

Special Meeting

**County Board Room
May 27, 2008**

The Council of the Town of Culpeper convened in special session at 7 p.m. with Mayor Pranas A. Rimeikis presiding. **Present:** Duke M. duFrane, F. Steve Jenkins, Michael T. Olinger, Emma F. Richards James C. Risner, Christopher H. Snider, William M. Yowell, Councilmembers; Daniel V. Boring, Interim Town Manager; Scott H. Barlow, Chief of Police; Neal F. Deane, Town Treasurer; Chuck Stephenson, Town Engineer; Beth Burns, Tourism Director; Mark Bly, Light & Power Director; Dwight Wicks, Environmental Services Director; Robert H. Thornhill, Public Works Director. Absent: Calvin L. Coleman, Councilmember.

Proposed FY2009 Budget

The purpose of this special meeting was to receive public comment on the proposed FY 2009 Annual Budget. A brief synopsis is as follows:

	Operating	Capital	Total
General Fund	\$ 12,292,462	\$ 8,814,597	\$ 21,107,059
Water	3,081,383	16,691,407	19,772,790
Wastewater	3,979,593	26,295,635	30,275,228
Light & Power	10,632,833	2,486,287	13,119,120
Cemetery	431,260	N/A	431,260
Parking Authority	204,101	N/A	204,101
Total	\$ 30,621,632	\$ 54,287,926	\$ 84,909,558

The proposed budgets are based on the current tax rates, fees and charges, except for the following changes, effective July 1, 2008:

- Cigarette tax rate reflects a proposed increase from \$0.10 to \$0.20 per pack (Town Code §23-139).
- Meals tax proposed increase from 5.0% to 6.5% (Town Code §23-67).
- Business license reflects the following increases (Town Code §10-25):
 1. Contracting from \$0.10 to \$0.13
 2. Retail sales from \$0.13 to \$0.14
- The special tax rate for the Southridge Service District is proposed at \$0.10 per \$100 of assessed value of real estate. The Southridge Service District taxes are taxes on real estate locate within the service district, pursuant to Chapter 24 of Title 15.2 of the Code of Virginia.
- The Light & Power Fund budget reflects a proposed 3% increase to all non-fuel electric rates plus a \$0.50 per month increase to the basic charge to all electric customers.
- The Light & Power Fund budget reflects a proposed increase to the meter service fee for all electric meters set after June 30, 2008. The fees will be as follows:
 1. Residential - \$96
 2. Small general service and medium general service - \$318
 3. Large general service - \$553
- The Water Fund budget reflects a proposed 3% rate increase plus a \$0.25 increase to the basic charge to all water customers.

- The Water Fund budget reflects a proposed increase for meter service fees for all meters set after June 30, 2008. The fees will be as follows:
 1. 5/8" meter size – \$173
 2. 1" meter size – \$232
 3. 1 ½" meter size – \$332
 4. 2" meter size – \$424
 5. 3" meter size – \$1,357
 6. 4" meter size – \$1,806
- The Wastewater Fund budget reflects a proposed 8% rate increase plus a \$0.25 increase to the basic charge to all wastewater customers.

The Town of Culpeper proposes the following real property levy increase:

1. Effective Rate Increase: The Town of Culpeper proposes to adopt a tax rate of \$0.09 per \$100 of assessed value. The difference between the prior year tax rate and the proposed rate would be \$0.02 per \$100, or 29 percent. This difference will be known as the "effective tax rate increase."
2. Proposed Total Budget Increase: Based on the proposed real property tax rate and changes in other revenues, the total budget of the Town of Culpeper will exceed last year's by 7 percent.

PUBLIC HEARING

Mayor Rimeikis declared the public hearing on the budget open and requested anyone wishing to address Council to please come forward to do so.

Larry Lucas, business owner in Southgate Shopping Center, commented his business generates over \$40,000 per year through cigarette tax, sales tax and business license to the Town. He believed his business will not be able to compete with others outside of Town due the proposed cigarette tax rate increase.

Councilmember duFrane asked Mr. Lucas is he knew the volume of cigarettes sold throughout the County. Mr. Lucas replied that he did not know.

David Lockridge, owner of Smoothie King, stated that the original intent of the meals tax was to promote tourism in the community. Asked council members how the proposed meals tax rate increase would help stimulate the local economy and has not yet received an answer. Feels the meals tax is crippling the town and requested that council decrease the meals tax to 4%.

Mickie Rhoads, 2244 Forsythia Drive, expressed her concern for the increase in the real estate tax rate; extra taxes could force people into foreclosure with the economy being in its current condition.

Michael Lyszczek, 328 W. Asher Street and Vice President of Culpeper Renaissance, reviewed departmental summaries, excluding public safety and utilities and commented budgets had been increasing over six years by 86% while the contribution to Culpeper Renaissance contribution has gone up 8%. He believed that CRI has been saving the town money by self funding and fundraising and requested Council not cut their funding.

The public hearing was closed.

REVIEW OF PROPOSED FY2009 BUDGET

Mayor Rimeikis noted this was the time to review the proposed budget.

Treasurer Deane provided copies of a Reconciliation of Budget Shortfall to Proposed Changes and reviewed the summary with Council. (A copy of the Reconciliation of Budget Shortfall to Proposed Changes FY09 Budget is included in the meeting packet of this date.) He explained that the Manager's proposed budget from April 8 was balanced by increasing revenue by \$1,197,500 and reducing expenditures by \$177,395.

Treasurer Deane reviewed known expenditure savings totaling \$428,811, proposed tax increases totaling \$1,278,500, and proposed expenditure cuts totaling \$306,623. There would be a surplus of \$639,039 if Council approved the budget with proposed tax increases as advertised.

Councilmember Olinger asked if the meals tax remained at 5%, what would the figure be. Treasurer Deane replied it would reduce the surplus to approximately \$212,000.

Vice Mayor Yowell stated if the meals tax, cigarette tax, or any of the proposed BPOL taxes were not increased, that would be approximately \$668,000 and the PILOT program could make up the difference.

Councilmember Olinger asked if the \$100,000 per fund in the PILOT was a conservative figure. Treasurer Deane replied that it was a true calculation based on the value of assets and gross receipts.

Treasurer Deane stated an option could also be for the Enterprise Fund to make a contribution to the General Fund and leave the PILOT as-is.

Vice Mayor Yowell reiterated his suggestion earlier plus taking \$10,000 from each of the Enterprise Funds to balance the budget and during the mid- year review, look at funding for CRI.

Mayor Rimeikis asked if there was anything calculated in this budget to pay back reserves. Treasurer Deane stated it was approximately \$35,000. He noted the General, Water, and Wastewater Funds were sound on the reserve side; the Light and Power Fund needed to be worked on.

Vice Mayor Yowell made the following proposal for discussion: eliminating the proposed increase to the meals tax, cigarette tax, BPOL – contracting, retail, and wholesale and add another \$10,000 contribution from the Enterprise Funds.

Discussion followed regarding outside agencies, mid-year review, cigarette tax, and BPOL.

Councilmember Jenkins stated that he would like to give citizens another opportunity to be heard on the proposed budget.

R/R RE: FY 2009 Budget Ordinance

Mayor Rimeikis presented the report and recommendation that stated that the budget ordinance establishes the revenues and expenditures for all funds for the period of July 1, 2008 through June 30, 2009.

- a 2¢ increase to the equalized real estate tax rate (increasing it to 9¢/\$100 valuation);
- Personal Property Tax Relief from the Commonwealth of 32%;
- a 1½% increase to the meals tax rate, increasing it to 6½%;
- a 10 cents per pack increase to the cigarette tax rate, increasing it to 20 cents per pack of cigarettes;
- an increase of \$.03 to the contracting and \$.01 to the retail business, professional, and occupational license tax rate categories, increasing them to \$.13 and \$.14, respectively;

- a 3% increase to water use rates, plus a \$1/mo. basic charge to all water customers, and meter service fees for all meters set after June 30, 2008 as follows:

5/8" meter size – \$173

1" meter size – \$232

1 ½" meter size – \$332

2" meter size – \$424

3" meter size - \$1,357

4" meter size - \$1,806

- an 8% increase to wastewater use rates, plus a \$1/month basic charge to all wastewater customers;

- a 3% increase to all non-fuel electric rates plus a \$1.50/month special assessment for each basic customer charge for all electric customers, and meter service fee for all electric meters set after June 30, 2008 as follows:

Residential - \$96

Small general service and medium general service - \$318

Large general service - \$553

Vice Mayor Yowell moved, Councilmember Snider seconded, to adopt the FY09 Budget Ordinance with the following amendment: no increase to the meals tax rate, no increase to the cigarette tax rate and no increase in business license taxes and authorize the Interim Town Manager to find \$30,000 to balance the budget and review CRI's funding at mid-year review.

The motion carried by voice vote (Ayes:-duFrane, Olinger, Richards, Rimeikis, Risner, Snider, Yowell (7); Nays: Jenkins (1); Absent: Coleman(1)).

R/R Re: FY 2009 Appropriations Ordinance

Mayor Rimeikis presented the report and recommendation that stated the appropriations ordinance authorizes the collection of revenue and expenditure of funds for all funds for the period of July 1, 2008 through June 30, 2009.

Councilmember Olinger moved, Councilmember Risner seconded, to adopt the Appropriations Ordinance for the period of July 1, 2008 through June 30, 2009 with an amendment to the total General Fund of \$12,235,734.

The motion carried by voice vote: (Ayes:-duFrane, Jenkins, Olinger, Richards, Rimeikis, Risner, Snider, Yowell (8); Nays: none (0); Absent: Coleman(1)).

R/R Re: FY 2009 Employee Classification Ordinance

Mayor Rimeikis presented the report and recommendation that stated the Employee Classification Ordinance establishes the classification of all employee positions and authorizes the ranges of pay rates for each position for the period of July 1, 2008 through June 30, 2009.

Councilmember Olinger moved, Councilmember Risner seconded, to adopt the Employee Classification Ordinance.

The motion carried by voice vote: (Ayes:-duFrane, Jenkins, Olinger, Richards, Rimeikis, Risner, Snider, Yowell (8); Nays: none (0); Absent: Coleman(1)).

R/R Re: FY 2009 Tax Rate Ordinance

Mayor Rimeikis presented the report and recommendation that stated the Tax Ordinance establishes the categories and rates of General Government Taxes to be levied during the period of July 1, 2008 through June 30, 2009. It includes the following tax categories:

- Real Estate
- Public Service Corporations
- Tangible Personal Property
- Machinery & Tools
- Southridge Service District—Special Tax
- Bank Stock Tax
- Business, Professional & Occupational Licenses
- Cigarette Tax
- Utility License
- All Others

Councilmember Snider moved, Councilmember Risner seconded, to adopt the FY09 Tax Ordinance with an amendment to remove the cigarette tax rate increase and the business license tax rate increase.

The motion carried by voice vote: (Ayes:-duFrane, Jenkins, Olinger, Richards, Rimeikis, Risner, Snider, Yowell (8); Nays: none (0); Absent: Coleman(1)).

R/R Re: FY 2009 Personal Property Tax Rate Ordinance

Interim Town Manager Boring presented the report and recommendation that stated implementation of the Personal Property Tax Relief Act of 1998 would result in the following: 1) Personal use vehicles valued at \$1,000 or less will be eligible for 100% tax relief; 2) Personal use vehicles valued at \$1,001 to \$20,000 will be eligible for 32% tax relief; 3) Personal use vehicles valued at \$20,001 or more will be eligible for 32% tax relief on the first \$20,000 of value; 4) All other vehicles which do not meet the definition of “qualifying” (business use vehicles, motor homes, etc.) will not be eligible for any form of tax relief under this program; 5) Pursuant to authority conferred in Item 503.D of the 2005 Appropriations Act, the entitlement to state PPTRA relief for qualifying vehicles for tax year 2005 and all prior tax years shall expire on September 1, 2006. Supplemental assessments for tax years 2005 and prior that are made on or after September 1, 2006 shall be deemed “non-qualifying” for purposes of state tax relief and the local share due from the taxpayer shall represent 100% of the tax assessable.

It was recommended that Town Council adopt the resolution implementing the changes to the Personal Property Tax Relief Act of 1998.

Councilmember Risner moved, Councilmember Snider seconded to adopt the resolution implementing the changes to the Personal Property Tax Relief Act of 1998.

The motion carried by voice vote: (Ayes:-duFrane, Jenkins, Olinger, Richards, Rimeikis, Risner, Snider, Yowell (8); Nays: none (0); Absent: Coleman(1)).

R/R RE: FY 2009 Water & Sewer Rate Ordinance and FY 2009 Meter Service Fee Ordinance

Interim Town Manager Boring presented the report and recommendation that stated the FY09 Water & Sewer Rate Ordinance increases the water rate by 3% and the sewer rate by 8%. The revenue from water sales is projected to be \$2,900,052 and \$3,103,391 for wastewater sales for the period of July 1, 2008 through June 30, 2009. This includes a 75¢/mo. basic charge to all water and wastewater customers for the Automated Meter Reading (AMR) system conversion.

Meter service fees for all meters set after June 30, 2008 as follows:

- 5/8" meter size – \$173
- 1" meter size – \$232
- 1 ½" meter size – \$332
- 2" meter size – \$424
- 3" meter size - \$1,357
- 4" meter size - \$1,806

For the average household consuming 5,000 gallons water per month, the consumption rate increases equate to an additional \$.75 for water and an additional \$2.05 for sewer per month.

Treasurer Deane stated the correct amount for basic charge to all water and wastewater customers for the automatic meter reading system conversion would be \$1.00 not \$0.75 as indicated in the financial impact information.

It was recommended that Council adopt the FY09 Water & Sewer Rate Ordinance and the Water Meter Service Fee Ordinance as corrected.

Councilmember Olinger moved, Councilmember Snider seconded, to adopt the FY09 Water & Sewer Rate Ordinance and the Water Meter Service Fee Ordinance.

The motion carried by voice vote: (Ayes: duFrane, Jenkins, Olinger, Richards, Rimeikis, Risner, Snider, Yowell (8); Nays: none (0); Absent: Coleman(1)).

R/R Re: FY 2009 Electric Rate Ordinance

Interim Town Manager Boring presented the report and recommendation that stated the electric sales revenue generated from the proposed 3% rate increase is projected to be \$291,794 for the period of July 1, 2008 through June 30, 2009. The new rate also includes a \$1.50/month special assessment to the basic charge to all electric customers for the Automated Meter Reading (AMR) system conversion.

It was recommended that Council adopt the FY09 Electric Rate Ordinance

Councilmember Olinger moved, Councilmember Risner seconded, to adopt the FY 09 Electric Rate Ordinance.

The motion carried by voice vote: (Ayes: duFrane, Jenkins, Olinger, Richards, Rimeikis, Risner, Snider, Yowell (8); Nays: none (0); Absent: Coleman(1)).

R/R Re: FY 2009 Meals Tax Rate Ordinance

Interim Town Manager Boring presented the report and recommendation that stated the proposed increase is estimated to generate an additional \$427,000 in the FY09 budget for a total budget of \$2,327,000 but since Council voted not to increase the tax the ordinance would need to be changed to reflect no increase.

The recommendation is that Council adopts maintaining the current meals tax rate of 5.0%.

Councilmember Snider moved, Councilmember Olinger seconded, to adopt the current meals tax rate of 5.0%.

The motion carried by voice vote: (Ayes:-duFrane, Jenkins, Olinger, Richards, Rimeikis, Risner, Snider, Yowell (8); Nays: none (0); Absent: Coleman(1)).

R/R Re: FY 2009 Cigarette Tax Rate Ordinance

Interim Town Manager Boring presented the report and recommendation that stated the proposed increase is estimated to generate an additional \$180,000 in the FY09 budget for a total budget of \$360,000 but stated since Council voted not to increase this tax the ordinance would need to be changed to reflect no increase.

It was recommended that Council adopt maintaining the current cigarette tax rate of \$0.10 per pack.

Councilmember Snider moved, Councilmember Olinger seconded to adopt the current cigarette tax rate of \$0.10 per pack.

The motion carried by voice vote: (Ayes:-duFrane, Jenkins, Olinger, Richards, Rimeikis, Risner, Snider, Yowell (8); Nays: none (0); Absent: Coleman(1)).

R/R Re: Amendment to the Reserve Policy

Interim Town Manager Boring presented the report and recommendation that stated the Town recently went through a credit rating process, which favorably assessed the financial condition and the fiscal policies of the Town. However, as a result of this review, our financial advisors, Davenport & Company, recommend that the Town amend its reserve policy to represent percentages versus stated months plus reduce the optimum balance of the General Fund down from 50% of annual operating expenditures to 40%. Based on historical balances and expenditure projections, staff feels that 40% of the General Fund operating expenditures will suffice as an optimal level. The Town's FY08 ending fund balance in the General Fund is projected at 25% of its operating expenditures and budgeted at 17% for FY09.

The reserve policy was established by Council at its regular meeting on June 12, 2007. The policy was established for the purpose of ensuring 1) continued orderly operation of the government and the services provided to our residents and 2) continued stability of the revenue structure.

The FY09 budget reflects the following reserve balances:

General Fund: \$2,155,000 or 17% of operating expenditures

Water Fund: \$14,018,209 or 455% of operating expenditures

Wastewater Fund: \$8,318,820 or 209% of operating expenditures

Electric Fund: \$150,000 or 1.4% of operating expenditures

It was recommended that Council amends the changes to the reserve policy as highlighted above, approves the reserve balances as budgeted for FY09, and includes the reserve policy in the FY09 budget document

Councilmember Snider moved, Councilmember Risner seconded, approval of the report and recommendation as presented.

The motion carried by voice vote: (Ayes: duFrane, Jenkins, Olinger, Richards, Rimeikis, Risner, Snider, Yowell (8); Nays: none (0); Absent: Coleman(1)).

Councilmember Snider asked if there was a plan to restore fund balances to the minimum threshold. Treasurer Deane replied that Light and Power was the work in progress currently. This is the first budget that adds funds to the reserves, and he believed that within three to five years, it should be accurate.

Adjournment: On motion by Councilmember Snider, seconded by Vice Mayor Yowell, Council adjourned at 8:20 p.m.

Clerk

Mayor