

**FINANCIAL PROFORMA TO DETERMINE THE LIMITATIONS OF BORROWING
BASED ON REVENUE AND CASH FLOW PROJECTIONS**

(Prepared by VML Financial Services January 2018)

Definition: "In a business sense, financial statements that are prepared using the proforma method are prepared in anticipation of planned transactions such as an acquisition, merger, change in capital structure or a new capital investment. A proforma forecasts the anticipated result of one or more the transactions, with emphasis placed most specifically on estimated net revenues, cash flows and taxes."

"Governments that persue the construction of capital infrastructure often turn to borrowing funds , provided that debt service payments, in the short and long run, are affordable and within acceptable financial parameters."



Virginia Local Government Finance Corporation
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Steven C. Mulroy
Managing Director

February 2, 2018

Mr. Samuel Finz, Town Manager
Town of Lovettsville, Virginia
Email: townmanager@lovettsvilleva.gov

RE: Proformas for the Town of Lovettsville, Virginia,

Dear Sam:

On behalf of VML/VACo Finance, I am pleased to present the accompanying General Fund Proforma, General Fund Reserves Proforma, Utility Fund Proforma, and Utility Fund Reserves Proforma for the Town of Lovettsville, Virginia. For the General Fund proformas, we assume a base case of 3% annual growth in assessed values. We also provide a second set of General Fund proformas with an assumed annual growth rate of assessed values of 2%.

The proformas are based on the actual revenues and expenses of FY2017, the approved FY2018 budget, and the assumed FY2019 budget provided by the Town. FY2020-2028 figures have been projected utilizing the assumptions included herein. The assumptions are an integral part of the analysis and should be read in conjunction with the projections. Actual results are likely to vary.

The following are highlights of the proforma analyses based on the assumptions detailed in the attachments:

General Fund

- Anticipated growth of new residential units in the Town should enable it to realize Excess Revenues over Expenditures each year during the projection period (FY2020-2028);
- Included in the projected expenditures are annual contributions to the Town's reserve funds – Capital Fund, 3RM Fund, and an Operating Cash Reserve. The Town manager's assumed FY2019 Budget is the starting point for the annual reserve fund contributions, with contributions increasing at the same annual growth rate as the other expenditures, i.e., 2.5% in FY2020, 2.75% in FY2021, and 3% thereafter.

- Excess Revenues over Expenditures are projected to be sufficient to support additional debt in FY2020 to finance the E. Broadway 2A improvements project and S. Church Street/E. Pennsylvania Avenue improvements, including the town office expansion. The total amount financed is assumed to be \$800,000 per the Town's Capital Improvement Plan (CIP), amortized over 20 years at a rate of 4%.
- Assuming projected revenues are realized and expenditures do not come in higher than projected, the Town could potentially build up General Fund reserves to approximately \$2.4 million in FY2023. Of course, this assumes that new residential units are built as anticipated, assessed values increase annually at 3%, the tax rate is held steady, expenditures do not grow faster than projected, and the Town does not spend down its reserves faster than what is presented in its CIP.

Utility Fund

- Based on projected growth in Water & Sewer connections, as well as an additional 2% annual increase in W&S Service revenues, and a 2.5% to 3% annual increase in expenditures, the Utility Fund is projected to realize annual surpluses ranging from \$16,800 to \$71,300.
- Based on the assumptions used in the projections, the Town should be able to make annual contributions to its Utility Fund Reserves – i.e., the Capital Fund, the 3RM Fund, and the Operating Cash Reserve.
- Based on the same annual growth factor assumed for the Utility Fund expenditures – i.e., 2.5%, 2.75%, and 3% in FY2020, FY2021, and thereafter respectively – for contributions to the Utility Fund Reserves, the projected Utility Fund Reserve balance could potentially exceed \$4.5 million in FY2023. This also assumes that withdrawals from the Utility Fund Reserves are consistent with the Town's current CIP.

General Fund – 2% Scenario

- We have prepared a second proforma analysis for the General Fund that assumes assessed property values grow by 2% annually during the projection period vs. the 3% in the base case scenario.
- In this scenario, revenues are projected to exceed expenditures during the projection period (FY2020 – 2028) each year ranging from \$2,900 to \$24,500.
- The projections indicate that there are sufficient Excess Revenues over Expenditures to pay annual debt service of an \$800,000 loan amortized over 20 years at an assumed rate of 4%.

Mr. Samuel Finz, Town Manager

February 2, 2018

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Financing Options: Several financing options are available to the Town to finance its East Broadway 2A project and its S. Church Street/E. Pennsylvania Avenue improvements, including the Town offices expansion. Options include the Virginia Resource Authority, bank loans, the VML/VACo Commercial Paper Program, and the VML/VACo Fixed Rate Loan Program. VML/VACo Finance will assist the Town in evaluating the options when it is ready to proceed with a financing.

Debt Affordability & Funding Options Study, June 2017: VML/VACo Finance presented to Town Council a Debt Affordability & Funding Options Study on June 8, 2017. One of the conclusion of that analysis was that the Town could afford additional debt in FY2021 of \$1.5 million assuming a 15-year term. The Town's debt ratios improve significantly in FY2021 as outstanding debt declines to \$2.9 million from \$5.2 million and annual debt service drops to \$528,000 from \$690,000. The current proformas are not inconsistent with this conclusion in that they indicate that the Town will be able to borrow \$800,000 in FY2020 as planned in the current CIP.

Another conclusion of the June 2017 study was that the Town could use approximately \$1.6 million of reserves towards its CIP projects. The buildup in reserves shown in the current proformas supports this conclusion.

The June 2017 Debt Affordability & Funding Options Study was based on audited financial statements through FY2016, whereas the FY2020-2028 proformas are based on assumptions of future revenues and expenditures for the projection period. In addition, the Town's approved FY2018 budget and the Town Manager's assumed FY2019 budget form the starting point of the projections.

Please let me know if you have questions or if you would like to discuss this analysis. We appreciate the opportunity to work with the Town, and look forward to our continued relationship.

Sincerely,

A handwritten signature in black ink that reads "Steven C. Mulroy". The signature is written in a cursive style with a large, sweeping initial 'S'.

Steven C. Mulroy

Attachments

Town of Lovettsville
General Fund
Financial Proforma, FY 19-FY 28

Revenue Assumptions	FY 17 (Actual)	FY 18 (Approved Budget)	FY 19 (Assumed Budget)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	% Change	% Change
	740	767	800	838	872	891	922	942	953	971	990	999		
	27	33	36	38	39	39	39	39	39	39	39	39		
Revenue Assumptions														
Estimated Residential Hearsteds														
New Residential Permits														
General Local Taxes	557,138	579,173	612,365	659,292	706,389	742,972	791,111	832,005	866,860	909,051	944,748	981,767	4.89%	3.93%
General Property Taxes	17,295	18,423	19,613	20,861	22,167	23,531	24,951	26,425	27,953	29,535	31,169	32,854	5.17%	3.00%
Interest Income	17,295	18,423	19,613	20,861	22,167	23,531	24,951	26,425	27,953	29,535	31,169	32,854	0.00%	0.00%
Cell Tower Lease	203,448	204,743	206,038	207,333	208,628	209,923	211,218	212,513	213,808	215,103	216,398	217,693	0.00%	0.00%
MacDonalds	293,999	276,515	100,000	102,000	104,000	106,000	108,000	110,000	112,000	114,000	116,000	118,000	2.00%	2.00%
Non-Categorical Revenue	1,545,490	1,661,801	1,478,199	1,546,693	1,616,688	1,674,907	1,745,816	1,808,834	1,866,899	1,933,006	1,999,379	2,066,173	3.66%	3.43%
Total Revenues														
Expenditures														
Professional Services	271,546	601,166	617,648	633,000	650,500	670,015	690,116	710,819	732,144	754,108	776,731	800,033	3.00%	3.00%
Contractual Services	297,893	256,832	272,500	279,313	286,994	295,603	304,472	313,606	323,014	332,704	342,665	352,866	3.00%	3.00%
Technology Services	29,090	46,837	19,000	19,450	19,957	20,520	21,112	21,715	22,337	22,977	23,635	24,310	3.00%	3.00%
Repair & Maintenance	31,447	45,730	35,400	34,235	35,176	36,232	37,319	38,438	39,591	40,779	42,003	43,263	3.00%	3.00%
Public Works	21,989	28,600	28,300	28,983	29,659	30,327	31,000	31,678	32,361	33,049	33,741	34,438	3.00%	3.00%
Communications	8,884	7,500	5,500	5,638	5,783	5,936	6,145	6,300	6,520	6,715	6,917	7,124	3.00%	3.00%
General Liability Insurance	10,393	12,000	12,200	12,505	12,849	13,234	13,651	14,100	14,462	14,862	15,342	15,803	3.00%	3.00%
Supplies & Advertising	22,157	18,852	14,500	15,300	16,150	17,050	17,950	18,900	19,850	20,850	21,850	22,850	3.00%	3.00%
Activity Support	59,629	67,448	45,150	46,279	47,551	48,975	50,447	51,961	53,520	55,125	56,779	58,482	3.00%	3.00%
Printing & Training	19,117	19,000	17,400	17,835	18,255	18,675	19,141	19,605	20,055	20,548	21,082	21,588	3.00%	3.00%
Debt Payment/Capital Transfer	112,918	6,929	6,929	6,192	6,192	6,929	6,929	6,929	7,115	7,359	7,545	7,772	3.00%	3.00%
Annual Cont. to Capital Fund	45,714	721,441	80,000	82,000	84,255	86,783	89,386	92,068	94,830	97,675	100,605	103,623	3.00%	3.00%
Annual Principal Payment on Debt	85,000	85,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	0.00%	0.00%
Annual Interest/Pay on Debt	67,723	64,609	58,300	58,300	58,300	58,300	58,300	58,300	58,300	58,300	58,300	58,300	0.00%	0.00%
Annual Cont. to Operating Capital	182,500	200,000	100,000	102,500	105,000	107,500	110,000	112,500	115,000	117,500	120,000	122,500	3.00%	3.00%
Annual Cont. to Capital	182,500	200,000	100,000	102,500	105,000	107,500	110,000	112,500	115,000	117,500	120,000	122,500	3.00%	3.00%
Total Debt Payment/Capital Transfer	388,027	507,095	370,300	384,000	396,533	397,400	405,285	412,995	420,538	429,115	437,539	446,216	3.00%	3.00%
Total Expenditures	1,485,237	1,661,802	1,478,199	1,511,446	1,548,933	1,590,892	1,634,232	1,678,809	1,724,725	1,772,098	1,820,729	1,870,902	2.74%	2.75%
Excess Revenue over Expenses Before Pro Forma Debt Service	60,253	(1)	-	34,147	66,755	83,055	110,784	130,024	141,874	160,907	178,650	197,271		
Pro Forma Debt Service:														
E Encroachment Zoning Project														
E Encroachment PA W/for Including LOE														
Total														
Excess Revenue over Expenses Including Pro Forma Debt Service				18,135	8,380	24,667	52,438	71,764	83,646	102,043	120,442	139,149		

**Town of Lovettsville
General Fund
Financial Proforma, FY19- FY23**

	FY 17 (Actual)	FY 18 (Actual Budget)	FY 19 (Assumed Budget)	FY 20	%Change	FY 21	%Change	FY 22	% Change	FY 23	% Change
Debt Payment/Capital Transfer:											
Annual Contr to Capital Fund	45,714	121,441	80,000	82,000	2.50%	84,255	2.75%	86,783	3.00%	89,386	3.00%
Annual Principal Payment on Debt	85,000	85,000	90,000	90,000	0.00%	90,000	0.00%	90,000	0.00%	90,000	0.00%
Annual Interest/Fees on Debt	67,123	64,009	58,300	58,300	0.00%	58,300	0.00%	58,300	0.00%	58,300	0.00%
Annual Contr to 3RM Not Listed Elsewhere	8,140	36,745	50,000	51,250	2.50%	52,659	2.75%	54,239	3.00%	55,866	3.00%
Annual Contr to Operating Cash	192,050	200,000	100,000	102,500	2.50%	105,319	2.75%	108,478	3.00%	111,733	3.00%
Total Debt/Capital Transfer	398,027	507,195	378,300	384,050		390,533		397,800		405,285	
General Fund Reserve Balances											
Inflows:											
Annual Contr to Capital Fund	45,714	121,441	80,000	82,000	2.50%	84,255	2.75%	86,783	3.00%	89,386	3.00%
Annual Contr to 3RM Not Listed Elsewhere	8,140	36,745	50,000	51,250	2.50%	52,659	2.75%	54,239	3.00%	55,866	3.00%
Annual Contr to Operating Cash	192,050	200,000	100,000	102,500	2.50%	105,319	2.75%	108,478	3.00%	111,733	3.00%
Total Inflows:	245,904	358,186	230,000	235,750		242,233		249,500		256,985	
Outflows:											
Capital Spending Fund			118,000	22,000		2,000		57,000		35,000	
3RM Fund			38,500	32,000		50,000		20,000		-	
Total Outflows			156,500	54,000		52,000		77,000		35,000	
Reserve Fund Balances:											
Capital Fund Balance	\$ 253,742	375,183	337,183	397,183		479,438		509,221		563,607	
3RM Fund Balance	\$ 7,475	44,220	55,720	74,970		77,629		111,869		167,735	
Operating Cash	\$ 51,861	251,861	351,861	454,361		559,680		668,158		779,891	
Reserve Balance*	\$ 1,263,724	\$ 1,621,910	\$ 1,695,410	\$ 1,877,160		\$ 2,067,393		\$ 2,239,893		\$ 2,461,878	
Cumulative Excess Balance, including Proforma Debt Service	-	(0)	(0)	18,135		26,504		51,171		103,609	

*Reserve Balance includes Capital Fund, General 3RM Fund, Operating Cash Fund, Clock Tower Donations Fund, Loudoun Street Fund, General Debt Retirement Fund, Rainy Day Fund, 30 Day Cash Fund, and HR Fund balances.

Town of Lovettsville
Utility Fund
Financial Proforma, FY2019 - FY2028

	FY 17 (Actual)	FY 18 (Approved Budget)	FY 19 (Assumed Budget)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28
Revenue Assumptions												
Estimated W/S Connections (Households)	740	767	800	836	872	891	922	942	963	971	990	999
New Residential Permits	27	33	36	36	19	31	20	21	18	9	9	9
W/Ss Permitted/Factor (2.0% Annual)	27	33	36	36	20%	20%	20%	20%	20%	20%	20%	20%
Water System Construction Fees	200	200	200	200	200	200	200	200	200	200	200	200
Non-Capital Revenue	622,629	486,617	200,000	204,000	208,000	212,242	216,868	220,216	225,332	229,737	234,332	239,019
Interest	1,440	16,425	20,000	20,000	20,402	20,606	20,812	21,020	21,230	21,443	21,657	21,874
Utility Revenues:												
Water and Sewer Service	980,672	1,026,831	1,102,650	1,173,853	1,247,899	1,299,638	1,371,060	1,429,222	1,473,664	1,530,764	1,575,697	1,621,548
Water System Construction Fees	200	200	200	200	200	200	200	200	200	200	200	200
Miscellaneous	26,471	20,000	15,540	15,600	15,643	15,695	15,747	15,799	15,851	15,903	15,955	16,007
Total Utility Revenues	1,084,143	1,084,917	1,284,177	1,284,177	1,301,347	1,377,643	1,427,022	1,466,344	1,525,748	1,585,210	1,610,178	1,656,325
Capital Revenues:												
Cellular Antenna Lease	75,717	75,613	85,540	85,540	85,540	85,540	85,540	85,540	85,540	85,540	85,540	85,540
Other	360,400	360,000	720,000	720,000	720,000	720,000	720,000	720,000	720,000	720,000	720,000	720,000
Total Capital Revenues	436,117	435,613	805,540	805,540	805,540	805,540	805,540	805,540	805,540	805,540	805,540	805,540
Total Revenues	2,022,329	2,033,672	2,220,930	2,220,930	2,335,289	2,416,031	2,469,861	2,613,721	2,677,751	2,621,930	2,671,707	2,722,767
Expenditures												
Personnel Services	492,764	415,589	418,492	428,954	440,751	453,973	467,892	481,820	496,809	510,951	526,279	542,068
Contractual Services	71,934	102,000	160,000	164,513	169,027	174,108	179,331	184,711	190,252	195,960	201,838	207,884
Water System Construction Fees	200	200	200	200	200	200	200	200	200	200	200	200
Water Repair/Maintenance	70,011	154,445	100,000	102,876	105,560	108,364	111,188	115,122	118,627	122,188	126,463	130,827
Utilities	6,181	60,500	55,250	56,631	58,189	59,844	61,582	63,384	65,242	67,157	69,130	71,165
Communications	8,200	8,200	7,250	7,431	7,616	7,805	8,001	8,244	8,494	8,750	9,013	9,284
General Liability Insurance	19,638	20,000	22,000	22,550	23,170	23,865	24,631	25,479	26,378	27,327	28,326	29,375
General Miscellaneous	22,882	31,450	22,300	22,658	23,468	24,191	25,084	26,034	27,034	28,084	29,184	30,334
Vehicles/Equipment	25,100	25,100	25,100	25,100	25,100	25,100	25,100	25,100	25,100	25,100	25,100	25,100
Water System Debt	25,940	27,550	26,850	27,163	27,479	27,797	28,117	28,439	28,763	29,089	29,416	29,745
Debt Payment/Capital Transfer:												
Annual Cont to Capital Fund	30,154	-	238,000	264,450	271,722	279,874	288,270	296,918	305,820	315,007	324,480	334,194
Annual Principal Payment on Debt	407,153	410,856	366,596	366,596	366,596	366,596	366,596	366,596	366,596	366,596	366,596	366,596
Annual Interest Payment on Debt	118,733	112,259	102,266	102,266	102,266	102,266	102,266	102,266	102,266	102,266	102,266	102,266
Annual Cont to Debt Retirement Fund	456,040	533,114	706,862	733,312	759,584	786,736	813,766	840,704	867,682	894,689	921,666	948,666
Annual Cont to Debt Retirement Fund	50,000	-	25,521	-	-	-	-	-	-	-	-	-
Annual Cont to SRM/Not Listed Elsewhere	50,000	158,319	151,000	154,775	159,031	163,802	168,716	173,778	178,991	184,367	189,897	195,568
Annual Cont to Operating Cash	200,000	210,000	205,000	205,000	210,638	216,697	223,465	230,169	237,074	244,187	251,512	259,058
Total Debt Payment/Capital Transfer	850,040	1,049,815	1,262,812	1,267,638	1,278,711	1,303,006	1,328,030	1,353,105	1,380,354	1,407,689	1,435,683	1,464,874
Total Expenditures	1,773,877	2,033,672	2,220,930	2,220,930	2,297,788	2,342,356	2,388,561	2,466,452	2,456,080	2,377,046	2,443,745	2,471,475
Excess Revenues over Expenses	248,452	-	-	61,810	47,280	73,675	71,300	57,289	61,671	44,434	30,982	16,845

**Town of Lovettsville
Utility Fund
Financial Proforma, FY19 - FY23**

	FY 17 (Actual)	FY 18 (Actual Budget)	FY 19 (Assumed Budget)	FY 20	% Change	FY 21	% Change	FY 22	% Change	FY 23	% Change
Debt Payment/Capital Transfer:											
Annual Contr to Capital Fund	30,154	-	258,000	264,450	2.50%	271,722	2.75%	279,874	3.00%	288,270	3.00%
Annual Principal Payment on Debt	401,153	410,856	366,596	366,596	0.00%	366,596	0.00%	366,596	0.00%	366,596	0.00%
Annual Interest Payment on Debt	118,733	112,229	102,266	102,266	0.00%	102,266	0.00%	102,266	0.00%	102,266	0.00%
Overhead Reimbursement to GF		158,411	159,950	163,949	0	168,457	0	173,511	0	178,716	0
Transfer to Rainy Day Reserve Fund			25,000	-	-	-	-	-	-	-	-
Annual Contr to Debt Retirement Fund	50,000	-	-	-	2.50%	-	2.75%	-	3.00%	-	3.00%
Annual Contr to 3RM Not Listed Elsewhere	50,000	158,319	151,000	154,775	2.50%	159,031	2.75%	163,802	3.00%	168,716	3.00%
Annual Contr to Operating Cash	200,000	210,000	200,000	205,000	2.50%	210,638	2.75%	216,957	3.00%	223,465	3.00%
Total Capital Outlays	850,040	1,049,815	1,262,812	1,257,036		1,278,711		1,303,006		1,328,030	
Utility Reserve Fund Balances											
Inflows:											
Annual Contr to Capital Fund	30,154	-	258,000	264,450	2.50%	271,722	2.75%	279,874	3.00%	288,270	3.00%
Annual Contr to Debt Retirement Fund	50,000	-	-	-	2.50%	-	2.75%	-	3.00%	-	3.00%
Annual Contr to 3RM Not Listed Elsewhere	50,000	158,319	151,000	154,775	2.50%	159,031	2.75%	163,802	3.00%	168,716	3.00%
Annual Contr to Operating Cash	200,000	210,000	200,000	205,000	2.50%	210,638	2.75%	216,957	3.00%	223,465	3.00%
Total Inflows	330,154	368,319	609,000	624,225		641,391		660,633		680,452	
Outflows:											
New Capital Avail Fund - Sewer (AVS)											
New Capital Avail Fund - Water (AVW)											
3RM Fund Contribution (3RMU)			9,000	60,000		44,000		35,000		20,000	
Total Outflows			151,000	210,000		166,000		160,000		60,000	
			160,000	270,000		210,000		195,000		60,000	
Reserve Fund Balances:											
Capital Fund Balance	\$ 205,120	\$ 205,120	\$ 454,120	\$ 658,570		\$ 886,292		\$ 1,131,166		\$ 1,399,437	
Debt Retirement Fund Balance	\$ 1,063,174	\$ 1,063,174	\$ 1,063,174	\$ 1,063,174		\$ 1,063,174		\$ 1,063,174		\$ 1,063,174	
3RM Fund Balance	\$ 191,229	\$ 349,548	\$ 349,548	\$ 294,323		\$ 287,354		\$ 291,157		\$ 419,873	
Operating Cash	\$ 52,138	\$ 262,138	\$ 462,138	\$ 667,138		\$ 877,776		\$ 1,094,732		\$ 1,318,197	
Reserve Balance	\$ 1,872,067	\$ 2,240,386	\$ 2,689,386	\$ 3,043,611		\$ 3,475,002		\$ 3,940,635		\$ 4,561,087	
Cumulative Excess Balance				51,810		99,390		173,065		244,365	

Town of Lovettsville General Fund & Utility Fund Proformas, FY19-FY28 Assumptions

General Fund Assumptions

- 1) The number of residential households in FY2017-FY2019 was provided by the Town of Lovettsville. The estimated number of residential households in FY2020-FY2026 includes projected new residential permits provided by the Town. A projection of 9 new residential households in each fiscal year 2027 & 2028 has been assumed.
- 2) General Property Taxes are projected to increase by the percentage of projected new residential permits to residential households from FY2020-FY2028 (e.g. FY2020, 36 / 800 = 4.50%). There is an additional 3.0% per year increase factored in based upon assumed assessed property value increases (e.g. FY2020, total increase is 7.50%).
- 3) Other Local Taxes revenues are projected to increase by 3.0% annually from FY2020-FY2028.
- 4) Cell Tower Lease revenues are shown in the Utility Fund beginning in FY2019.
- 5) Interest on bank deposits is projected to increase by 1.0% annually between FY 2019-FY2028.
- 6) Permits, Fees, & Licenses revenues are projected to increase by the percentage of projected new residential permits to residential households from FY2020-FY2028 (e.g. FY2020, 36 / 800 = 4.50%).
- 7) Miscellaneous Revenues are projected to increase by 1.0% annually from FY2020-FY2028.
- 8) Non-Categorical Revenues are assumed to increase by 2.0% annually.
- 9) Expenditures (other than annual principal and interest payments) are assumed to increase by 2.50% in FY2020, 2.75% in FY2021, and 3.00% from FY2022-FY2028. The Federal Reserve Bank of Cleveland reports that its latest estimate of 10-year expected inflation is 1.96%. (<https://www.clevelandfed.org/our-research/indicators-and-data/inflation-expectations.aspx>)
- 10) The projected debt service of the E Broadway 2A improvement project is based upon a 20-year, tax-exempt general obligation bond of \$145,600 and a coupon of 4.00%
- 11) The projected debt service of the S. Church Street and East Pennsylvania Avenue improvements including the town office expansion is based upon a 20-year, tax-exempt general obligation bond of \$655,000 and a coupon of 4.00%

Utility Fund Assumptions

- 1) The number of estimated W&S connections (households) in FY2017-FY2019 was provided by the Town of Lovettsville. The estimated number of W&S connections (households) in FY2020-FY2026 includes projected new residential permits provided by the Town. The estimated number of W&S connections (households) in FY2027 & FY2028 assumes an increase of 9 in each fiscal year.
- 2) Water and Sewer Service revenues are projected to increase by the percentage of new residential permits to W&S Connections (households) from FY2020-FY2028 (e.g. FY2020, 36 / 800 = 4.50%). An additional 2.0% per year revenue growth factor is assumed (e.g. FY2020, total increase is 6.50%).
- 3) Water and Sewer connection fees are assumed to be \$1,000 each through FY2028. Total connection fee revenues are based on the projected new residential permits as provided by the Town for FY2020-FY2026 and based on an assumed 9 each year in FY2027 & FY2028.
- 4) Non-Categorical Revenues are projected to increase 1.0% per year. The Federal Reserve Bank of Cleveland reports that its latest estimate of 10-year expected inflation is 1.96%. (<https://www.clevelandfed.org/our-research/indicators-and-data/inflation-expectations.aspx>)
- 5) Interest on bank deposits are projected to increase by 1.0% annually between FY 2019-FY2028.
- 6) Miscellaneous Revenues are projected to increase by 1.0% annually from FY2020-FY2028.
- 7) The Cellular Antenna Lease revenues are projected to have flat growth.
- 8) Other Capital Revenues are projected to have flat growth.
- 9) All expenditures (other than annual principal and interest payments) are assumed to increase by 2.50% in FY2020, 2.75% in FY2021, and 3.0% from FY2022-FY2028. The Federal Reserve Bank of Cleveland reports that its latest estimate of 10-year expected inflation is 1.96%. (<https://www.clevelandfed.org/our-research/indicators-and-data/inflation-expectations.aspx>)