: There's already a bit more for that. [off mic]

Bridge Littleton: I'm not touching that one. Yeah. Chris.

Chris Bernard: Just a quick question. I'm looking at the stats you provided. Thank you. It's interesting. It looks like the traffic warnings since October have been really low compared to the six months before that. And I think that was probably around the time we changed the speed limit. Yes, it feels like it. What's like what would cause that? Is it more tickets or what's the?

Shaun Jones: No. I'm trying to encourage the guys to get out to do more traffic enforcement and so forth. I can't give you an idea of why the numbers are low, but we are keeping a visible presence, which is helping to deter people from speeding a little bit more.

Chris Bernard: So, wouldn't that have the opposite effect? Right. So, like, normally it looks like there's like between 40 and 50 traffic warnings per month. And then in October it went down to six and then seven and then zero and four. But it doesn't look like radar enforcement is going up. So, I was just curious. It just seems odd.

Shaun Jones: Okay, I'll take a look.

Chris Bernard: Take a look. Let me know thanks.

Shaun Jones: All right.

Bridge Littleton: Any other questions for Chief? All right. Thank you. Next up. Oh, my favorite Town Attorney's report.

Martin Crim: Thank you, Mayor. You have my report. I stand ready to answer any questions about it or anything else for that matter. [laughter]

Bridge Littleton: That was open ended. Any questions for Martin? Yeah. My only question is, what is the status right now in the state legislature with getting everything done?

Martin Crim: Well, there the veto session is coming up, and or if it hasn't already started, and they're going to be I think they already started. They've been kicking things back to the to the governor on some of those issues. But if there's a particular bill you want me to track, I can do that. But it's in process, I guess you would say.

Bridge Littleton: And I had literally lost a bubble on it, the 3 or 4 things that we were really fighting against, like Airbnb and all that stuff.

Martin Crim: All dead.

Bridge Littleton: We're all dead. Okay, good. All right. Well, we'll see it back in January.

Martin Crim: Yeah we will.

Bridge Littleton: Bud.

Bud Jacobs: Did Cannabis Legalization.

Martin Crim: It got vetoed and it was a very narrow vote in both houses, so I don't expect any real effort to override the veto.

Bud Jacobs: Just as an aside, I was talking to a police officer. I was talking to a police officer in Arlington over the weekend. And he told me that in the Commonwealth, there are 3 or 4 law enforcement personnel who are trained to recognize cannabis intoxication. Apparently, it's very hard to tell. I mean, you can, I guess, smell it, but it's not like alcohol intoxication and Shaun you may know a little bit about this. I guess they're throttling around trying in the Commonwealth as a whole, trying to figure out how to remedy this delta in training and capabilities. I've never heard of just three people being certified to do to recognize cannabis. There is apparently a system for that. I don't know any more than that. Yeah. I haven't heard of that. I mean, to usually we would take somebody in for a blood draw or something like that just to figure out what's what, or you have to wait for the lab to come back. But like you said, it's hard to really in my experience, it's hard to really determine something like that. It's easier for a DUI or drug, but when it comes to cannabis, it's I've never heard of that.

Bud Jacobs: Thank you.

Shaun Jones: I'll look into it.

Bridge Littleton: Yeah. If they have the munchies, it's probably. Okay. Anybody else for Martin? All right. Miss North. Asbury Church.

Rhonda North: Thank you, Mr. Mayor. This week Town Manager Davis, Deputy Town Manager Moore and I and Council Member Jacobs did interview two architectural engineering firms and two construction management firms for the Asbury Church project, and we hope to have a recommendation to the Council next month. On the Oral histories project related to the Asbury Church, the Committee has continued meeting with the vendor Candor. Right now, we are scheduled to have Candor into town later this month to tour the town to identify a location, to conduct the interviews and to maybe do some B-roll footage. I have asked Town Attorney Crim to take a look at the release that we're going to ask the interviewees to sign to add a component related to archival materials. And once that's available Phyllis Cooke-Taylor and I will begin initiating contacts with the folks that we'd like to interview. The idea is to do a couple of test interviews in early May and then late May, early June, complete the remainder of the interviews, at which point everything will go to editing. So that project is moving along very nicely.

Bridge Littleton: Any questions for Miss North? Okay. Yeah. Rhonda I'm excited you guys are making great progress. It's coming along. Okay. Next up is any reports of Town Committees or organizations. Peter's not here. Okay. Nothing on the consent agenda. So next item is the VML Policy Committee nominations.

Rhonda North: Mr. Mayor, just to remind you last year the following individuals served on the following committees. Vice Mayor Bernard was on Community and Economic Development Policy Committee. Mr. Mayor, you were on the Finance Policy Committee. Council Member Jacobs was on the General Laws Policy Committee. Council Member Daly served on the Human Development and Education Policy Committee. And Council Member Curran served on the Infrastructure, Transportation and Environmental Quality Policy Committee. So, it is once again time to submit the nominations to the Virginia Municipal League for 2025. And it does involve a meeting in July that is now done remotely.

Bridge Littleton: Everybody happy to keep their committee or would you like a different one?

Bud Jacobs: What's the tenure for somebody on a committee? Is it one year?

Bridge Littleton: Yes. It's annually. Yeah.

Rhonda North: Yeah. It's really just one meeting in July.

Bud Jacobs: That's it. Okay. I think I can do it, but I won't be here, obviously, after December 31st.

Bridge Littleton: Whoa whoa whoa. What do you mean? Oh, whoa whoa. [off mic] Yeah. You may not file the paperwork, but guess what? [off mic]

Bud Jacobs: Thank you very much.

Bridge Littleton: Yes. Okay. But everybody else is on the committee is happy to keep serving on that committee or is there a different committee you'd like to serve on?

Pam Curran: I wouldn't mind a different committee.

Bridge Littleton: Okay.

Pam Curran: I'll do whatever everybody else.

Bridge Littleton: No, I mean so let's do this. Let's check in with Rhonda, maybe tomorrow and see where they're looking for folks. And. Yeah, if there's a different one, we'll do that. Okay. Now.

Rhonda North: As long as you all agree that that's what you'd like to do, I can submit the paperwork to VML.

Chris Bernard: I say there's a motion in here, but we don't need.

Bridge Littleton: Yeah, we don't need to do a motion. So. Yeah, I mean, I will. I got roped into being the Chair of Finance. Oh, yeah. Okay. Next item is Council approval for the purchase of a server for the computer network.

Danny Davis: Thank you, Mr. Mayor. This request before you is to upgrade our current network server. This is used both to locally authenticate our users in the network access network drives, as well as for our financial system, which is hosted locally here in house. This is in concert with our new IT provider. We knew the server needed upgrading. Anyway, it's out of warranty, and needs to be updated to keep up with the latest version of Windows Server software. It is a higher cost amount, which is why it's being brought to you. I will note it's also one of those items where Council said if you know of anything that might be impacted by tariffs jump on it in the two weeks from the first quote until receiving it, we started to see a few increases. So, if Council is supportive, I'd appreciate your support of this tonight so that we can lock down the purchase and I'll get that to them this evening. If there are any questions about this, I'm happy to answer it for you.

Bridge Littleton: So, I mean, I think the important thing here is, whatever the difference between the original price and the tariffs are, because Danny is so slow, we make him pay it. [laughter]

Danny Davis: Or how about you increase my purchase authority in the procurement ordinance?

Bridge Littleton: Yeah. That. Yeah, that's going to happen. Okay. Anybody have any concerns with the purchase? Okay. Who would like to make a motion? Kevin.

J. Kevin Daly: I move that the Town Council authorize the Town Manager to approve, quote, number 004781 from Vision Technology Group for a server in the amount of \$28,459.60.

Darlene Kirk: Second.

Bridge Littleton: Any discussion? Rhonda, would you call the roll?

Rhonda North: Vice Mayor Bernard.

Chris Bernard: Aye.

Rhonda North: Council Member Curran.

Pam Curran: Aye.

Rhonda North: Council Member Daly.

J. Kevin Daly: Aye.

Rhonda North: Council Member Jacobs.

Bud Jacobs: Aye.

Rhonda North: Council Member Kirk.

Darlene Kirk: Aye.

Rhonda North: Council Member Pearson.

Cindy Pearson: Aye.

Bridge Littleton: Okay. Next up is the discussion on the utility fund debt options from Davenport. It will be noted that Mr. Rose chose not to show up.

Kyle Lux: It's nice to see you, Mr. Mayor. Members of Council. It's lovely to be in Middleburg this evening. And David sends his best, as always. And very nice to be in a new town hall as well. Congratulations. It's a fantastic day to give me a tour. A couple weeks ago. Maybe a month or so ago. It's a fantastic facilities, so you all should be very proud of that. It's very nice. And so, I think Danny's got up on the screen here, and I guess everybody can see that maybe on their screens in front of them in terms of a presentation. Before we get into the details, I guess I'll start by saying Middleburg is in a very, very good financial shape. So, we've got lots of details. Talk about the general fund. We'll talk about the utility fund. We'll talk about some different options in terms of how to think about your debt profile going forward. But you are in very good financial shape as a whole. So, say that at the outset. And maybe, Danny, if we can, we'll skip past the. There you go into the introduction. Yep. I'll, get I'll get right there. There we go. Perfect. And so again, we're really asked to take a look at overall in terms of the town, it's been a number of years since we've done this sort of comprehensively between general fund utility funds certainly worked your way through this particular project. And that's, you know, as we understand it, basically complete utilities is in good shape. You're going to hear some more on the going forward projections side of things from Eric in a little bit. And so, we really wanted to bring forward to you again that overall kind of comprehensive look. And wrap it up with some ideas and thoughts in terms of how to think about your debt profile. We can talk a little bit about the cash and investment side of things. It's certainly been an interesting 4 or 5 days in that regard. And talk about the financial policies as well. The back of the book. We do have some peer comparisons, some demographic trends. We won't go through that page by page, but maybe just good nighttime reading, if you will. In terms of how you look. So, I think we can go past even goals and objectives, and we'll go right to the general fund. So, as you know, and for the public you have a general fund that covers the vast majority of your general government functions, whether those be police public safety things of those variety public works. And that is separate and aside from the enterprise funds, which is water and sewer, that's the way you should do things and best practices. That's the way the town has done things. And so, we'll break those

two separately and talk about the general fund first. Looking at the last five years, it's certainly been an interesting last five years. You as a town have produced very nice surpluses annually. Your revenues have been growing faster than your expenditures. You certainly have a very unique situation here in Middleburg. Very small size, you know that you certainly punch above your weight with some of the dynamic economic environment and the certain hotel meals, restaurants, etc. it's really performed well. And we'll show you what that looks like in the next couple of pages. So, on page six, what this is showing us is, again, the general fund wrapping everything out of your audits, revenues, expenditures, etc.. True. You look at that graph on the right-hand side, the revenues are in that gold bar, and you see a very nice upward sort of ski slope there. You've had very nice growth across the board in terms of your revenues. Your expenditures are in the green bars. And so, what you see clearly, first off just visually is those revenues are outpacing your expenditures that's what you want to see. You've certainly experienced a very good five years financially. We've had a good economy financially in the region. And so, you see that playing through in terms of the numbers themselves. Annual surpluses last couple of years, very substantial, but \$1,000,005 and 2023 meaning fiscal year, but \$1 million in 2024. And certainly, as we understand it, you're in 2025 right now and that is trending positively as well. So, all good signs here for the moment as we look at the history of the general fund. So, as we flip the page to page seven. What this page does is breaks those revenue components into its individual buckets, if you will. We've circled a couple things here on purpose. The top of that list there, there's a bunch of numbers, but the very first line, item number one is your general property taxes. About \$600,000 a year. Very solid number. It's been growing. But as your assessments have grown you've been largely equalizing your tax rate. So, the revenues itself have not necessarily been growing much past, you know, 1%. That's been okay, because that next line item down line item two, those other local taxes, which is where you really get the benefit of your great downtown. All of the amenities, etc., everybody coming into your town and generating the meals tax, the hotel tax, so forth and so on that's what you really see in that second line item, those other local taxes, Those have been growing on average. That acronym over there is compound average growth rates. We've been growing on average 10% a year that's a really substantial number. As we look at that, many of your peers have also seen that. And so certainly you're a fantastic town that is a destination. Many of your peers in this area have also seen the sales tax, the hotel, all those things growing in a very similar pace. It is one thing that we probably have a little caution on going forward. We're not economists, but to go expect that level of growth going forward would probably tamp down the expectations a little bit. But you've certainly experienced very nice growth there. Didn't go back one slide. I won't linger long on here, but it's an important one, I think Mayor to your prior comment the investment income is in line item five. And so, what we've seen in the last five years is really two things for you in Middleburg. Number one, you've had a very nice growing fund balance. So, your cash balances have grown very substantially. They're very, very strong. The second thing that's happened is the reinvestment rates have jumped way up since basically about 2022. And so, if you look at that line item, it starts literally at about zero. It is 0 in 2020 and 21. That's during the Covid years. Rates in your bank accounts and the LGIPs and the VIPs are effectively zero. And then you get to 22-23 and then to 24. And there's very substantial growth in those revenues coming from the cash you have in the bank, so to speak. And so, to your prior question, we'll talk about it's going to slide. We'll probably get into the investment a little bit more. It is a good time to be thinking about, given all the evolution in the markets and even not so much the last couple of days. But how do you plan for that going forward? Because again, we've been in steady state with rates here for a couple of years. You can earn real dollars on the cash that you have in the bank. And so having a good plan as to where that's going is critical. Because in 24, your investment income was, you know, two thirds of your property tax in terms of the revenues coming in the door. So now we'll go to the next page. A further breakout of the revenues. We're just kind of taking each page and take a little more detail. This is a breakout of the other local taxes. Take your eyes right to the meals tax, the business license and the occupancy tax, Hotel tax. And, you know, maybe other parlance meals tax growing at a compounded average 13% a year. And so clearly a very good five years in terms of growth in that meals tax, occupancy tax growing on a compound average of 17% a year. That's a really, really healthy number. And so, as we look at that, maybe arguably overly conservative at times, but want to try to maybe tamp down the expectations on that going forward. You know that better than we do in terms of the dynamics of the town. But better to be on the conservative side going forward on that, at least in our opinion. I think as we go to the next page. So, this side of the ledger is your expenditures. These have been you know, in essence, very well managed over the last five years. You just take your total expenditures have been growing on average, about 5% a year. So, you compare that to the revenue growth? Revenues have been growing much more substantially on a year over year basis than expenditures have you, as a Council, with your manager clearly maintaining control over those expenditures over the years? Even through some of that inflationary environment. But you've had some, you know, some dips and swings over that time period, which is to be expected in a town of your size. So on page ten, then we've talked about the revenues, the expenditures, and we'll talk about the fund balance if there's one financial measurement, financial metric that is arguably the most important

of any of these especially for a town of your size, with its concentration in terms of those consumer discretionary revenues it's this fund balance. And so, we list a couple of bullet points here. Number one, you've got policies, you're in compliance with those policies. And so, we watch that very closely. You obviously do with the manager and finance director and treasurer. But we always point out which, you know, how unique Middleburg is in terms of the concentration of your tax base relative to those revenues. You've obviously got Salamander. Right. And I think that door if I'm looking in the right direction that is such a core component of those revenues coming in. And so, anytime we have in a situation with a local government where your economy, where your revenue base, your tax base has a big concentration. Always good to have a higher than even your peers fund balance level to protect against surprises to protect against things that are outside of your control. As a Council, to the extent something that you know, hopefully doesn't happen in terms of a Salamander, but you could in theory, happen. Make sure they're protected because you go back 10 to 15 years. Certainly, we've had the pleasure of working with you that long time period. You know, you are not in this position. You were in a much, much different position. And so, part of our thinking here is as strong as you are right now is let's make sure you continue to be in such a strong financial position going forward. So, on page 11 of breakout of that fund balance, this again is a general fund. So, this is only the general fund, not utilities. What you see there is a nice growing trend. So again, prior couple slides, we showed revenues growing faster than expenditures. We had surpluses. And so, it stands to reason that our reserves that our fund balance in the governmental sense have been growing each and every year. You take your eye to the green bars there on the graph. You as a town, have a policy to have at least 125 of your 125% of your operating expenditures in a reserve, which you do. And you even have more than that. And so that's a good thing that reserve is basically visually on that graph in the light green bar. And so, you've got that you plan for it. And talking to Danny, certainly you really plan on a going forward basis. You're looking at that reserve and looking at next year's budget. That's the way to do it. And so, you have that reserve and then some. In addition to that you have an unassigned fund balance. And so that's the bottom-line item there that's the dark green. And so, you do have substantial dollars over and above your policy level. Again, the assigned is effectively your policy. It's about 5.8 million. The unassigned is about 4.5 million. So, in total, as of the end of 2024, about \$10.5 million in the fund balance. And so that's a very strong level. We'll kind of break that down a little bit more on the next couple pages. So, page 12, getting specifically to the policy. So, we talked about the assigned portion of it effectively being that 125% policy. This page is really showing where you stand relative to that policy. The red line in the graph is 125% of your expenditures. The green bars are where you actually are. And so, in this instance, as long as those green bars are above that red line, we are in compliance with the policy and really over and above it. So, in total about 5.8 million in that assigned fund balance or recommendation is don't touch that leave that there. And then we can talk about on the unassigned piece of it, how maybe you use that strategically, how you use it to your advantage in a couple different options. Page 13 on a comparative basis. I wanted to show you, relative to other towns, certainly a very unique given the size. And so, the Culpeper's, the Warrenton's much, much larger than you. Blacksburg much, much larger, but technically towns and so service level similar in that vein. This is measuring your available fund balance. And so basically, when we take that unassigned and assigned bucket and add them together, you're at about 260% the peer median is about 82%. But again, you as a town want to be above that peer median because of your small size and your dependence upon some of those consumer discretionary revenues. So, on page 14, we'll now just take a look at the unassigned fund balance.

Bridge Littleton: Quick question.

Kyle Lux: Yes, sir.

Bridge Littleton: Can you go back one slide? On average and if you just have to, you know, just sort of a thumbnail of this. Are those representative towns you see there what is their reserve policy as a percentage? You know, as you know, typically what you guys see is, oh, 70, 80% or 100 or 50 you know.

Kyle Lux: It varies a lot based on the size of local government. So, like a Warrenton off the top of my head, I think is 50%. They're much larger than you are. Purcellville I think is I'm going off the top of my head. It's 50% or 3 million, whichever is greater. And so, you've got a couple different ways of thinking about it. And so, I think you need to, and you have thought about it in the context of your size relative to others. And so like, you wouldn't look at a Blacksburg. But, you know, you might look at on that list there you know, Warrenton is probably pretty close in that vein. But it really varies. The real answer to the question is it varies entirely based on size. It could be 30%, could be 50%, could be 100%.

Bridge Littleton: Yeah. And I didn't have any problem with it. I mean, when we did 120%, we did it very consciously because we're so tourism dependent.

Kyle Lux: Yep.

Bridge Littleton: You know, another pandemic you could watch we could watch literally half our revenue disappear. So, you know, we wanted to be able to weather multiple years of storms. So, I was just curious.

Kyle Lux: Yeah, absolutely. So, on page 14, this is looking at the unassigned fund balance. So, this is those bucket of dollars. This is not the policy. We're not looking to touch the policy think about the policy. This is the unassigned fund balance dollars that are over and above the policy level. So as of 2024, the end of your last audit, that was about \$4.5 million. Now, what we started to do here in thinking with Danny and Planning is we know there is a call it a series of capital projects that have been identified, maybe some other contingencies out there. And so, we want to take a look and say, if we take off the top of that 4.5 million, some of the things you as a town you may move forward with, you will move forward with that's entirely up to you at your discretion. How many more dollars do we have maybe to play with, so to speak? And so, we came up with about a million and a half. That 1.5 million. Again, taking off some of the capital projects that you're thinking about, planning on doing so forth and so on. We don't want to count those dollars presuming they're going to be spent at some point in the future. So, we're going to come back to that million-and-a-half-dollar concept as we get to the utility side of things. We're just kind of plant that in your mind, and we'll come back to it in the next section. Okay. So, in the next section, we'll talk some more about, the town's outstanding debt. So, in this context, we still have a general fund. We still have a utility fund. But given your size, while they are paid from their two respective funds like they should be, we do look at them in the aggregate, just given the relatively small size of the town. And so, one important note at the bottom, we've obviously been talking about this here for a little while. We talked to the finance committee a couple of weeks ago. Back in 2020, the town took out really two interim financings for utility projects. It was about a million, one in a tax-exempt note that's at line-item number one and about \$300,000 in a taxable note that's at line-item number two. So about \$1,000,004 in total that comes due in full June 30th of this fiscal year. So, if we're right now early April we've got about two and a half months, and these come due in full. Not a surprise that was always part of the plan. And so, part of what we'll talk about at the end of the presentation is how do we think about taking care of what is a million, four in total in terms of outstanding debt right now? On line 17 or page 17. Again, we'll just break out between the general fund is in the green section at the top. The utility funds in the blue section, kind of in the middle there general fund is about \$10.5 million of debt outstanding that's almost entirely related to this building we're in right now. And so, you've got a new long-term asset. And so, you're paying for that over time, as is a best practice from an interest rate perspective. You take your out of the far right. You've borrowed in and around 270, two and a half you're earning right now in that cash to kind of get back to that point. You're earning probably about 4.25. And so, you've locked in those rates they're set. The only reason they would move in terms of long-term borrowing is if you as a town wanted to refinance it. So, you've worked that very well.

Bridge Littleton: You're recommending that.

Kyle Lux: What's that?

Bridge Littleton: You're recommending refinancing, right?

Kyle Lux: We would love to refinance that.

Bridge Littleton: I'm sure you would.

Kyle Lux: But you are. We're not in that position in the market.

Bridge Littleton: No, I think we're good.

Kyle Lux: Understood. And so no current market rate. You cannot refinance that for savings if at some point you're able to do that. We'll be back and we'll talk to you about it, but we don't see that in the near future.

Bridge Littleton: I tell you what, don't call us. We'll call you.

Kyle Lux: So that gets to the bottom section in terms of the outstanding utility debt. We've tried to circle there the million four that's at 2020A, 2020B. Interest rate there, about 162 and a 204 between those two rates. And so again, you borrow those dollars on an interim basis, you use those for capital. Over that time period, you've been able to have that cash. Kept that in the bank in lieu of spending the cash going back four years ago. You've earned right now about 4.25 you borrowed at about 2%. So that clearly has worked out in your favor in terms of interest rates. The other two loans not talking about touching right now again with 179, 181, those clearly fantastic interest rates. No reason to do anything with those. General fund debt profile. Very level. Very even. Again, you're just now getting warmed up in this building. And so very normal to have a very level debt profile that allows you to pay for a long-term asset like this over time and allow the taxpayers that will benefit from it to pay for it incrementally over time, much like you might think about a mortgage. The utility debt profile, obviously a little different. So, if we put to the side for a minute the million four, it's going to come due in June 30th. Kind of forget about that for a second. The balance of the payments at the bottom of the page are very much level. You can say very nominal interest. The majority of that is principal in the light green. And so again Eric's going to talk about what that picture looks like going forward with the water and sewer fund CIP. But outside of the million four you've got a very level pretty small relatively speaking, annual debt service on the utility funds. So, the real question is how do we deal with that gold bar in terms of the million four on a going forward basis? In terms of debt ratios? You are in compliance with all of these. So, I think Danny will flip over to the next page. One of your policies is debt to assessed value. You've got a 3% policy. So basically, we don't want our outstanding tax supported debt not being the general fund portion of it, which is in the dark green bar. We don't want that to go above the red line. And you are right now below that. And barring any surprises it looks like you will remain below that. We did put on top of the green the utilities that's that little gray section there. We just want to make the point there that to the extent utilities continues to be self-supporting, it doesn't count against this ratio. And so, another reason to keep the water and sewer funds self-supporting is you basically don't have to count the debt associated with it. In these what we call tax supported debt ratios. So, your situation because the utility is self-supporting is just the green bar at about 2.1% relative to the red line at 3%. You're well in compliance with that policy. On a comparative basis, again, you see where you are. You've just taken a large capital project. And so, it stands to reason you may be above those that have not done such a large capital investment recently. The other critical policy, and arguably probably the more important of the two is your debt service to expenditures. So, this is basically how many pennies out of every dollar in the budget are going to make a debt service payment. Your policy says we don't want any more than 20 pennies out of every general fund dollar to go to a debt service payment. You're right now at about 19% plus or minus. No surprise. That was all part of the planning doing this, building a facility here. And again, as we've been talking with Danny, as you all well know, no real plans to borrow any dollars to the general fund in the near future. And so that's fine. You're in good shape here. We would expect that ratio will probably get better in the future if your revenues indeed continue to grow. Maybe not the pace they have the last five years, but at a reasonable pace going forward. This ratio probably looks a little bit better. You can just see on a comparative basis where you are. And again, others in terms of the cycle of capital projects and capital programs, sometimes you're higher, sometimes you're lower. You as a town have to have just taken on, you know, a large generational capital project. So, our last section here, we may take another section or two, but the last big section here is utility funds. So, I'm going to go relatively quickly because Eric's going to come right behind me. This is just history. And Eric will do the going forward piece of it. But again, utilities has been self-supporting. That's important. You want to keep doing that and we'll make that point. The reserve is also critically important over here on the utility side of the equation. And taking into account the fact that you have capital needs going forward that'll go into Eric's planning after this. So, I think, Danny, we can go to the next page. Okay. So last five years of history for water and sewer. Top right-hand graph there similar looking. So, our gold line there is the revenues that's above the expenditures, which is the green bars every single year. Revenues have been growing nicely, primarily due to the growth in the town. Usage has been growing as we understand it; that's a healthy thing. 2024 is an anomaly that revenue spikes up because of an ARPA grant. So that's not recurring. You're really more at the call it the 23 and growing level. It's just a one-year anomaly. But clearly you've had very nice cash flow in the water and sewer fund, which is a very similar situation and story to the general fund. In terms of the details and the revenues, again, you look at that graphically, maybe pretend for the moment the blue bar doesn't exist there. That's a one-time special, you know, federal ARPA dollars. But even aside from that, you've got a very nice uphill slope, meaning your revenues are growing methodically each and every year. Compound average growth rate on water is about 8%. On sewer it's about 7.5% clearly being driven very nicely by the growth in the town. Connection fees. You've had some, but you're

primarily driven by the recurring revenues of those bills. Expenditures growing at about, on average, 6.5% a year. Again, keeping pace with the revenue side of things. You've had surpluses so you won't spend too much time on that page. I think we can go to the next page. Okay. So last section or so here utility fund reserves and so similar to the general fund. You've got a policy on utility funds. Let's make sure we've got an ample reserve for any variety of different reasons. One of those clearly being concentrated on the water and sewer fund in terms of revenues. Just like we concentrate on the general funds, we want to keep a really healthy cash balance in the utility funds. Your red line is at that 100% level. You right now are at about 280% or thereabouts, so you're in excess of it about \$2.5 million relative to the aggregate dollars over in the water and sewer fund. Nope. You're good. In terms of the policy level itself we've got a debt service to operating revenues policy that we watch on water and sewer. So very similar to the general fund side of things. Let's make sure we don't have too many dollars or too many pennies out of every dollar in the budget going to make a debt service payment. You can see where that level is right now at about 18%. You've got a policy to be no more than 25%. We'll do some projections in the next couple pages of where that may trend, given some of the CIP that you've identified. But right now, you are very well in compliance with that basically that red line in terms of the policy at 25%. So, we kind of come to maybe the question to be addressed. And there's probably two different ways to think about this in terms of we know we've got our million four that by June 30th we've got to figure out what to do with that. Two different ways to think about that. In addition to that, in talking to Danny, you've also got a series of capital projects on the future for both water and sewer anticipated right now at about \$750,000 between 2027 and 2028. So, about a million, five in total of new projects to be thinking about, in addition to the million four that comes due June 30th here in just a couple of months.

Bridge Littleton: So, if I could just pause you real quick.

Kyle Lux: Sure.

Bridge Littleton: That the I think what we are going to need to have a really intense conversation about, and maybe it's tonight, maybe it's in our next meeting is so we look at our fund balance and we go, oh wow, we got a lot of money. This is great. You know, we've saved 125%. So, there's the rainy-day fund. And on top of that we've got a couple of million dollars, which is great and wonderful. And then you had a slide earlier where it was, you know, we had 4 million or I can't remember the number, but, oh, we've got \$3 million worth of projects. We want to, you know, capital projects we need to do in the next five years. Okay. So that drops that from whatever it was to like 1.5 left over and then you go, okay, that's 1.5. And then we start thinking about and nothing has been factored into any of these numbers, such as a 145% tariff on steel from China or, you know, plastic or chemical, I mean, you name it, what's going to hit the costs of, you know, because all this infrastructure stuff, we've got to do the base materials come from another country? [off mic] Exactly. That's exactly right. Yeah. I mean, the price went through the roof. So, you know, we started our whole budgeting process going, God, it feels really good that we're in a good position. And then when we went through this with Davenport and Stantec and we got to the end of the meeting with the Strategic Finance Committee, I went, we're broke, you know. So, I mean, it's not that, but all the things we have to do, we need to do, we need to plan for. You know, there's so much uncertainty that, you know, I totally believe that we will be able to do all these things, but that we have got to really start being prudent about spending. You know, and it's the classic got to do, you know, should do and want to do. Okay. Gotta do's are always there. The you know should do's and the want to do's you know okay. We got to be a lot more discriminating about that stuff because this, you know, next couple years of uncertainty, you know, because we just cannot be cheap about things like the, you know, if there's something that's broken, the utility system, whatever it costs, we need to pay for it. So how do we make sure that we always have that ability to on hand? And to your point, you know, our debt in our utility system is up there and well, in the general fund too. It's all planned for we got great interest rates. We're making the payments. It's not that, but there's not a lot of borrowing capacity there. You know, I mean we can if we want to we can change our policy. But I don't think it's prudent that we go down those paths. So, and then you're bringing this up, I mean, there's \$1,000,005 that we need to do in the next two years. And that's again pre adjusted for any, tariffs or taxes or recession or anything. So, you got I just, I when you got to this slide, I wanted to make that note.

Kyle Lux: Yeah absolutely. I mean, it's all points, A, completely agree with and well taken. We do have tons of uncertainty, and it feels like every couple of years we come back around and it's sort of a different story, but a similar cycle. And I think one of the best ways to guard against that is cash is king. And so, when we talked back, even in the Covid time period, cash was king there. That continues to be the case. The advantage now relative to then is you can have that cash into the investment side of things. You can actually earn on it. And so having, you know, 4 or \$5 million earning

4 to 4.5% that's real dollars that comes in either on the general fund or the utility fund that helps offset surprises that helps offset inflation. You know, really when you think about the overnight interest rates, that's really what it's there for. It's sort of, in theory designed to be inflation plus whatever risk premium. And so, you should basically be covering inflation with those dollars that you have in the bank and whether it's a surprise, whether it's inflationary and so forth and so on. Cash continues to be king. And so, I think you're very prudent to be maintaining those policy levels and probably over and above the policy levels, to the extent you've got capital, like you've said here, coming down the pike. Okay. So, getting to some of these sort of concepts in terms of the utilities. So, at the end of 2024, which again, just the last audit, you had about \$2.6 million. So that's a point in time things evolve and change every day. But as of your last audit, you had about \$2.6 million there during the year to that point about things, you know, life goes on during a fiscal year, there's about \$200,000 as we understand it. It's probably going to come out of that 2.6 million for things you had to do on the water and sewer system. Then we get to if you're kind of working your way down that table on the right-hand side, how do we think about dealing with the \$1.4 million that comes due in June? And so, there's two pieces to that. There's the tax-exempt piece and there's a taxable piece. That gets into the tax code. Won't get into the details there. But the taxable piece will have a higher interest rate than the tax-exempt piece. So, our recommendation here on the \$300,000 is let's just pay that off. Almost certainly in the current market. Even if we wanted to term that out, that rate is going to be higher. Who knows how much higher right now, but higher than a tax-exempt rate and higher than the rate you're earning on your cash. And so, for a variety of different reasons, let's just go ahead and pay that piece off. If indeed we did that, You'd have about \$2 million left. So, you kind of work your eye down the right-hand side of the page. We start at 2.6, took about \$500,000 out. You got about 2.1 rounding up technically still in compliance with that policy. But not too much cushion over and above it. So, as we looked at that, relative to the policy, knowing you've got capital coming down the pike, we said, let's not spend any more of the utility fund cash reserves. Let's kind of stop there and then think about how we deal with the balance of that 1.4 million, which is 1.1 in the next couple pages. So, as we get to that \$1.1 million tax exempt balance and that tax exempt component is important there's really two different ways we can think about doing that. We've gone back and forth on this a little bit. So, the first way we could think about is to what we call term out that 1.1 million, which basically it's been an interim financing. We're paying interest on it. We've used it for capital projects to last a long time. We could take that 1.1 million and permanently finance it with a bank, with an outside lender, bid it out just like we've done in the past. Lock in an interest rate and allow you as a town to pay for that over time. Given that the assets that were put around with that 1.1 are going to last for a long time. And so that's that concept of generational equity. The second component we could do right now, a little bit of a timing side of things to talk through is if we're going to do that at the same time, we could put in place a new line of credit to make sure you've got access to the dollars for purposes of those capital projects that you've identified and Mayor you're sort of planning and thinking through. And so that's maybe option one is to go outside, go out and bid to local, regional, national banks like we've done the last couple of years. Get those competitive bids back, understand what they look like, take the 1.1 million term on a permanent basis, and take the 1.5 million and say, let's get like a line of credit for that. So, we know we have access to it if and when we need it. So that's the first way to think about that. If we did that, we've used a couple planning assumptions in here. The permanent financing term out, we've assumed gets done over a 20-year time period at a 5% interest rate, notwithstanding the last couple of days. At some point, settle out here. Depending upon what the news cycle and different things look like. That 5% interest rate before this week was conservative relative to the current market. And again, we think that's going to settle down here. Depending upon where all this tariff situation goes, we've already started to see some of that. And so that's what we've used though, as a planning rate is 5% on a going forward basis. In addition to that, you got the million five that you could do as a line of credit. Again, there may be a little bit early in terms of the planning process to go out and do that right now. But we'll show you what that looks like. Just as an option going forward. So, page 38, exactly that point. If we go look at that same debt policy or same debt service to operating revenues for the utility fund. The dark green is your existing debt. The light green is a combination of terming out the 1.1 million on a permanent basis. Doing the million five on an interim basis and then permanently terming that out in about 2030. And doing that on a 20-year basis. So, this is arguably the most conservative. I hate to use the term worst case, you know, best case, but this is the most conservative scenario whereby we've gone outside to lenders to perfectly finance the million one and the million five. In reality, given where you're going and if you would continue with the trends that you've been seeing. So, we'll go kind of, you know, assume for the moment a good Goldilocks scenario. We get through all this, and you continue growing at a great pace. You've got good cash levels going forward. You would always have the option to pick these off in the future. And so a lot of what we tend to think about is giving you, especially given the unique nature of the town, a lot of flexibility and a lot of options to manage through the capital, to manage through the economy and not get caught in a position where we're saying, man, we really need to have some more cash because of a surprise. And so that's a lot of what we tend to think

about in terms of what I'll call the optionality of having, sometimes that means we borrow a little bit more on the outside but give ourselves the flexibility to work through the projects and the costs of those. So forth and so on. So that we'll call it option one. We go bid that all externally to a bank. Option two is we could wait on that. We don't have to go out to a bank right now. You're in a very strong cash position. We could take that 1.1 million. And while we don't think we've got the dollars in the utility fund, we could take some of those dollars in the general fund. If you go back to that million five we talked about back in the general fund, we kind of backed out some things and said, you know, we probably got about a million, five or thereabouts of flexibility in the general fund. We could take a portion of that million five and in essence loan it to ourselves. So, take it one pocket, loan it to the other. We recommend you set it up as a loan. You talk to the auditors. We're not auditors in that way, but that way you make sure that that concept of self-supporting utilities remains intact, and you would, in essence, be loaning yourself the dollars for that 1.1 million to pay off the principal that comes due in June 30th. Option or excuse me, the second bullet point there is in terms of number two with the million five, you could wait on that. I think that's early in the planning stage. You could say, you know what? We want to get some further details on what those projects look like, the cost, the scope and so forth and so on, and assess how we really want to pay for those at some point in the future. And so, option two is really to say, you know, we're going to do this all internally for a while and still have the option to go borrow externally later with one caveat. If we pay off the million one with cash from the general fund, Danny, you can flip the page here. If we pay off that million one we can't really go get that back. Just the way the tax laws work, and the rules and laws related to borrowing. If we take down cash, pay off that million one, we can't go reborrow that later. So that really is cash that is left the system, so to speak. It's gone to pay off the outstanding note with Truist. But again, on that side of the equation, we don't have the option to go use that million one and then maybe go reborrow it. You would on the line of credit side of things, you know, as you evaluate the cost of scope and so forth and so on.

Bridge Littleton: So quick question.

Kyle Lux: Yeah.

Bridge Littleton: What interest rate will we get on the line of credit? Guess.

Kyle Lux: You're probably still in the mid fours probably.

Bridge Littleton: Mid four. [multiple speakers] And then what would be the cost of the fees associated with getting the line of credit?

Kyle Lux: In the aggregate it's probably about \$75,000.

Bridge Littleton: So, it would seem to me that that is actually more expensive than. I mean, you're netting out, right, on the interest rate right? So, we're earning four and a half, but it's going to cost four and a half.

Kyle Lux: Yeah.

Bridge Littleton: But then you got the debt and origination fees which would actually put option one likely more expensive.

Kyle Lux: Yeah I think option one. Yeah. So, if we went external and went and borrowed the dollars I think the way a very conceptual way. Because rates are going to move around in a very conceptual way. The cost of that is really the cost of issuance, which again, is probably about in that \$75,000 range. Because what this page is getting at is if you go borrow externally, you're going to pay a bank. Externally, fine. But you'll have dollars in hand, meaning we didn't use any of the cash that's in the bank that is earning probably about 4.5%. And so those two things largely offset each other. If we use the cash And lend ourselves the money we're still spending dollars as of June 30th. That's got to go back to Truist, who loaned us those dollars. And so net net, we're in about the same position. It's really just \$75,000 plus or minus somewhere in that range that really is probably the cost differential. So, I think part of the thing is timing too. It's a question of do you want to move forward now, or do you want to wait and assess the various projects and costs and so forth and so on? I think the, one, the big consideration there is, if you pay off the 1.1 or the whole 1.4 with cash, that really is cash that has left the

town. It's 1.4 or less of debt, no doubt. We can't go get those. Get those dollars back. You've got the reserves to do it. You've got the reserves to do it that are over and above your policy. So, it really is it's a timing consideration. And how do you think about managing that timing in the scope of the projects?

Danny Davis: Yeah. Mr. Mayor, speaking of the other side, as, Mr. Lux was mentioning the timing of it all. Option two I mean, either option to a degree, but option two potentially pushing off the 1.5 million of future capital dollars until we have a better sense of what those actual needs are. Also allows us to we're getting soon to kick off the review and study of our real water capacity and treatment needs in relation to, Well three what is our response to that? And if we come out of that process saying we need a new treatment facility, we need to consider a new well, we need some other kind of system going on that's going to be more than that 1.5 million that we're talking about. And so, you know, this might give us that opportunity to say with some of these other projects and also knowing there could be another major water project down the road, allowing us to combine those together into one kind of big financing. Again, have to do all the policies and the review of the of the rates and how it fits with our revenues. But assuming we have that ability to then be able to go after either grants or financing all at one time together.

Bridge Littleton: And it's way more so if all those things add up to \$4 million, it's way more efficient to spend \$75,000 papering the debt for 4 million than it is for 1.5 million or whatever, because all net of fees is always about the same, right? You might get a better rate. And I think the question I've got too is, okay if we loaned it to ourselves. Yeah, I get it. That's cash out the door. But that doesn't preclude us from borrowing the next day if we needed to, if we needed to go, you know, something happened. I mean, my point is, we can always go borrow whenever we want. [off mic] Well, we're paying ourselves the interest.

Chris Bernard: Right?

Bridge Littleton: Yeah, because we're not paying the interest to the bank.

Kyle Lux: Yeah. It's going from one pocket to the other, basically. Yeah. Yeah. The only the catch there, so to speak, is we'd have to have a series of projects to go finance. So, to your point about we could go borrow the next day. We'd have to have for Bond Council and all that. Because when you borrow as a town, you're only borrowing for capital projects, you're not borrowing for operational costs, so forth and so on. So, we'd have to have a, you know, a series of identifiable, reasonably expected capital projects to out, you know, to go out and finance, which probably gets to the million five of things that you're talking about.

Bridge Littleton: And we would only get more debt because we had the need. Yeah. Yeah. So, okay. I mean, I'm sorry to take a side check, but that was helpful. All right. Sorry keep going.

Kyle Lux: Yep. And so, I think we've really covered slide 40. So, 41 to 42. I mean, these, graphs maybe have come up in a couple of different ways this evening. But so, what this is showing is the LGIP or Local Government Investment Pool, which I think you've got some dollars in that. It's a state run program that basically gives you functions like a money market. And so, VIP operates very much the same way. This one happens to be run by the state treasurer. And so, what this is showing you is what is that earnings rate on your cash. Basically, just like your money market if you get a money market in your home. Personal life, you can see basically in the right-hand graph it was effectively zero through that whole crazy Covid time. Then rates came up. We were in 5% for a little while. It's come back down. It's about probably about 430, 440 right now. And so, part of this equation is clearly very different than in 2020. The more dollars we have in the bank, we're earning real dollars on it. And Mayor, you preempted the question earlier and saying, okay, where do we think borrowing rates really are? We bid that stuff out, so we really know the answer. We're probably in around 4%, 5% somewhere in that range, probably the mid fours. And so, we're in an environment where you can go borrow and invest the cash, whether it's an LGIP or a SNAP or a couple of these other programs and earn effectively the same rate as the cost of borrowing. And so that's a much different situation than we had back in 2020.

Bridge Littleton: Okay. Question from Martin. Martin isn't there a state law which bans you from arbitrage?

Martin Crim: It's a Federal Law.

Bridge Littleton: Or Federal Law. Yes.

Kyle Lux: So, there's all kinds of nuances. I'll let Martin jump in here but.

Martin Crim: Yeah. Go ahead.

Kyle Lux: You can basically you can earn up to the cost of borrowing. So, say. Simple math. You borrow at 4.5%. If you were earning right now 4.5% in LGIP or SNAP, that's okay. Subject to all kinds of different caveats that Martin and his colleagues will take a look at the positive arbitrage side of if we borrowed money and we took that borrowed money. That's right. But if we have just regular operating cash in the bank.

Bridge Littleton: I know, it doesn't imply that it's the borrowing part.

Kyle Lux: That's right. That's exactly right. That's exactly right. And so, to the borrowing side of things you can go borrow. There's a separate program called SNAP that's run by the state treasurer. It earns effectively the same thing as that right now. And so, you can go borrow for conversation about 4.5%. You can stick that money in the bank. In the SNAP program you can earn 4.5%. You're basically covering your cost. Carry your interest cost with the interest earnings off those borrowed proceeds. So next graph is long term borrowing rates. And again, you can see where those have been historically. They've been very volatile this week. We'll kind of put this week to the side for the moment. But that'll settle back down at some point. We've been through these cycles time and time again. We had it during. So. [off mic]

Bud Jacobs: I'm not holding my breath.

Kyle Lux: Fair enough. Fair enough. And there will probably be more volatility going forward purely from a from a market perspective, having done this long enough, whether it was the Silicon Valley bank, whether it was Covid, going back to the financial crisis, going back to other. But my point in saying that I don't mean to gloss over it, but the, the volatility in the markets, we would expect at some point here to settle down. And so and so again, in terms of next steps and I'll wrap up and certainly have any other conversation. Mr. Mayor, Members of Council again, we laid out a schedule here this evening. It's the 10th. And so, to the extent that you, as a Council, wanted to go forward and do some borrowing externally, this is what the schedule would look like. We basically do that over the balance of April and May and bring it back to you in June. And again, if indeed that was the will of the Council and recommendations. We just wanted to have that in there as an option. And that's what that would look like. So, the balance just appendix. I don't think we need to go through it. I'll pause there and see what other questions things we can clarify.

Bridge Littleton: Questions? Madam Curran.

Pam Curran: Has the finance committee weighed in on this yet?

Bridge Littleton: Yeah, we got this briefing last time.

Danny Davis: We did. So, Committee reviewed this. Essentially, the committee had option one, which was kind of the option to look at in the discussion and in general supported that idea. But then subsequent to the meeting, I think as they thought through it a little bit longer, and I had a few of them call me individually and say, you know, I get the point. I know it's a fine option on the table, but can we look at potentially using some of our general fund cash? And I'll step back for a quick second. I had maybe gotten tunnel vision. I was thinking, let's look at General Fund and just give a grant to the utility fund just to help. Right. And the problem with that is that money's gone, right? If you grant it, it's granted. And we had done this in the past where we loaned ourselves dollars. And so, 1 or 2 of them said, what if we just loan ourselves the money? That way, if it becomes urgent and the general fund, we pay ourselves back immediately. And so, reached out to Davenport and said, hey, this new idea came up, would you consider this? They said, yeah, it's feasible. You know, it's another option to consider. So, I sent that to the finance committee and individually they got back with me and all actually supported. They prefer option two building in a little bit more of that flexibility a little bit more of that timing. Allow us to

kind of do that internal fund to fund transfer and then see where next steps go in the next year or two years as we get a little bit more concrete details on some of these capital projects.

Bridge Littleton: Yeah. And I talked to Bob, I guess, about a week ago. And we like really sort of went through it. And, and I think the view was okay, rates right now are between 4 and 5%. Right. So, if we lent and we've done that I mean Cindy you know that and Darlene, we've done that multiple times in the past. Loan the utility fund. Why pay a bank when you pay ourselves. And so, if we lend it to ourselves and, you know, at a fair market interest rate, whatever it is right now. Right. So that comes back. So go down the path to the future. Right. 2 or 3 years from now, who knows what the Fed's going to do, what the market's going to do. If the rate goes up. Well good for us right. We avoided it. If it goes down we can stay at 4.5%. And we're just paying ourselves. So, we're the beneficiaries of that interest rate. But if it goes down and we decide, you know what we got these projects rates are now two. Let's go borrow. We just come out better. So, it really retains a lot of flexibility down the road, especially as we're really sitting in these uncertain times. And we do have to make a decision now because this \$1.5 million comes to term in June. So, it's either option A or option one or option two. So, you know I think and that was Bob's point to me was it really doing this now does not handcuff you to change to an option one path, six months, ten months, whatever it is, as long as you got capital projects, but you retain ultimate flexibility. So, I was I agree with Danny, and I agree with Bob and the finance group that, you know, option two just seems to be the smarter way for us at the moment. So again, because we do have this deadline coming that we got to pick one or the other, we can't push it off. So, what other questions does anybody have for Davenport? I mean, outside the debt stuff, you know, everything that they went through and whatnot.

Bud Jacobs: Really great question.

Bridge Littleton: Yeah. Thank you. Yeah.

Kyle Lux: Thank you, thank you. And maybe I'll be two seconds on this. But in terms of the investment side of things one thing we have been thinking about a fair amount again, given all the volatility and everything else. So is we've had this very nice run up in overnight rates. So, we're four and a half or thereabouts in VIP and the other various types of programs. One thing you could think about, and we talked to Danny about, is looking at a more specific investment program. Given the dollars that you have that would lock in some more of those interest rates. We don't have crystal ball. You don't have a crystal ball in terms of where rates are going for the moment, the market is projecting they're going to go down. It was wrong for a couple of years. Who knows. It's all uncertainty. And so, nobody's got that crystal ball. But what you can do is lock in some more certainty by virtue of saying, hey, let's understand where our cash flows really are, where our needs and requirements are. Let's go match up some very specific super safe investments treasuries, CDs and things like that around specific obligations that you have. And so that's something we've been doing a fair amount of because many of your peers, smaller places, bigger places have a very strong cash position. Right now, it's been a good 4 or 5 years. The ARPA dollars were helpful to everybody. And so, it's a good way to think about locking in that \$450,000 of interest earnings in the general fund. So, a way to think about that is you work on an annual budget cycle. You set your budget once a year, give you a little more certainty with respect to what dollars can you really count on in terms of interest earnings through FY 26 into FY 27? So that's something we can probably talk with Danny as a sidebar on.

Bridge Littleton: Yeah I mean yeah whether those look like and let's I would say let's ask the finance committee to look at it. Yeah. All right. One last round for questions. Okay. I mean, I guess we don't have to make a decision tonight, but I guess let me just ask everybody, how is everybody's feeling around option one versus option two?

J. Kevin Daly: I'd rather have the flexibility and go with option two.

Cindy Pearson: And I think the finance committee, I would definitely take their recommendation.

Bridge Littleton: Yeah. Okay. So, whatever you need from us, I think.

Danny Davis: That's great. we'll work with Mr. Crim and look at what we've done in the past and just make sure we memorialize that process properly, correctly, get that on the books and then set up that kind of mechanism for the transfer

so we can work with our audit auditors as well. So, we'll just we'll get that done in early May ish or late May. Second meeting that just gives us in that cash and we just go pay off the outstanding note with Truist.

Bridge Littleton: Right. And just because we're doing this from the one town fund to the other one, you do not get an origination fee.

Danny Davis: There will be an asterisk on the bottom. Don't pay attention to that line. [laughter]

Bridge Littleton: Pay no attention to man behind curtain. All right. Thank you very much.

Kyle Lux: Thank you. Really appreciate it.

Pam Curran: Thank you. Thank you so much.

Bridge Littleton: You guys did a great job. All right. Who's next? Yeah.

Eric Callocchia: Yeah.

Bridge Littleton: Water rates.

Eric Callocchia: Thank you, Mr. Mayor, Council. My name is Eric Callocchia with New Gen Strategies and Solutions. Kyle did an excellent job providing you on the background and historicals on the utility fund and the options that you're looking at, and I appreciate the discussion. We're going to start looking forward. And the discussion about flexibility and uncertainty will indeed continue. As part of our study, I'm going to talk a little bit about the background and the forecast scenarios. One of the things we're going to focus on is not just the overall financial forecast, but also the policy decision forecast in terms of rate structure and how you charge for your water and sewer utilities. So, we'll talk about those, and some bill impacts relative to those scenarios. So just a very brief background. How many of you have seen this before, the chart or the graphic on the right there is the sort of process of a utility rate study. We look at your revenue requirements. This includes all of your operating debt service and capital improvements that we've been discussing. It also includes your customers. We look at your customer demand, how much water they're using and how you're pricing that water. We look at a financial plan specific for the utilities, focusing on those key debt service and fund balance metrics. And then utility pricing. So, utility pricing we're actually going to focus a little bit more on tonight. That's how you price your service relative to your customer demand. You've done periodic updates to this model we've been running since 2012. And you've done regular inflationary 3% rate increases. And again, the utility fund is in great shape partly because of that. There's the growth and there's also the rate increases. You'll notice Kyle mentioned historically those user rate revenues are growing at about seven and a half 8%. And that's on top of your nominal 3% rate increases. So, there is a component of growth there. But you are also increasing those rates at a periodic basis. And our purposes of course, we want a longer term. We're talking about the next five years. Our model does go out ten years, but we want a long-term plan to finance these costs and ensure proper reserves, because the forecasts we're looking at in these next few slides are all focused on that option two with internal borrowing. And I'll talk about that in the next slide. We're really focusing on the reserves component of your policy rather than the debt service because we're not looking at any additional debt. So, the data we relied upon in this forecast is looking at your fiscal 26 budget, which you have in front of you tonight and forecasting out to fiscal year 2030. We make reasonable estimates of inflation again if we knew what those interest rates and inflation rates were going to be for five years, we'd be in a different line of business. But we're doing our best to estimate those increasing costs. We're looking at your estimated end of 25 balance, including the paying off of the \$300,000, and we have 1.2 million in there for the general fund loan at 4%. But again, there's flexibility there. If it's 1.1 at four and a half, it's essentially not a material change to our forecast. And again, your minimum reserve policy in the utility fund, 100% of your own budget. And we're maintaining that in the forecast. You'll also see in our charts a little over \$2.5 million in capital spending within these five years. And that's on a PAYGO basis, no additional debt. You had the discussion about the flexibility relative to the \$1.5 million line of credit that is not contemplated here but could be folded in because within this time frame you'd still be paying interest only on that. This only goes out to 2030 that wouldn't have to term out until beyond this forecast. So again, relative to that decision, there's a lot of flexibility here. 1.4 million of this is of that capital spending is essentially projects that you have on the books as prudent over the five-year time frame. So that's sort of

contemplated on in your capital plan. There's 1.2 million that is what we're calling sort of a potential emergency capital need. Now again, this won't get you a new well it won't get you a new treatment process, but a main break or something like that, or some components of your existing infrastructure. Failing that needs an emergency repair. It will essentially get you that at that level. Nowhere in your services is the economies of scale more apparent than in your utility fund. So again, you're very unique in terms of your level of service and your service population. Speaking of service population, You have been selling more water than you've been budgeting for, for the past several years, and it's been generating some of these surpluses we've seen in the utility fund. So, our initial forecast is based on your fiscal year 24 water demand, which was actually elevated. And actually, that's continuing. We're seeing in fiscal year 25 you're selling about the same amount of water. But we do have, again, looking forward potential drought scenarios in which we're going to be selling less water. And we're looking back to fiscal year 23, where you sold about 10% less than you did in fiscal 24. So, we've run these scenarios at both that 24-demand level, which is again, driving those rate revenues and the decreased fiscal year 23, which is a sort of one time 10% decrease in consumption. And we're forecasting that out as well. So, we'll see that in these two charts coming up. Again, you have the detail on this in your budgets that you'll be looking at. So, we're just looking at some high-level five-year forecast charts. On the left-hand side are your stacked bars representing your revenue requirements, your operating capital revenues going forward. And that gold line again, is your total revenues, including mostly user rates. Some of your interest income is included in here. There's very little connection fees. Your availability fees were handled with the large expansion of Salamander. We're not expecting a large amount of capital related fees in that line. On the right-hand side looks at your forecasted utility fund balance. Again, that dotted line is the 100% policy level. You can see here with no rate changes. And at fiscal 24 consumption, which is that elevated consumption and including that additional \$1.2 million capital need in fiscal 29, you would drop you right about that 100% level of that fund balance. So again, this is no rate increases but including all of those forecast expenses and that capital need. What this looks like in terms of your policies, again, is all in compliance with no rate increases. But what happens if we look at the fiscal year 23 forecast as shown on the next couple of charts? Oh, I'm sorry. The next thing we have in here is a rate increase forecast of 3%. So, continuing that sort of historical practice of consistent 3% rate increases across water and sewer fees, you can see the nominal fees you would charge here. Your minimum charge includes 2000 gallons. We'll talk about that later. This is your inside town rate. You have outside town of customers that pay 35% premium on these rates. So, if we include those rate increases there you see the elevated revenue bar from your user rates that's the rate increase. We're forecasting no increase in demand. So again, flat demand nominal 3% rate increases. You're getting approximately 3% more revenue each year in that chart. And then the utility fund balance again, even with that \$1.2 million of cash expenditure in fiscal 29, maintaining well above that 100% policy level, you have an additional about \$1 million there above that level in 29 when those capital. And again, a reminder those are not planned that's a just in case. If we needed to outlay over \$1 million in fiscal 29, we'd be able to do so at a 3% rate increase. The impact on your customer at a 3% rate increase. We looked at your minimum customer that's your 2000 gallons per month. Not subject to the excess usage charge. And you can see here on a combined bill basis, on a bimonthly basis, it's approximately a \$2.50 increase per bimonthly period going forward that's your minimum user. We also looked at your average customer 6000 gallons per bimonthly period. I was mentioned previously in the public comment. This probably covers about 70 to 80% of your customers on a typical year. They're mostly these smaller residential and commercials. Again, their bimonthly impact you can see here on a combined basis under a 3% rate increase forecast around \$7.26 per month per bimonthly period in fiscal 26 increasing out to about a little bit over \$8 in fiscal 30. Again, 3% increases. [off mic] That's a bimonthly impact. Yes. On a bimonthly bill 6000 gallons per bimonthly period. These next forecasts include that 10% reduced demand. So, system wide from your largest user to your smallest user. Everybody uses 10% less water, which again lands you somewhere around your fiscal year 23 amount. Even with those 3% rate increases, you can see here. Including that \$1.2 million capital need, emergency capital need on a cash basis you can see that fund balance falls below that 100% policy to about the 60 to 70% level of that fund balance policy. Again, this is a reduced demand. All of that planned capital and the additional 1.2 million in capital. And we discussed previously with Kyle your flexibility there. Whether you'd be able to put that in a line of credit or turn that out in long term debt. But even under the scenario in which you had to outlay that \$1.2 million at the decreased demand level you're maintaining about 50 to 60% of that policy. We'll talk about rate structures next. The rate structure is designed to be revenue neutral with those previous forecasts. So, 3% increase in rates. You're going to generate approximately the same amount of revenue. If we applied this rate structure to your customers. So, in discussions with staff and contemplating one water supply needs Town Manager mentioned you're going to be taking a hard look at your water supply, particularly your Well 3 and what capital needs may be there or expanding your water supply. So again, this is focused on pricing incentives for water conservation, particularly under elevated demand or even in drought scenarios. So currently you have essentially a flat rate. You have a minimum of 2000 gallons of

bimonthly usage, but they're charged at that same rate is just two times that rate. What we looked at was transitioning to a sort of three-tiered rate structure, maintaining that 2000 gallon minimum per bimonthly period, but reducing that flat amount to \$20 each for water and sewer. So, anybody who doesn't use more than 2000 pays \$20 per bimonthly period. Then there is a second group of your customers that uses between 2 and 10,000 gallons per bimonthly period. Those rates would also be reduced from their current levels of \$19 for water and \$20 for sewer. Those would reduce to \$16 for water and \$17 for sewer. And that would apply to all of those 1000-gallon units in that range from 2 to 10. Any usage above that in that same bimonthly period would then be charged \$25 per unit above ten. So, anybody that hits 11 and beyond those higher usage amounts would be charged the elevated rate of \$25 per 1000 gallons. Again, a vast majority of your customers fall at or below that 6,000 gallons bimonthly, so that 10,000 gallons, they wouldn't be paying any of that rate. They'd be in that first two tiers.

Danny Davis: And if I can interject real quickly, one of the comments of the Finance Committee has brought up honestly for a few years now, and I think we had the opportunity to take a look at this in more detail, is how are we able to potentially look at our rates to help our fixed income and lower income residents? Our rates are at our current rate structure our rates are high vis a vis Loudoun water, Leesburg, Purcellville, you name it, they're high. And so are there ways we can look at structuring this that helps our minimum users or our low users in the system, especially, again, we can't call out and provide a separate rate for them for low-income residents. But we can look at potential structural changes that might benefit those on the lower scale. Now, there are some impacts that we're going to talk about in a few minutes and considerations. But I did want to make sure just to say that there was a reason for looking at this as well from, input from the finance committee as well as how can we serve our community a little better in this way?

Eric Callocchia: Absolutely. And again, the forecast is that you should generate the same amount of revenue and maintain those financial forecasts. So, speaking of customer bill impact, again, under this alternative rate structure, we're looking at your minimum and your average use customer. This slide shows that minimum usage customer showing an almost or a 50% decrease in their bill. And again, they're strictly paying that minimum charge. And the rate structure was designed to have this result for this class of customers. So, your smallest users would see a 50% decrease in their bill under this alternative. If you go to the next slide, we'll see that average use customer. And this is approximately a 28% decrease, again, falling in the first two tiers, both of which have been reduced from the current rates in this alternative results in a decrease for this class of customers again and again. This is a majority of your customers. The impact of this, of course, is that your highest use customers will be paying more relative to what they're paying now and in varying amounts depending on how high they go above that 10,000-gallon bimonthly limit.

Danny Davis: And looking and I'm not a rate modeling guy, but I, you know, running some scenarios just using our latest consumption in our most recent billing cycle. Essentially this potential structure, anyone using basically 19,000 gallons or less in a bimonthly period would see some sort of decrease in their bill. Now, at that 19,000, you're seeing a 1% half percent decrease. So again, the less water you use, the more decrease, the more decrease in your bill. Similarly, if you use 20,000 gallons, you'll see a 1% give or take increase in your bill. If you're using 100,000 gallons, you're going to see a greater increase in your bill again, because the rate, the per rate per unit rate is higher the more you use. But just the importance there being it's not only a positive impact to customers at 6,000 gallons; it's a positive impact to customers all the way up to nearly 19,000 gallons.

Pam Curran: Right.

Bridge Littleton: So, two quick questions. Number one, I'm okay. In our like in Windy Hill, are there any customers above 19,000 gallons. And if you can't say that because you can't identify a single user.

Danny Davis: But so, I'm not aware of any of the individual homes. The apartment buildings do consume more than 19,000 gallons.

Bridge Littleton: Yeah. No, I get it. And then they take and unitize that or whatever.

Danny Davis: Sure.

Bridge Littleton: Okay. So that's a significant consideration.

Danny Davis: Yes.

Bridge Littleton: Right. Because. Right. All right. How many units are in Llewellyn?

Danny Davis: Llewellyn 16 units. Levis 20.

Bridge Littleton: Right. So, if their water consumption is 60,000 gallons in a bimonthly period, they're going to get a massive bill increase because Windy Hill will simply chop that up and give it to everybody. That's not what we're intending to do. Right. So, I don't know how you address that. And the same thing for Llewellyn or Levis Hill and whatever. I get it townhomes, single family homes, individual apartments that are individually metered that's probably all going to net equal or lower, but the people we're trying to help the most if it's not individually metered that way by the town, they could actually be paying a substantial more per gallon than they do now. So, you understand that.

Danny Davis: Yes.

Bridge Littleton: Number two, for you guys when you have new rate structures emerge like this and people say, oh, wow, if I stay, you know, I'm at 4000 gallons. If I really ration my water and stay below 2000, I'm going to pay whatever. And you act. Does this actually drive a reduction in consumption?

Chris Bernard: Yeah, can I piggyback on that? So, because my first question to Danny was the people that are going to get hit the hardest by this are the biggest businesses in town. Are they going to get wise real quick and cut their consumption by 10-20%. And then what does that do? Because I get it. Because on both hands you want to reduce consumption. Because we're worried about the amount of water we have available. But we also have to make the revenue to make the system work. So, I'm just.

Bridge Littleton: Consumption.

Chris Bernard: Exactly. So, I'd be curious to know if there is if someone else has done this. And then what happened with those high users? Is there any like case studies around that?

Eric Callocchia: It's a fantastic question. It's a question we get all the time. And it's part of the reason that we ran the 10% decrease scenario just under the normal circumstances. And under this we'll see in a little bit. But it's a great question about essentially the price elasticity of water service. So, we have done there have been studies and we've done studies actually for large utilities in the region, the largest being WSFC suburban Washington, D.C.. And in general, there are two things that significantly impact people's demand of water. The one is an obvious one is weather, right? You can't control that. If it rains more, you will sell less water, and in drought restriction and drought cases you will you will sell this water. The second is the unemployment rate when the unemployment rate goes up. And we saw this during the previous instances of when this happened water usage goes down. People tend to focus on things they can control, like their water usage. One of the things that we have found is not terribly impactful is the price of the service. And we have done studies where we've increased rates 50 to 100%. Now, again, they weren't as high as your rates, but they were rates that people were used to paying in those service areas. And what we found is you may find a temporary decrease related to that, that initial, you know, pricing adjustment. But in our experience, there is not a long term sustained decrease in demand relative to the price of this service. Mostly because you know, people's water usage habits tend to be static and one your billing in arrears by two months. So, people can't really link the usage to their price. But also, because relative to some other household expenses, this tends to be one of the lower ones relative to electricity mortgages and car payments and things like that. So, [laughter] there's evidence that it may have a short-term impact. Much more impactful are things like drought restrictions. If you tell people that you need to conserve water because we have a weather issue or a water supply issue, they will respond to those.

Bridge Littleton: Yeah. So, I'm not worried about that, because if we change this rate model, we're changing something for decades. Okay. So, it's not about the blip of a drought, right? 50% of our usage plus or minus. Right. Danny it's from Salamander.

Eric Callocchia: Probably [multiple speakers].

Danny Davis: 45. Okay. 40.

Eric Callocchia: I said 40.

Bridge Littleton: Their bill goes up by 40%. I can rest assured they are going to look for significant water conservation methods, right? Right. So, usage will decrease. I get your point on the human being. We all run the washing machine the same amount. We all still take a two-minute shower or whatever it is. I would be I'm curious to know and how you guys have done analysis for other localities, right? If you had one user that was 30% and you're basically going to double their rate, does their behavior change because they're a for-profit business?

Eric Callocchia: Certainly.

Bridge Littleton: So, every dollar out is a dollar off the bottom line.

Eric Callocchia: We've done some analysis on that. Yeah sure.

Chris Bernard: I was just going to say in thinking through it though is like how much control do they really have over their consumption. Because people are ordering at the restaurant they're showering.

Bridge Littleton: But think about it. It's things like the pool cleaning. Right. They will now use a [off mic] well. Well yeah. But we're not going to get the bill right. What my point is, is that do they bring in a third party to fill their pool up? Not from our well but from you know, a company that does it, because now that company just made it cheaper for that company. Sure. Irrigation, all that kind of stuff. I mean, I know they have their own wells, so it's kind of kludgy, right? But I think it's worthy of a lot of thoughtful consideration.

Eric Callocchia: You're absolutely correct. And we anticipated that. And we did look at the percent increase that the cap essentially we've seen the floor the down the cap is about 25%. So, we're looking at a 25% impact on your single largest customer in terms of an increase under this rate scenario. You're correct that they do have some they do have wells to supply their irrigation water. You don't see revenue from that. But there is a potential. We have done some analysis. One is there's a Great Wolf Lodge that they use a lot of water. They're great places. They are in some communities that do not have a large population and do not have, and they are a single large user. And again, we did run some analysis relative to the sensitivity. And they have not been terribly price sensitive at this level we're talking about. Because again, even something simply compared to their business insurance, you know, which is going up 10, 15, 20% a year, I'm sure this is a relatively small amount. So again, you may see some decrease. And we built in in this 10% decrease scenario we've included them. So, assuming they took 10% off the top from what they're currently using for the past two years, those are the forecasts that we're seeing. But you're right. It takes it takes a lot of consideration to change a range structure. People understand 3%. Everybody's going up 3% and you're getting the money you need. It's more difficult to communicate. You're going down 50, you're going up 25. But we're getting the same amount of revenue. The last two slides we have here are again these two charts. They look nearly identical to the first ones because it was designed that way. This is the 2024 elevated demand at those alternative rates, expenses versus revenues and cash flow. Again, you're falling just on top of that 100% policy given that additional demand and the \$1.2 million in emergency cash needs. Here is the alternative we were talking about. This is if you adopt these alternative rates, everybody starts using 10% less water. And you build in this entire capital program and the 1.2 million. And again, if that were to rise, you can see we're not anticipating that impact for another 3 or 4 fiscal years. You would have flexibility on how to handle those additional capital projects relative to lines of credit and long-term debt externally, from the town, this is just sort of that, hey, we need this cash right now. There's water coming out of Route 50. We need it right now. You would be able to support an emergency million dollars plus under this scenario. And this is again, the 10% reduction in demand. So, in summary it's been mentioned

before on the general fund side, the utility fund side, you are in a very good financial position on the utility side, you have a lot of flexibility at a 3% rate increase. I can tell you from personal experience, I've stood before similar Councils and said if you don't increase rates 50% next year, you are out of money in your utility fund. And that's the reality for some communities. You are not in that position because of the diligence you've been doing year after year.

Cindy Pearson: That's why we've been doing this for years, so we haven't had to do that.

Eric Callocchia: Exactly. And then again, just reiterating with those 3% increases, we you saw the financial forecast and we talked about the rate structure that has the potential to get you those revenues in an alternative way. I'm happy to answer any other questions.

Bridge Littleton: Questions? Bud, fire away.

Bud Jacobs: A comment. I had Mr. Mayor I hadn't thought about the impact on Windy Hill and other of our workforce housing. And I think we need to seek some options to mitigate that impact as much as we can. I have no idea what they might be. What would be legal or illegal, but I really want us to focus on that as we work through this. And my sense is that view would be shared by everybody on Council.

Eric Callocchia: If I may offer an alternative that we've seen in these situations. Because again, this comes up a lot. Sometimes communities structure their rates on a per unit basis. So, per edu or per apartment unit. So maybe that 2000 could apply on a per unit basis rather than a per meter basis. We've seen that alternative take some pressure off of these multi-unit master meter communities. I don't again that would be subject to your ability to measure that and to incorporate that into your billing system. So, there's a lot of other administrative issues, but certainly from a financial point of view we could run scenarios with different alternatives.

Bridge Littleton: Yeah. And I mean I think for Danny and for Martin, it's a what's our code allow us to do. I mean, you know, is there state things you bump up against maybe, maybe not. I don't know, but yeah, I get it. I mean, I think Bud is exactly right. Our intent is not to go to a new rate structure and have this donut hole around the multifamily units that get hit with the upper because they don't have multimeters.

Danny Davis: So, and Mr. Mayor one of the alternatives. And again, a little bit of discussion with, Mr. Dale from the Finance Committee. In addition to or instead of it's really kind of up to the Council. One of the ideas brought forward in the memo for this item was whether the Council wishes to consider any kind of regular grant that would help offset costs for. So let me step back a second. And working with Mr. Crim, we don't have legislative authority to set different tiered rate structures for low income, affordable housing, fixed income. You have flexibility, though, to grant dollars to non-profits designated specifically for that purpose. And so, you could look at opportunities essentially to say, do you want to consider a grant specific to Windy Hill that would be used to offset costs of their use of their residence, or additional grants to Middleburg Fish that would go towards people who are vetted. There are many, many different potential scenarios. Again, it's one option on the table. I'm not saying that's where Council wants to go, but as you look at, you know, ways to support those users in the utility fund.

Bridge Littleton: Yeah, I think the challenge with that is that becomes unpredictable, right? Grants come and go. Times are good, times are bad. You know, they become used to it. And all of a sudden you can't afford it anymore. If we build a rate structure, which basically codifies the way we run our utility system, that it can be self-sustaining, that will be enduring, right? The worst thing I would want to do is for us to get in a financial situation because we're in a bad recession and we can't do grants anymore, and they've come, you know, those most at risk have become needed on it. And we don't have flexibility. So, I mean, again.

Chris Bernard: [off mic] At the same time.

Bridge Littleton: Yeah, exactly. And it would be the worst of the worst. Right. So not saying it's not a thing to explore. I would throw this out. And we need to go around the room. There's a lot of merit in what you guys have put together, right? There's a lot of work left to be done. A lot of work. And also, if we did a grant thing, how would that look? What

would it look like? Because that is a viable option, but it has downsides. So, and I don't think it's work that we can get done reasonably by June 30th. Right. And I think we would also really want to have public input. I mean, this would be a massive change in the way we look at rate structures potentially. We need to hear from the businesses. We need to understand the community input. You know, it's going to be you know it's going to be it's like anything you move stuff like this, there's winners and losers and you know, you need to think about it. So, I'm not sure how the rest of the Council feels. Let me ask a question, a procedural question. Is there anything that stops us from setting rates now for the beginning of the year? And then we get all this work done, figure out what the path is and implement it in November. I mean, it's probably not a good practice, but.

Bridge Littleton: Whatever the cycle.

Danny Davis: Yeah. I don't think there's any. [multiple speakers]

Martin Crim: I think you can do it at any time. It's a question of, you know you know. What do you want to accomplish here? Do you need to do this for July 1st, or is it something you could put off for a while? Two rates changes in one year is a little unusual but there's nothing to stop you from doing that.

Bridge Littleton: Yeah. No, I totally get where I'm getting at is we do all the work, we figure out this is the path we all want to go. Let's implement the goodness now. And that's a choice. Or we could push it to the next fiscal year or whatever, but Okay, let's go around the room. Pam, what are your thoughts?

Pam Curran: I think, as Bud said, I mean, I'm concerned about anything that we do that might impact Windy Hill. Right. I think that's going to take a lot of work for us to figure that out. But I mean, if we could set the rates now and then take a look at it after the dust settles, I mean, I'd be in favor of that.

J. Kevin Daly: I may be thinking completely out of the box. I have nothing. I have no idea how plumbing works. But why could not why couldn't? Yes. Why could not meters be placed on those individual apartments?

Martin Crim: There's an expense associated with that.

Chris Bernard: The expense outweighed the benefit.

Eric Callocchia: Yeah. Right. Yeah.

Bridge Littleton: But I mean, to your point, Kevin, if there's a different way, like these guys are suggesting that, you know, it's a massive meter, but we figure out how to do something, then maybe that's the way to handle it. Okay.

Danny Davis: Yeah. And I want to just make sure we're clear that if we go that route of submetering, for lack of a better term, it would need to apply equitably across multifamily properties, not just Windy Hill. So, we'd want to make sure that we look at that across you know, those apartments above retail that share a meter with the retail component or, you know, those that have two units, three units, four units. Our code requires them to have currently one meter, and it is paid by the property owner. But if we want to look at that route, definitely that's an option where there can be submetering or carve outs for multifamily. We just need to kind of review that against the model.

Bridge Littleton: Right. And I'm sorry, Peter, you had a question.

Peter Leonard-Morgan: Actually, two observations. And part of this is on two ends of the spectrum, actually. So, our biggest user is a five-star resort with 140 rooms. Okay. And so, I think I can't imagine that they would ask their residents, you know, paying \$600,000 a night or to not take a bath or only take one bath. So, I'm not sure. I think that would be most of the use that they would have would be the residents or the guests rather. So, I'm thinking, I think you mentioned that, Chris, or you alluded to that.

Chris Bernard: [off mic]

Peter Leonard-Morgan: Well, the restaurant. Yes, but. Right. So, I think probably the rooms might use a lot of the water. And then on the other end of the scale, and I have no idea where this would work if you have Windy Hill with X number of apartments and you divided a monthly, bi monthly bill by that number of apartments, it would be an exercise to find out whether they actually don't use a lot of water, and whether you could maybe apply that as a thought process. I don't know if that works. You probably looked at that sort of thing before.

Eric Callocchia: We have. Yeah, we have we have clients who have class designations for multifamily that are per equivalent dwelling unit. So, and you're right, if you look at it, it's likely that those units use less than a typical single-family home. And they might even be below your minimum of 2000 but when you add them up, obviously they're a lot higher. Yeah. We have the data to look at that.

Chris Bernard: So, is that correct? Maybe I misheard or misunderstood. Are we able to have different rate classifications based on multifamily or commercial versus residential? I think you can do commercial versus residential, but can you do multifamily versus.

Eric Callocchia: I would want to verify that before I said definitely yes.

Chris Bernard: Because that seems like the easiest path.

Martin Crim: It just needs to be fair and reasonable.

Eric Callocchia: Yeah. We have clients in the Commonwealth that have class distinctions that include residential, multifamily.

Bridge Littleton: Yeah, but that could be something in the charter. So, we got to be careful, that doesn't mean necessarily that we have that authority.

Chris Bernard: I think that seems to me like the easiest path if it works.

Bridge Littleton: I think to Peter's point; these multifamily ones are creating a little bit of a hitch. So, between Danny, Martin, and you guys, you all need to look at all the things that we are authorized to do and what, you know, what options do we have?

Eric Callocchia: Right.

Bridge Littleton: And then how would that work?

Eric Callocchia: So, to Danny's point, it would have to apply across the board to all customers of a similar demand profile.

Bridge Littleton: Okay. Cindy.

Cindy Pearson: Yeah. My mind actually went the same as Kevin's and then the same as Danny's with the grants. And I see your part. You know, we can't afford it. That would really be bad. I think we need to maybe just do the 3% rate for the next fiscal year and then dig into this some more, because there seems to be a lot of options flying around here, and I don't think we can make that decision that quickly.

Bridge Littleton: Darlene. Oh.

Darlene Kirk: Okay. I kind of agree with what Cindy said. We can, it's going to take a long time for us to really work out the second proposal like you have and make sure that your Windy Hill, L House Foundation house, etc., they don't get

hurt. But I would I guess we'll go ahead with the 3% and then just work on this down the road for next year. Or should we work?

Bridge Littleton: I don't think we need to decide today.

Darlene Kirk: No, I know, but I mean, this is something that we want to consider for next year.

Bridge Littleton: Oh, yeah. I mean, yeah. Okay. Bud.

Bud Jacobs: Will mentioned in his presentation that the Planning Commission is reviewing the Comprehensive Plan, and we discussed already a little bit about mentioning the new water conservation ordinance in the plan. And perhaps there's a way to highlight this for our clients, our customers by including some brief, thoughtful language. Looking ahead at this, at this project, get it in the Comprehensive Plan. We can refer to it and it might help. It might ease whatever neuralgia we're going to experience from our users.

Bridge Littleton: Peter, do you have any other?

Peter Leonard-Morgan: I'm of the same opinion as Cindy and Darlene, really, that we look at our 3% that we've been doing for the last few years, which has been very good, and really dig a bit deeper into some of these questions. And you surely have a lot of expertise in that and probably know most of the answers already, but to work out what would be best for both ends of the spectrum and then the different sort of classes of customer, the commercial, residential, etc..

Bridge Littleton: So, it feels like everybody's looking at. Okay, we should plan on whatever time we need to in the budget process. Go with the 3%. You know, as you guys propose for the next five years, knowing that we can change it. And then probably after we get the budget all done and end of July, really start digging into this and all the elements and just be very, very thoughtful. I would advocate not that we have to wait till next June to do it. If you guys get there and we all agree in December, and there's goodness that can be delivered to those most in need, well then let's go ahead and do it. But, you know, erring on the side of you all having enough time to really pull apart all this stuff and not be under the gun. And is that the reading of the room?

Pam Curran: Yeah.

Bridge Littleton: Yeah.

Eric Callocchia: Okay. It would also help to every bimonthly period goes by; we get more data relative to water conservation impacts. We had some from last year, some from this year would help as well.

Bridge Littleton: Danny, did you need anything tonight? Other than that direction?

Danny Davis: No, not on this specifically. And we had intended to push off the public hearing on the budget and the utility rates to the last meeting of June anyway, so we had built some time into that. We still have some time before those ads have to go to the paper. But barring any changes between now and then, we'll plan to advertise in this direction.

Bridge Littleton: Okay. I think we're done with that. Thanks. Appreciate it.

Eric Callocchia: It's a pleasure.

Bud Jacobs: Very helpful.

Bridge Littleton: Yep. Yeah. So, Danny, what's next?

Danny Davis: I think next is just a brief budget discussion. We can talk as little or as much as you'd like. I know we've already talked a lot about budget numbers. There are actually a couple of conversations in the utility fund that that will help, you know, at some point from the expenditure side. So, if I'm going to jump ahead to our budget.

Bridge Littleton: So real quickly, how long are you planning to go through this?

Danny Davis: However long you want.

Bridge Littleton: What are you planning?

Danny Davis: Ten minutes. Do you need a break first?

Bridge Littleton: Okay. Yeah, just let's push through the ten minutes and then see where we are. Okay.

Danny Davis: Okay. So, I'll just first say we really don't have any. [off mic] Yeah, we. [off mic]

Peter Leonard-Morgan: Got bullet points. [off mic]

Danny Davis: That's right. We don't really have any revenue updates at the moment, so we'll be having more updates for you at the next meeting once we receive receipts from the month of March. So, we'll keep you posted on that. We at some point and I'd, think I'd like to suggest we punt any discussions of the police department to the next meeting? My recommendation would be that that I bring back to you what some of these potential changes, scenarios in the budget all look like. If we remove certain components in the proposed budget. I know there's been a lot of discussion about the changes in revenues on the general fund side. We've made some changes here and there in terms of direct expenditures but also understanding that the volatility in our revenue streams is still at a high level. So, if we pull out the enhancements in the police department budget, reduce revenues by a certain percentage, what does that look like? Just so you have a kind of a varying scope. You have one side here and a one side there. And that gives you some more information. But I don't have that ready for you yet. So, I suggest we just kind of bring that back to you at the next meeting. But if there are any follow up questions on the police department, please let us know. If it's okay with Council, we can just jump straight into quickly the maintenance budget and planning and zoning budget. Those should be relatively quick. And then I would like just to kind of walk through just a couple questions on the utility fund as it relates to some expenditures which may also guide our revenue requirements. And just give you a sense of where that is. So, forgive me, but I'm going to have to jump really quickly to the maintenance budget. So, we've talked about buildings and grounds already. Our maintenance is our overall covers a number of different topics. It's our superintendent salary. It is our refuse disposal budget. I will say here. This is the budget that was proposed to you. This amount of for waste disposal is actually, I'm suggesting that we reduce that by about \$10,000. You'll see that in a separate attachment in your packet. That's just based on actual counts and actual dollar values based on our contractual rates. So that can be about \$135,000. Additionally, we have some other dollars in here, regular dollars for use around the town. And maintenance needs. Our regular electricity. Snow removal is that one where we budget it and some years we need it and some years we don't. We have not needed it for a while in a significant manner. The big expenditure change here in this budget is for landscape maintenance. This is to fund the beautification request for the landscaping around the gateway signs. And I think Council was generally in favor of that in the discussion at the last meeting. This would be to help the one some of the one-time expenditures, as well as the ongoing plantings and maintenance of that. And this also includes the dollars that were approved in the current year for the bump outs in the Route 50 landscaping, also partnering with beautification. The other major change is actually a reduction, and I'm willing to change this if Council wishes to take a different approach. But the Dangerous Structures repair line item was budgeted to demonstrate the Council's intent to be serious about dangerous structures repair when people aren't taking care of their own structures. We've only had to use that one time. My suggestion would be Council consider that if we have a need for that in the future, consider that as a one-time fund that could come either out of fund balance or out of contingency dollars. I don't see a need to keep funding annually on that unless we have an annual need, and the rest of the maintenance is relatively static. So happy to answer any questions on that. If not, I'm just going to jump into Planning and Zoning. And we can. We can. Yeah. [off mic] Boring. The major change here in Planning and Zoning is the addition of some dollars in our engineering consulting fund to support the review of potential updates to the Comp Plan. So right now, Mr. Moore is just in review and conversation with the Planning Commission. But if we make the assumption that we'll need to do some

tweaks to some wording, perhaps some updating to maps or other components of it, we may need to bring in a consultant to support us in that.

Bridge Littleton: What did you all spend last time when we did the full Comp Plan [inaudible] ballpark?

Danny Davis: I seem to remember it was like 120. Does that sound right? I came in late in the process.

Bridge Littleton: That's good.

Will Moore: Yeah. And that was a yeah. And that was a full rewrite we [multiple speakers].

Bridge Littleton: Oh no I know. Yeah, I get it. I'm just using it as a benchmark.

Danny Davis: Yep. So other than that. Yeah. Go ahead.

Bud Jacobs: I didn't see a line item in here for [off mic].

Danny Davis: The Planning Commissioner Honorarium. Yeah that got cut. Sorry.

Bridge Littleton: It says right there at the bottom cup of coffee. [laughter]

Danny Davis: Come see me tomorrow. There's a Keurig in the back.

Will Moore: That's the other line.

Cindy Pearson: Write in's on the ballot. Write in's just remember that.

Danny Davis: We've already discussed economic development. I don't have any updates there. So, if it's all right with you all.

Bridge Littleton: Real quick. Anybody questions on Planning and Zoning? Okay or on EDAC?

Danny Davis: Is it fair to talk about events?

Bridge Littleton: Yeah.

Danny Davis: So, it is important for the Council to be aware. And the Mayor and Ms. MacIntyre and I have had some conversations, the opportunity for the Mille Miglia to come back this year essentially has, we believe passed we believe their organization is taking a strategic look at their overall events and international strategy, if you will. And so, at this time, unfortunately we don't think they'll be coming back, at least for the time being. We are looking at whether there are other events not of the same depth and length, but that we could support some other type of car events with a car show on the street, or maybe a celebration celebratory dinner of sorts. But as of now, it looks like we will likely tweak that line item and reduce that for this coming year and also have to reduce some of that return funding revenue that was a balance of that. But that ultimately is a savings to the town because we did outlay a significant amount of money. So, we continue in conversations with the organization. They know our interest. I will tell you, I think many of them wish they could come back because they have said how much they love it here. But as an overall organization appears, they're taking at least for now, a pause, and then we'll see what that looks like into the future. So that's my only update on the economic development side. [off mic] He hears news. And so.

Chris Bernard: Anything that happened this week?

Bridge Littleton: Yeah. The week ain't over yet. Anybody have any questions on economic development or events? Okay.

Danny Davis: So then going into the utility fund, just a few items to cover. And I'm going to skip the revenues for now since we've been talking about that extensively, except to say this is built on assumptions of the consumption patterns continuing. But we understand that can change either with choices or water conservation measures. So, we'll keep tracking that for you.

Chris Bernard: [off mic]

Danny Davis: Correct. Flat consumption from fiscal 24. Yep. With 3% increase. I don't necessarily need to go line by line yet on the utility fund, but there are a couple fundamental questions that I think would be intriguing to get Council's input on. The first one is here under administration staff salaries and FICA for salaries. Traditionally the utility fund has paid for 15% of my salary, 15% of the treasurer's salary, and 25% of the administrative assistant salary who takes payments. One opportunity to potentially reduce the expenditure line items in the utility fund would be to eliminate the chargeback, and that be paid fully from the general fund. There's varying opinions on this. You know, my time I do spend on utility funds, so it's completely rational and appropriate for the utility fund to pay for some of my salary. On the flip side, if Council feels that we need to be more cognizant of expenditures on the utility fund just because of future capital needs and rate requirements, then it's an alternative that you can look at, and it's about a 60 or \$65,000 difference in the budget. So just bringing that up for consideration don't necessarily need guidance tonight but would be something if Council has any preference one way or the other.

Bridge Littleton: I would say we rely on your best judgment or Peter.

Peter Leonard-Morgan: Or my judgment?

Bridge Littleton: Go ahead.

Peter Leonard-Morgan: No. I'm curious. The numbers that you use at the moment, is it sort of best guess, really or is there any is it worth wasting a bit of time just to actually? [multiple speakers]

Danny Davis: The 15% and 15%? Yeah.

Peter Leonard-Morgan: The time you use. What is that?

Danny Davis: I've thought about that in the past. You know, how to analyze that time truly. And it varies too often. I could probably say I put a little bit more than 15%, but there's no way to track specifically.

Darlene Kirk: [off mic] Do most towns do it like that?

Danny Davis: I know in my experience; I've seen it that way. If they don't have dedicated utility staff, then they do a chargeback of sorts. And it's always a conversation point. There's again, it's not right, not wrong. It sometimes depends on which fund is more able to pay for it. And where there's greater flexibility. Sometimes it is the fact of utility funds should pay for the services it uses. And so being that my time and her time and Dana's time are spent in that way. It definitely.

Bridge Littleton: It's a principle called single cost objective. Right. So, the cost objectives should bear the cost of what it is to do it. Right. So, you get a true, accurate picture of what that thing cost end to end. I think from for us right. That's 15% was always I think Mark did that when the general fund budget was tight and you know so back in the day it was really, really tight. I mean does any I mean to me, whatever you and Angela feel, and your best judgment makes sense.

Danny Davis: Okay.

Bridge Littleton: If you're spending a couple hours every month or whatever doing a bunch of accounting and the net negative is \$65,000, and you want to be rid of one little hassle, fine. You know, but I mean, I would leave it up to you guys unless anybody on Council, I mean, if it was 500 grand, it's a different story.

Danny Davis: Sure, sure.

Bud Jacobs: So, we give you the responsibility and then blame [off mic].

Bridge Littleton: Absolutely admit nothing, deny everything, make counter accusations.

Danny Davis: Perfect. Perfect, perfect. I'm just going to walk you through. I'm going to stop there on the utility fund and just show you finally some changes I'm intending to demonstrate in the general fund. We discuss the grants and sponsorships and the infrastructure grants at the last meeting. So those will be slight reductions in the general fund budget increasing the Juneteenth budget for next year slightly as well. We discussed Christmas ornaments. So, a reduction of \$7,000 there. And then the waste disposal line item here. I put a plug in for the chargeback of services, if that were had to be absorbed in the general fund. But I'll come back to you and make a recommendation on that. I'll then update this with any other changes we make, specifically just mentioning the Mille Miglia. And then as we go through and Council has any other direction or changes on specific line items, this is our tracking chart that we'll just keep, and we'll bring to you at each subsequent meeting. This is also where we'll show potential reductions in revenues. And how that balances out across the board. And I'll find a better way to show you that in totality, since that will be a much larger picture. Especially with the police department. So, I'll stop there unless there are any further questions.

Bridge Littleton: Your two minutes over. [off mic] Yeah.

Danny Davis: I heard pretty good. I'll take pretty good.

Bridge Littleton: 20% over. I don't know if I'd say that's pretty good. Any questions? Okay. What's next? Well, we already went through that, didn't we?

Danny Davis: This is actually specific.

Bridge Littleton: Oh, Megan went through it.

Chris Bernard: Yes, we went with her.

Danny Davis: What she said.

Bridge Littleton: And I got to say, if you can get it in three minutes, there should be no reason you can't. Because she did. [laughter]

Danny Davis: Mr. Mayor and Council. [off mic] It does, no, I appreciate that. So, Miss Gallagher did a great job summarizing the proposed changes. So, you've really got me off track here. What we're what we're suggesting. And as you know we're still in a drought. We likely will continue to be in a drought. We don't have any foreseeable, heavy ongoing rains. And so, we want to make sure that we're protecting our most precious resource. And we found last year during conservation measures that our current ordinance is not adequate. It's outdated. Some of the practices are not commonplace. So, the recommendation was let's look at this. See how we can make this simple. I have a tendency to create too many options, like 4 or 5 different tiers. And what that does is confuse everybody. And so, this provides flexibility. So, it gives me a lot more flexibility. Also, Council flexibility. But then, it sets some real clear standards here. As Miss Gallagher mentioned, the primary one would be mandatory water conservation. That's really we go right into that. You know, if we're in a tough situation, we go into that. It's no use of irrigation and sprinkler systems that's going to save a lot of money for those who just the sprinkler turns on every morning at 7 a.m. and runs for two hours. Thousands of gallons a day. That's going to be a huge savings. Anyone who waters is actually still allowed to use a hose in this scenario, but only between 6 p.m. and 9 a.m.. So not during the hottest part of the day. And you have to be with the hose, essentially. Which is actually a little more flexible than last year, which was the only choice we had was you can't use a hose. And so, this is a little more flexible for our residents. No topping off of pools and no other outdoor water beyond this. But then the next step goes straight into water rationing. As noted in here the 80% of our customers, on average use

less than 150 gallons per day. So, this would have no enforceable impact on those residents, might still have some impact from if they had been using a hose outside or otherwise. But in terms of consumption patterns, the impact of this is fairly minimal. The bigger impact is when you get to those who were using water for higher uses whether it was for the pools, the running the water constantly in their restaurants. You know, being more cognizant of how to conserve water in their high, high use patterns. The challenge we have here a little bit is it's easy to meter residential on a gallons per day because they're fairly standard expectations of water consumption. Commercial is a little bit tougher because you might have one restaurant that has a lot of throughput and another restaurant that has very little throughput. So, the suggestion here was to take a percentage of their average consumption and make that the standard by which they have to reduce. 10% is a good number. I don't know if it's the right number. And I'm partly coming to say is there more information data? I can provide you some potential analysis of how much we can save if we make this 10%, 15%, 20% that results in 7,000 gallons per day or 20,000 gallons per day based on averages. Other information that helps make a decision for you as the Council. Again, the top ten users of our system use 55% of our water, so that's just a factor of a lot of activity at those places.

Bridge Littleton: Darlene. Not at all.

Danny Davis: It is important to note that last year, there were 40 customers that used more than the average of 150 gallons per day. So, there are a subset that's, you know, not quite 10%. 8% or so of our system. But so there will be some savings there of our water. And then of course, we've talked about the rates. So, I'm open to input. This is not we don't need a decision right away. Again, this is one of those we thought we'd engage the community for input. Have a conversation, have a community meeting. We can talk about this. We can talk about the idea of rate structure if it's appropriate, or we save that for a future date. But at this time, we want to make sure we have this in place by the end of May so that if in June we're needing to impose measures, we have it ready to go.

Bridge Littleton: Questions for Danny? Pam.

Pam Curran: Danny, did we look at any incentives? I mean, I know we've got some punitive measures that people don't do what they should do, but do we look at any incentives for residents that go above and beyond?

Danny Davis: So, the input, the idea or suggestion I would bring back is idea came forward in our Citizens Academy of can we support residents efforts to get rain barrels to have household recycled water. It may not be that we're paying for it, but that we find a vendor that would offer a bulk discount if they purchased, you know, through, you know, not through us. But if we procure or willing to find someone for that.

Cindy Pearson: And then would we include mosquito spray? So, the rain barrels that attracted those mosquitoes.

Danny Davis: We still have some of those tablets, I think.

Cindy Pearson: Okay.

Danny Davis: Yeah. Oh, no. We threw it away when we moved here. Sorry. So, in terms of incentives, not monetarily. More of the encouraging people that you can still keep watering, even under mandatory restrictions if you're getting that water from a different source. So it could be from a private hauler, landscaper, rain barrel recycled. You go down to Goose Creek and get a bucket and bring it back to your house. I mean, you know, there are a variety of options, and that's more of the behavioral incentive. Less so than a financial incentive.

Cindy Pearson: So that should go to Peter with his Go Green. [laughter]

Bridge Littleton: Any other questions or thoughts? So, yeah, I think you're absolutely right. We've never done this before, so we got to start somewhere. I totally agree. Having it in place early enough that, I mean, we're still in a drought right now, so. I mean, you're saying June. Hell, it could be two weeks from now or not, but, I mean, it's Okay. And I just think we have to be when we put it in place that this is our starting point. We do need to be diligent the first couple months that we use it to watch, because, you know, there's going to be something we didn't anticipate and go, whoops, we

didn't mean that. The only other question I had for you, the discussion you and I had two days ago about giving you the ability to waive if necessary, have you put that in here? I don't think so.

Danny Davis: I have not. Not yet.

Bridge Littleton: So, the one comment I mentioned to Danny was, like we have with the if you have a leak. The leak adjustment. Right. So, if someone's away for two weeks and the restrictions are in place and they have an issue, and they had a leak adjustment two years ago, and they come back, and because of the tripling, tripling or tripling that we do, they have a \$15,000 bill. Yeah. They're just we want to make sure that he's got the flexibility to account for that the right way, because that's not what we're trying to do.

Danny Davis: Right.

Bridge Littleton: Right. You know, someone's away, they get a leak, and it leaks a lot, and they come back, and you know, now you guys will watch it, but, you know, it still could be. It's a couple of days and they can turn it off in the street or whatever.

Danny Davis: Right.

Bridge Littleton: But I just want I asked Danny to think about putting something in there that if something unusual happens, we don't want to sock somebody with a \$15,000 bill.

Danny Davis: We could reduce that surcharge back to the normal rate.

Bridge Littleton: Right. Exactly.

Danny Davis: Right. So, and it will be incumbent upon us. And I appreciate the hard work of Jessica working on some excel voodoo magic for us. But it will be incumbent upon us to do regular meter reading as well. So, we're trying to get back into the habit of weekly meter reads right now, if we go into water rationing, we'll be suggesting we do it at least twice, if not three times a week. And that way we should catch somebody within a day or two if they have an if they're out of town and a pipe burst, or their water filtration system goes into constant flow mode. And that way we know there's water running. No one's home. We're shutting the water off and we can save them water, save us from losing water, and also save them from the future bill coming in. So, it'll take more time of us to be doing those reads regularly, but it's also automation. We're going to make that hopefully streamlined.

Bridge Littleton: Okay. I guess just, you know, whenever your calendar has us voting on this, just, you know, bring it down so and well.

Chris Bernard: Public hearing.

Bridge Littleton: Yeah. Public hearing and public input. Yeah. We want to make sure that we let people know in advance so we can get feedback on their thoughts. Okay. Yes, ma'am.

Cindy Pearson: Do we have time for all of that before you want to get this in place, though?

Bridge Littleton: Yeah. I mean.

Danny Davis: So, we don't technically have to hold a public hearing per se, on ordinance amendments. We just needed a Council meeting, so I would look at a public input session, public community meeting and hear mid-May, probably, you know, 14th, 15th sometime around there.

Bridge Littleton: And we'll post it on Facebook and the website and all that stuff and ask people to come.

Danny Davis: And then your second meeting or second meeting of May will be the 22nd, if I have my math correct. So that would give us time to bring that to you.

Bridge Littleton: Okay.

Danny Davis: For adoption. So, it's in place? Yeah. Before summer.

Bridge Littleton: Perfect. Okay next up is information items. Any information items?

Chris Bernard: I got one.

Bridge Littleton: Oh, boy. [off mic]

Chris Bernard: You know, just wait. So, the Christmas in Middleburg organizers held a community information session last night to I guess, get feedback from community businesses, citizens on the parade and what they could do differently, better, or what was going wrong. Anything like that. Very lightly attended. They did get some feedback online. Generally, you know, people said historically it was too big. It feels right sized ish now they'd like to see more community focus on the elements of the parade rather than people coming from far away. But if anyone does have feedback for the parade they are taking it. It's kind of open and rolling thing, so let them know.

Bridge Littleton: Anything else? Danny, real quickly on closed session, do we actually have something to go over on the litigation stuff?

Danny Davis: Yes.

Bridge Littleton: We do. Okay.

Danny Davis: And we also have a separate item as well. Yeah. [multiple speakers]

Bridge Littleton: All right. Unless there's any other information items, someone wants to read the memo.

Chris Bernard: I move that Council go into closed session as authorized under section 2.2-3711 of the Code of Virginia, for one consultation with legal counsel pertaining to actual litigation involving Cooper Building versus the Town of Middleburg. Two consultation with legal Counsel pertaining to actual litigation involving Salamander Farms, LLC versus the Town of Middleburg, both as allowed under subsection A7, and three consultation with legal counsel employed by the public body regarding specific legal matters requiring the legal advice of such counsel related to a potential franchise agreement as allowed under subsection A8. I further move that the Council thereafter reconvene an open session for action as appropriate.

J. Kevin Daly: Second.

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

All of Council: Aye.

Bridge Littleton: Opposed? Abstentions? All right, here we go. [off mic]