

Town of Lovettsville

Town Council Minutes of the April 26, 2017 Special Meeting

Call to Order/Pledge of Allegiance

Mayor Zoldos called the meeting to order at 7:35 p.m. The meeting was held at the Lovettsville Town Hall, 6 East Pennsylvania Avenue, Lovettsville, VA.

Council Members Present

- Mayor Robert Zoldos II
- Council Member Jim McIntyre
- Council Member Rob Gentile
- Council Member Kimberly Allar
- Council Member Jennifer Jones (arrived at 7:37 p.m.)

Council Members Absent

- Vice Mayor Tiffany Carder
- Council Member Mike Senate

Staff Present

- Town Manager Laszlo Palko
- Town Clerk Harriet West

Action/Discussion Items:

A. VML presentation on Town Credit Benchmark

Mr. Palko introduced this item. He explained that the Council had engaged VML about six months ago to provide consultant support on the Town's ability to borrow. The first step included a credit benchmark report to identify what creditors are looking for. The second step, which will be completed over the summer, is a full financial report of the Town's debt capacity. Steven Mulroy and Kenneth Folk, from VML/VACo Finance, provided background on the services their organization provides.

Upon the arrival of Councilwoman Jones, Mayor Zoldos officially called the meeting to order at 7:37 p.m. and led those assembled in the Pledge of Allegiance. He called for comments from the public. There were none.

Mr. Mulroy continued his presentation on the Town's credit benchmark report (Attachment 1), which included key determinants of credit quality; how Lovettsville compares to other similar towns primarily in Northern Virginia; and other key ratios. He noted that the Town is healthy from a per capita income standpoint; however, the Town is on the smaller side of assessed value, compared to other Towns.

Mr. Folk then discussed the Town's general fund revenue. A brief discussion ensued about the "other" revenue category from Occoquan's craft show, which is strictly allocated to the town. Mr. Folk then discussed the operating surplus, the available general fund balance, available general fund balance as percentage of general fund revenues, current debt, general obligation debt as a percent of taxable assessed value, debt service as a percent of total expenses, cash on hand, debt service coverage, and debt to revenues.

Mr. Mulroy summarized the Town's strengths which include population growth, strong economic base, increasing taxable assessed values, healthy fund balance, and manageable debt ratios on the general fund side. He said the Town is constrained by its size and revenue sources and noted the Town is reliant on real estate tax. He said it would be helpful to generate other income by diversity the revenue stream. He noted the surplus has been declining, but that is being addressed. He further stated that cash-on-hand in the Utility Fund is still at strong levels but the trend is something a credit analyst will look at because it's

been on a downward trend since 2010/2011. The debt service of the Utility Fund is still pretty high; however, the recent rate increases were not factored into this analysis.

Following the presentation, a discussion ensued regarding the Town's general fund and utility fund, the need to diversify revenue sources, economic development revenues, and events revenue.

B. FY 18 Budget Work Session

Town Manager Palko presented information on several budget items before the Council including status quo, a 1 cent real estate reduction, diversification plus meals tax increase, and diversification neutral. Mr. Palko explained his recommendation to transfer the cell tower lease from the Utility Fund to General Fund Infrastructure, after allocating \$14,600 for tank maintenance. Following a lengthy discussion regarding the various options, Mayor Zoldos asked the Council to come prepared to select the not-to-exceed option at the meeting tomorrow evening. A discussion ensued regarding the ability to deduct real estate taxes.

Information Items

Mr. Palko discussed the work on the water line on East Broad Way.

Comments from the Mayor and Town Council

There were none.

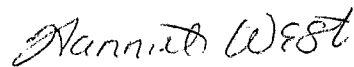
Closed Session

There was none.

Adjournment

There being no further business before the Council, the meeting was adjourned at 8:47 p.m.

Respectfully submitted,



Harriet West, Town Clerk

Date Approved: November 2, 2017

Attachments:

1. Town Credit Benchmark Presentation



Credit Benchmarks Report

**Presentation for
Lovettsville Town Council**

**Prepared by VML/VACo Finance
MSRB-registered Municipal Advisor**

April 26, 2017



About VML/VACo Finance

- Established by the Virginia Municipal League and Virginia Association of Counties in 2003.
- Organized as a 501(c)(4) corporation. (*Virginia Local Government Finance Corporation*). Board of Directors appointed by VML and VACo.
- Administrator, Virginia Government Finance Officers' Association
- Registered Municipal Advisor, Municipal Securities Rulemaking Board. Municipal Advisor Representatives assigned to this analysis are Series 50 qualified.

VML/VACO Finance is Virginia's Most Widely Used Financial Services Program

Abingdon	Amherst	Albemarle County	Allegany County Public Schools	Amelia County	Amherst	Appalachia	Appalachian County	Ashtand	Bath County	Bedford	Big Stone Gap BHA	Blackstone	Bland County Public Schools	Blefield	Bowling Green	Bridgewater	Bristol	Brunswick County	Campbell County	Cape Charles	Caroline County	Carroll County	Central Virginia Waste Management Auth	Charles City County	Charlotte County	Chatham	Chesapeake	Chesapeake Public Schools	Chesterfield County	Chesterfield County Public Schools	Christiansburg	Colonial Beach	Colonial Community Services Board	Covington									
Craig County	Crater Criminal Justice Academy	Culpeper	Cumberland County	Danville-Pittsylvania Community Services	Dickenson County Public Schools	Dickenson County Social Services	Dinwiddie County	Dinwiddie County Public Schools	Dumfries	Elkton	Emporia	Fairfax County	Fairfax County Public Schools	Falls Church	Fauquier County	Floyd County	Fluvanna County	Franklin	Franklin City Schools	Franklin County	Frederick County Sanitation Authority	Fredericksburg	Fredericksburg City Schools	Front Royal	Galax	Giles County	Giles County Public Schools	Giles County Public Service Authority	Glasgow	Goochland County	Gordonsville	Greene County	Hampton Roads Criminal Justice Academy	Hampton Roads PDC	Hampton Roads Regional Jail	Hampton Roads Sanitation District	Harrisonburg Electric Commission	Harrisonburg Rockingham Community Svcs	Harrisonburg Rockingham RSA	Haymarket	Health Care Committs of Chesterfield Co.	Henrico County	
Henry County	Henry County Public Service Authority	Henry County Schools	Henry County/Martinsville Social Services	Highlands Community Services Board	Hillville	Horizons Behavioral Health	Isle of Wight County	Isle of Wight Public Schools	Kenbridge	King & Queen County & Schools	King George County Public Schools	King William County	King William County Public Schools	Lawrenceville	Lee County	Lee County Public Schools	Lee County Social Services	Leesburg	Lexington	Loudoun County	Loudoun Water	Louisa	Louisville	Lunenburg County Public Schools	Madison County	Manassas	Manassas Park	Mathews Co. IDA	Mathews County	Mathews County Public Schools	Mecklenburg County	Mecklenburg Public Schools	Middleburg	Middlesex County Public Schools	Montgomery County	Montgomery County Public Schools	Montgomery Regional Solid Waste Auth	Mt. Rogers Community Services Board	Nelson County	Nelson County Public Schools			
Henry County	Henry County Public Service Authority	Henry County Schools	Henry County/Martinsville Social Services	Highlands Community Services Board	Hillville	Horizons Behavioral Health	Isle of Wight County	Isle of Wight Public Schools	Kenbridge	King & Queen County & Schools	King George County Public Schools	King William County	King William County Public Schools	Lawrenceville	Lee County	Lee County Public Schools	Lee County Social Services	Leesburg	Lexington	Loudoun County	Loudoun Water	Louisa	Louisville	Lunenburg County Public Schools	Madison County	Manassas	Manassas Park	Mathews Co. IDA	Mathews County	Mathews County Public Schools	Mecklenburg County	Mecklenburg Public Schools	Middleburg	Middlesex County Public Schools	Montgomery County	Montgomery County Public Schools	Montgomery Regional Solid Waste Auth	Mt. Rogers Community Services Board	Nelson County	Nelson County Public Schools			
Itelson County Service Authority	New River Valley Community Services	New River Valley Jail Authority	Newport News Public Schools	Newport News Redevelopment & Housing	Northumberland County	Northumberland County Schools	Northwestern Community Services Board	Norton	Ocoquan	Orange	Orange County	Patrick County	Pearisburg	Pennington Gap	Petersburg	Pittsylvania County	Poquoson	Portsmouth	Powhatan County	Prince George County	Prince William Co. Service Authority	Pulaski County	Purcellville	Radford City Public Schools	Rappahannock Area Community Services	Rappahannock Juvenile Detention Ctr	Rappahannock Rapidair CSB	Rappahannock Regional Jail Authority	Region 2000	Remington	Richmond Behavioral Health Authority	Richmond County	Richmond County Public Schools	Richmond Metropolitan Transportation Auth	Roanoke	Roanoke County	Roanoke Regional Airport	Rockbridge County	Rocky Mount	Salem	Salem City Schools	Scott County	Scottsville
Smithfield	South Boston	Southampton County	Southeastern Cooperative Educ Progs	Southeastern Public Service Authority	Southwest Virginia Regional Jail	Spotsylvania County	Spotsylvania County Public Schools	Stafford County	Stafford County Public Schools	Staunton	Suffolk	Suffolk City Public Schools	Surry County	Tappahannock	Tazewell	Tazewell County	University of Mary Washington	Urbanna	Victoria	Vienna	Vinton	Virginia Beach	Virginia Beach City Schools	Virginia Tech	Virginia's First Reg Indus Fac Auth	Warren County	Warrenton	Warsaw	Washington County	Waynesboro	Western Tidewater Regional Jail	Westmoreland Co.	Westmoreland County Public Schools	Winchester Parking Authority	Wise	Wise County	Wythe County	Wytheville	York County	York County School Division			

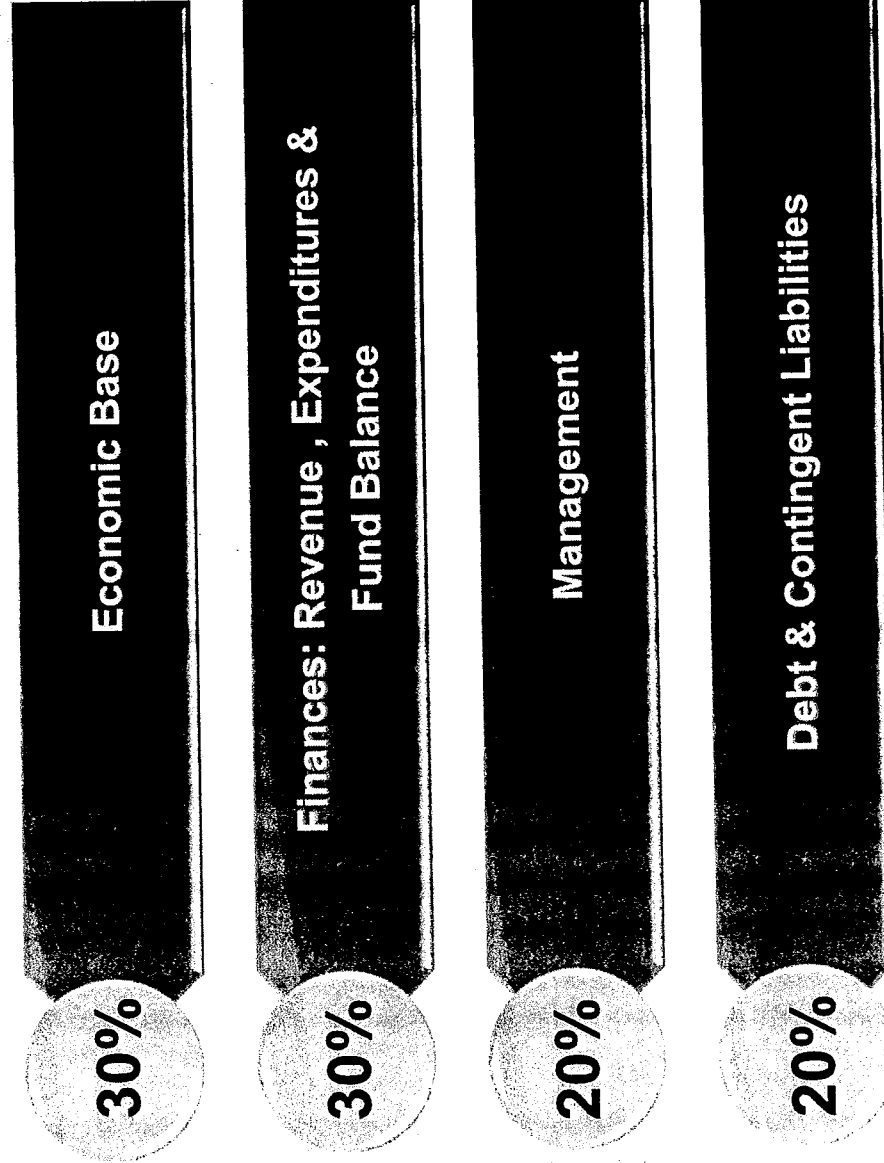
The Credit Benchmarks Analysis

Identify the Key
Determinants of
Credit Quality

How does
Lovettsville
compare to its
peers?

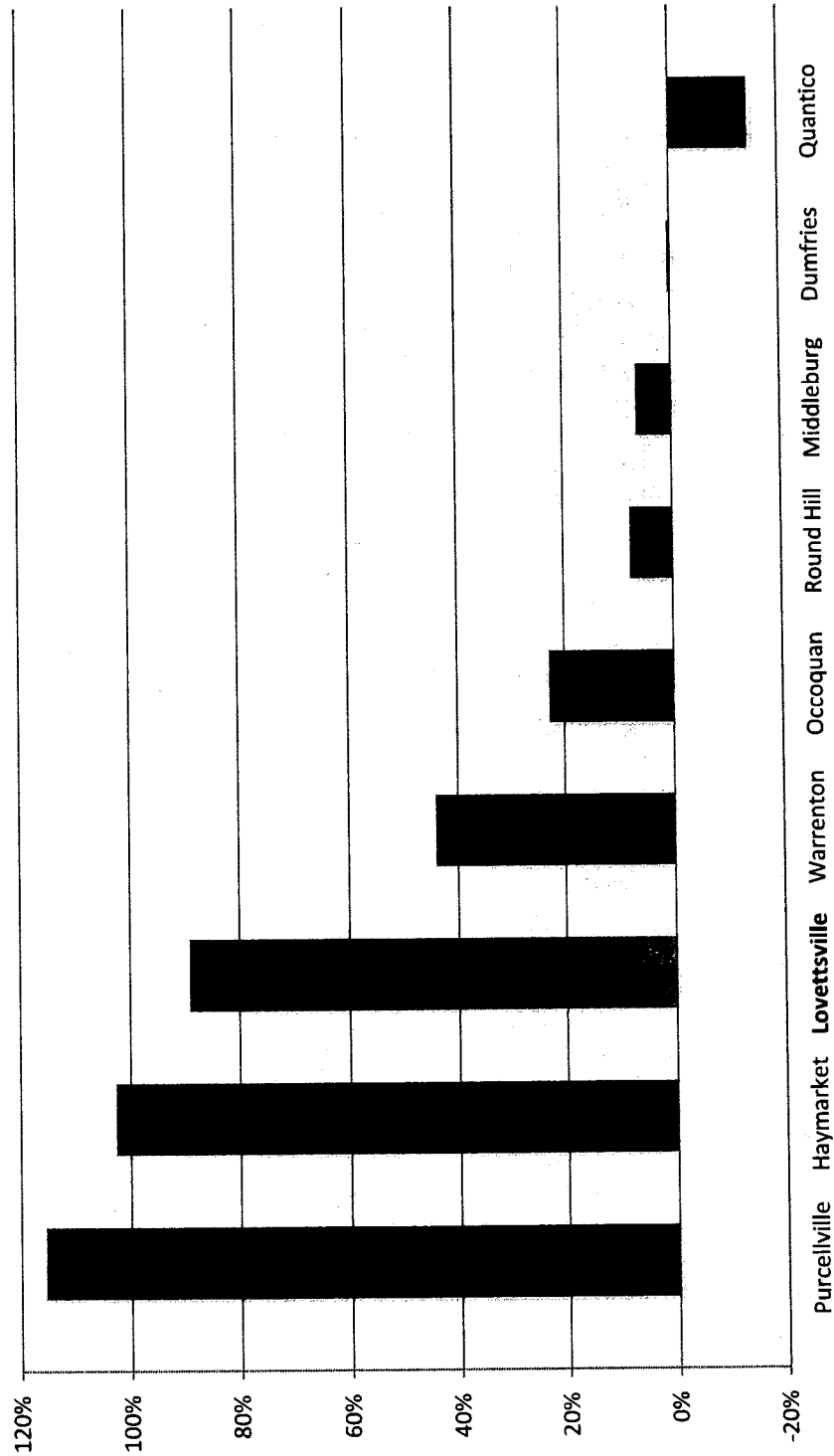
How does
Lovettsville
compare to key
rating agency
ratios?

Key Determinants of Credit Quality

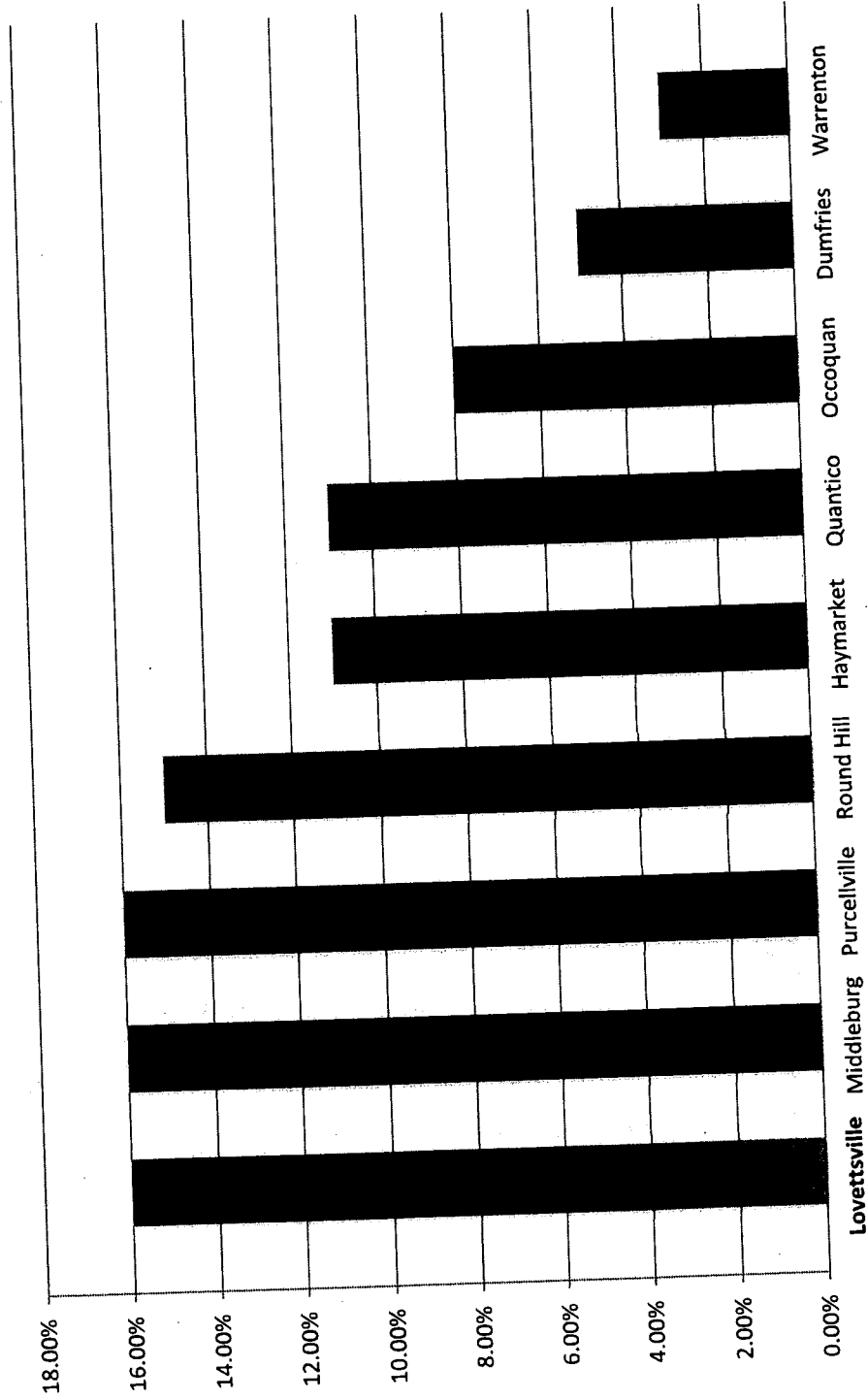


Adapted from Moody's and Standard & Poor's rating methodologies

ECONOMIC BASE
Population Growth (2000 - 2010)

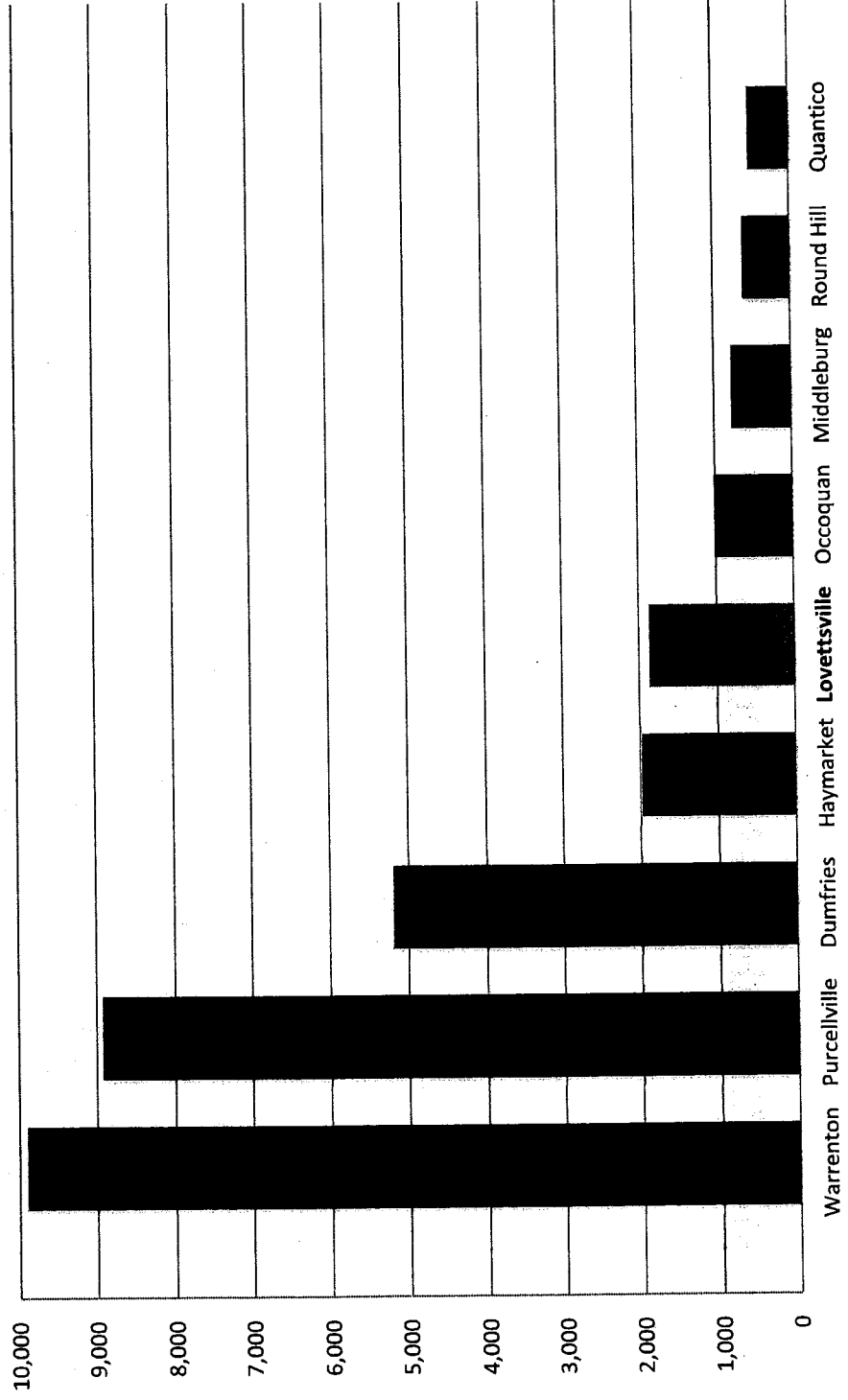


ECONOMIC BASE
Population Growth (2010 - 2014)



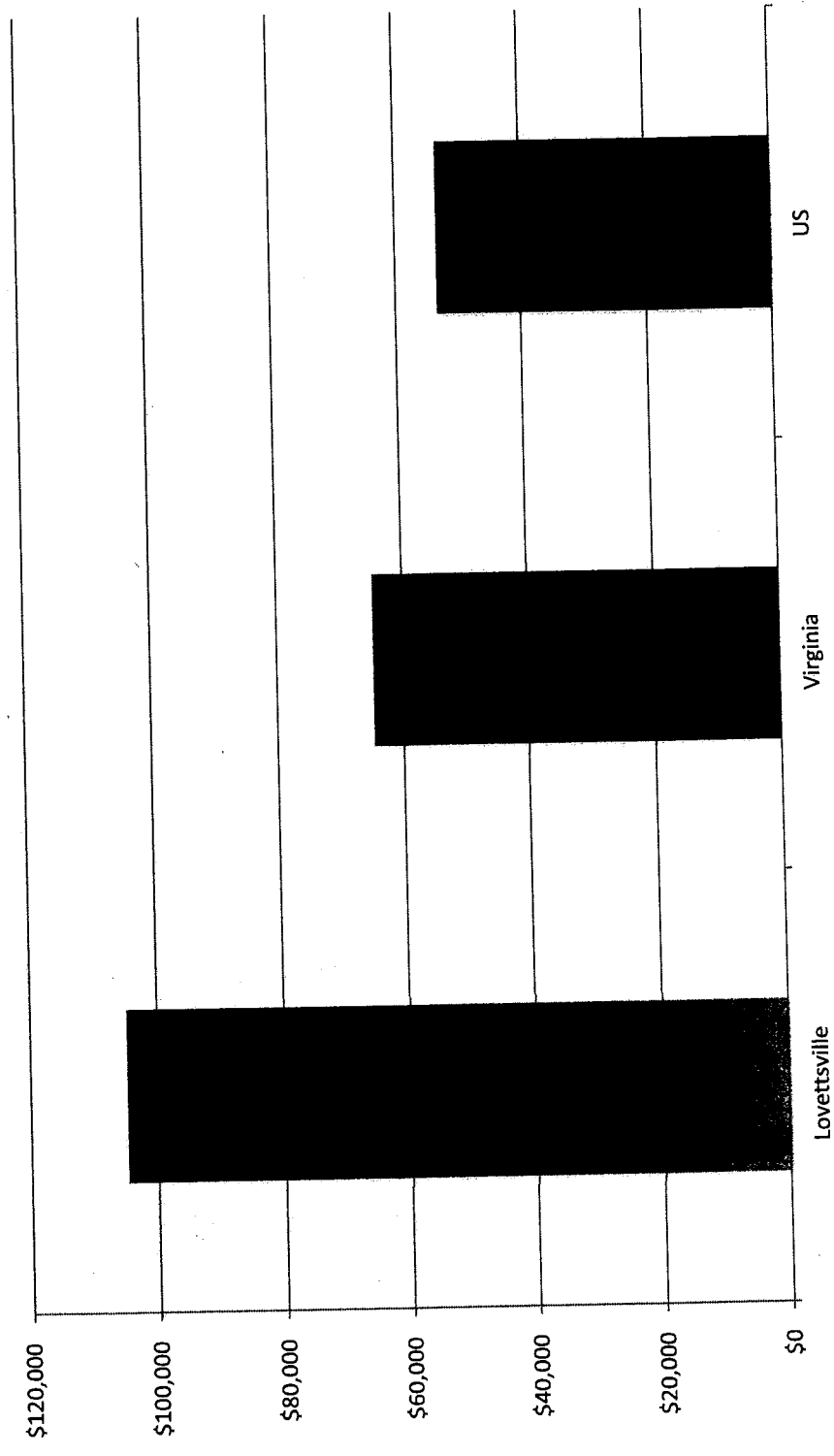


ECONOMIC BASE
Total Population (2014)



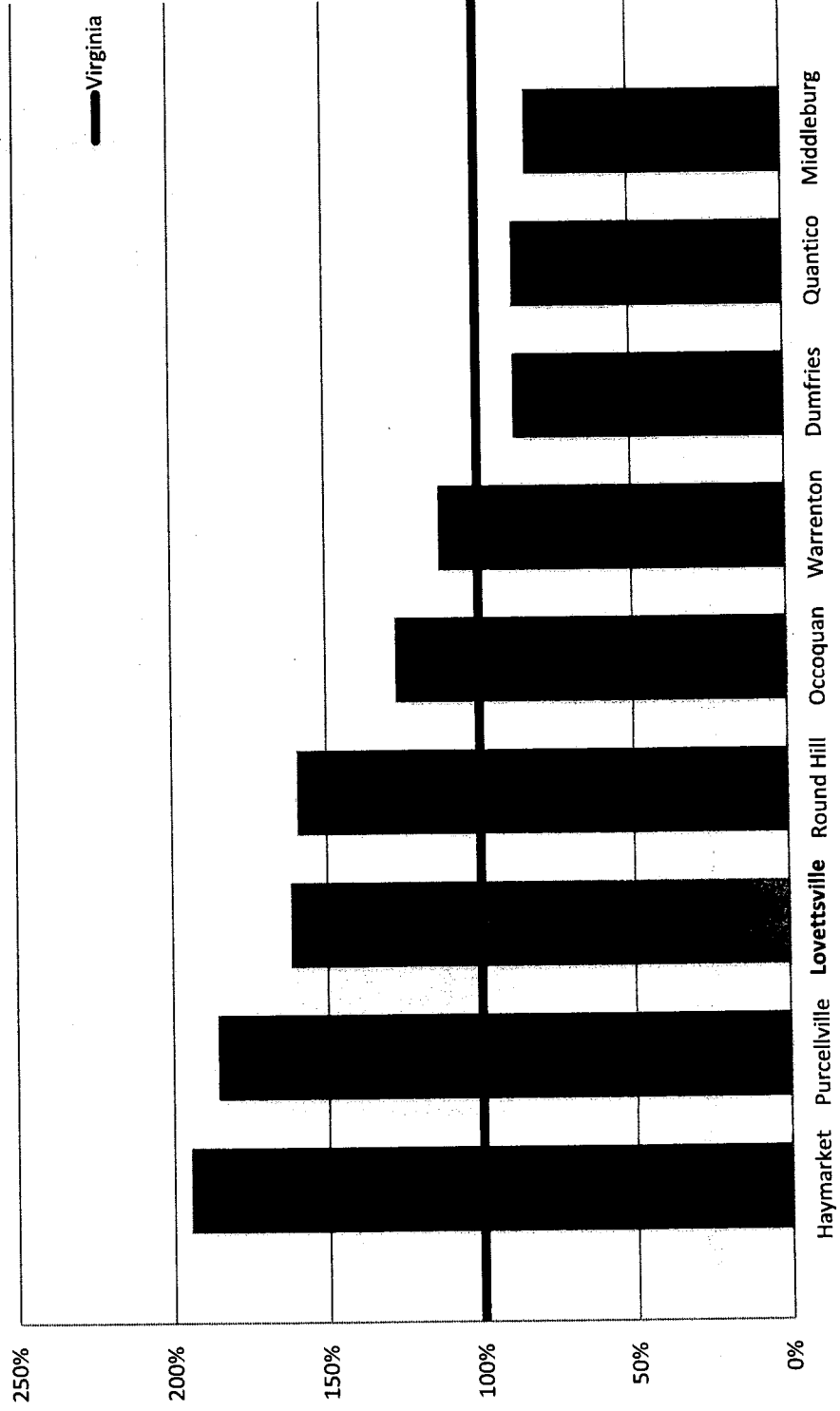


ECONOMIC BASE
Median Household Income (2014)



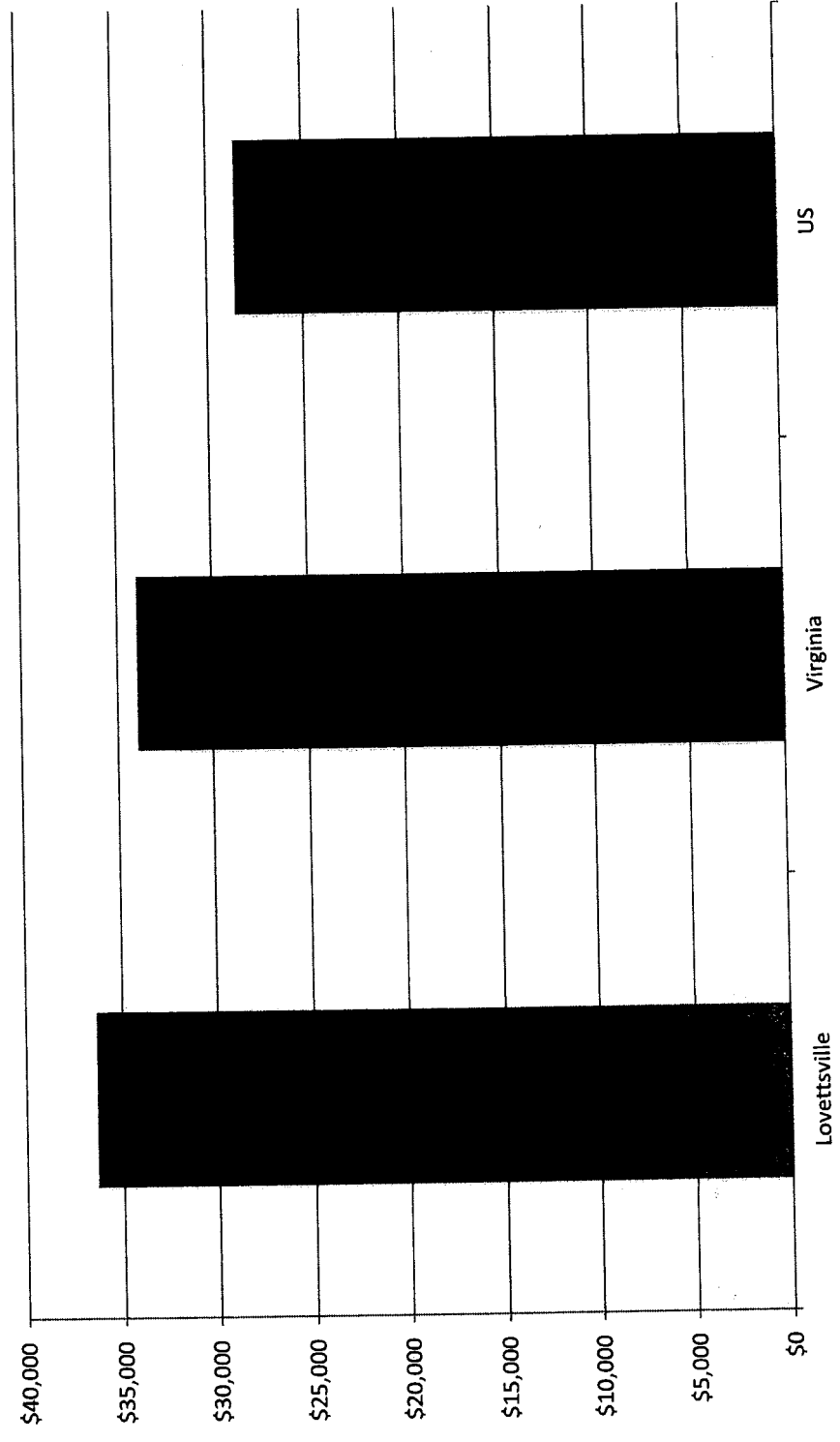


ECONOMIC BASE
Median Household Income vis-à-vis Virginia (2014)



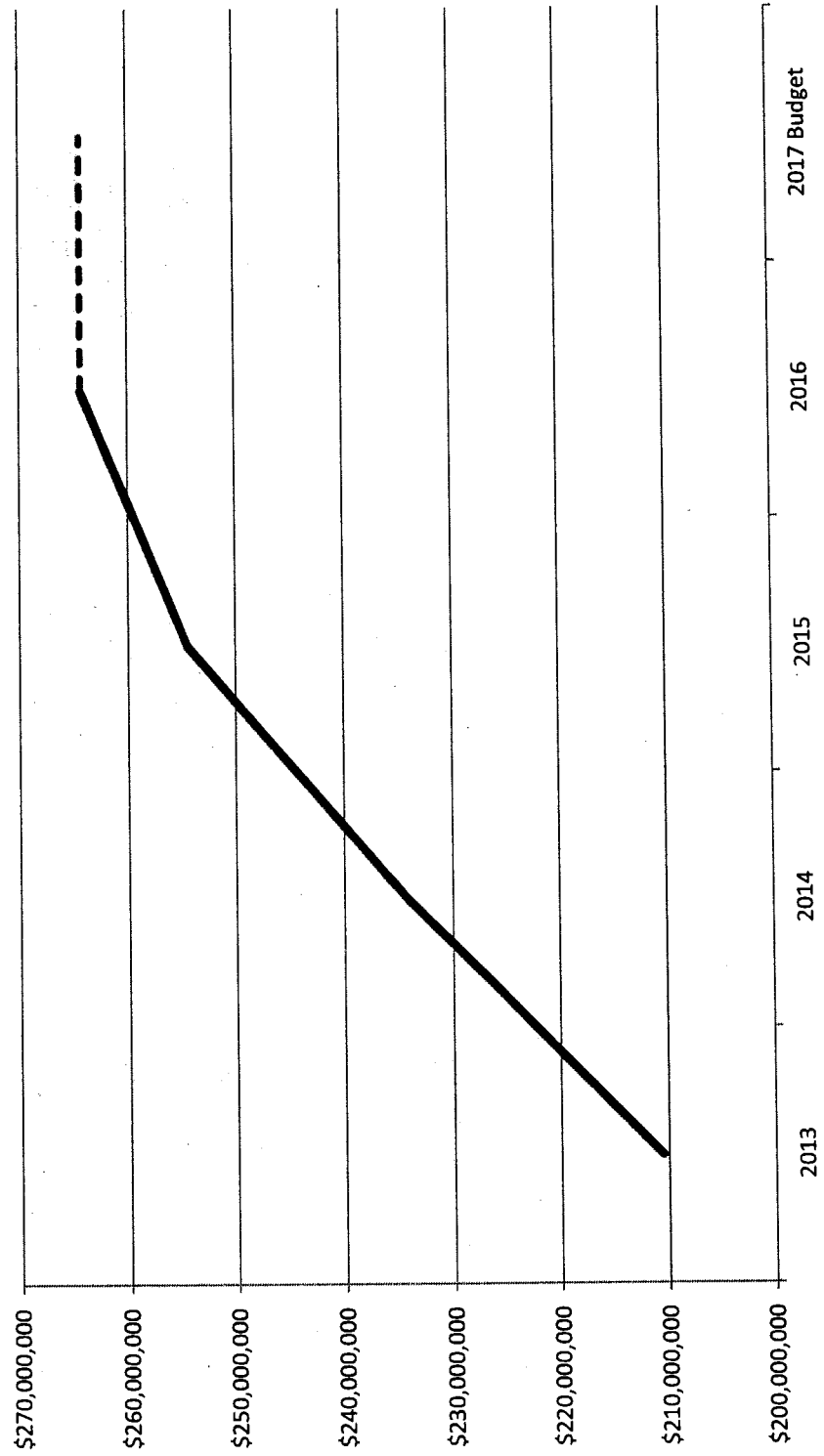


ECONOMIC BASE
Per Capita Personal Income (2014)





ECONOMIC BASE
Taxable Assessed Value

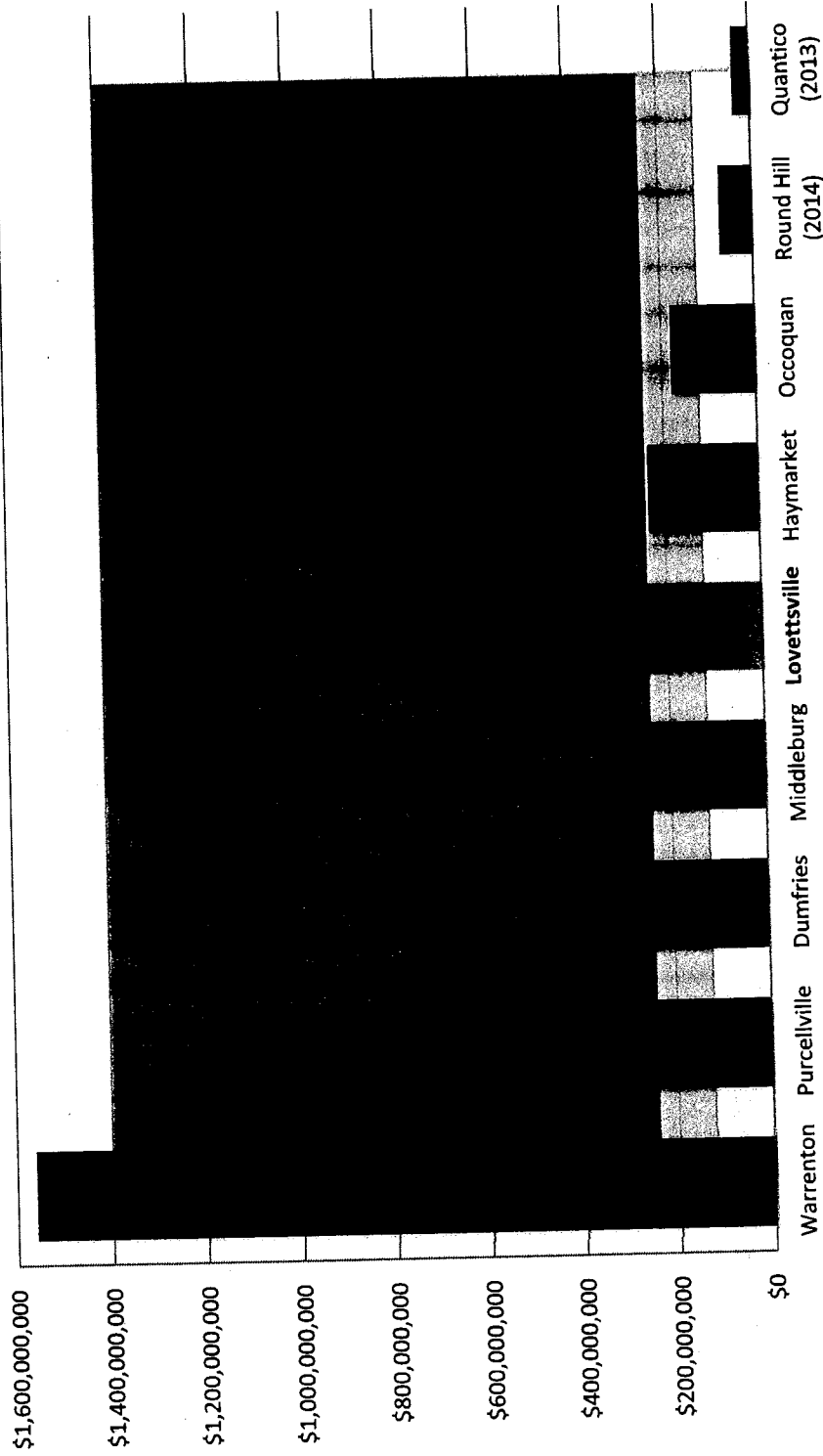


ECONOMIC BASE

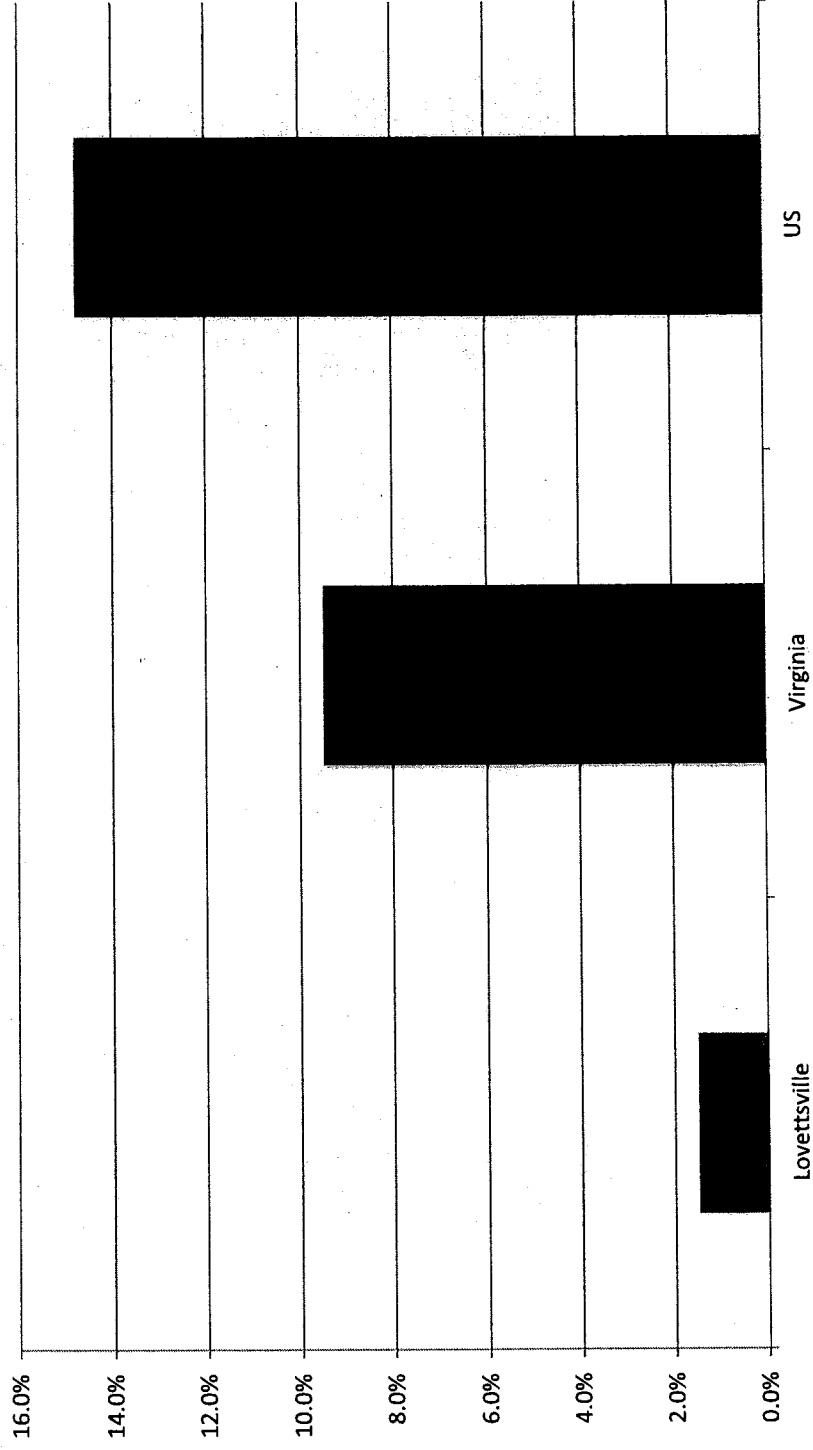
Taxable Assessed Value (2016)

■ Moody's A: \$1.4B - \$240M

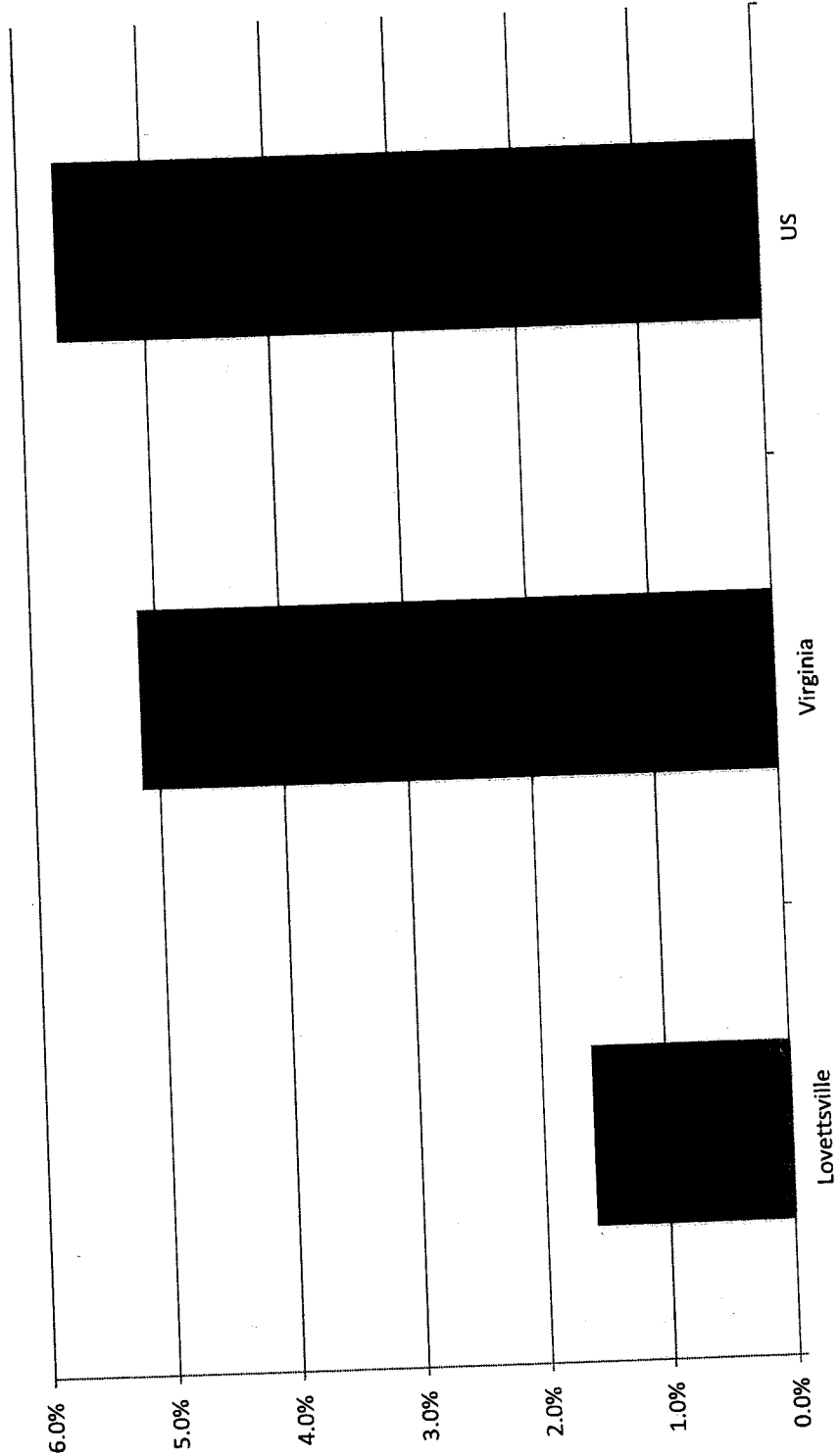
■ Moody's Baa: \$240M - \$120M



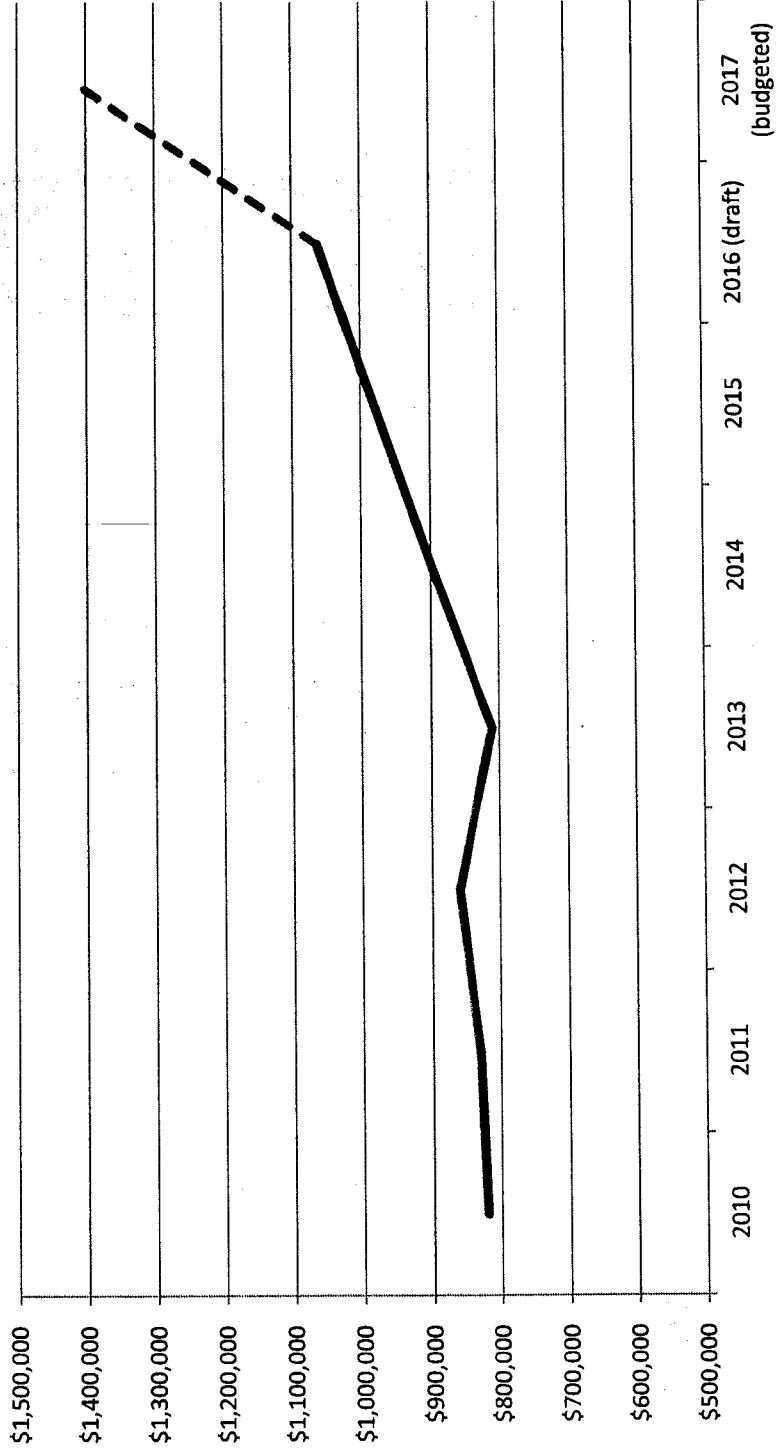
ECONOMIC BASE
Poverty Rate (2014)



ECONOMIC BASE
Unemployment (2014)



FINANCES: REVENUE
General Fund Revenues
(excludes revenue from Federal Government)





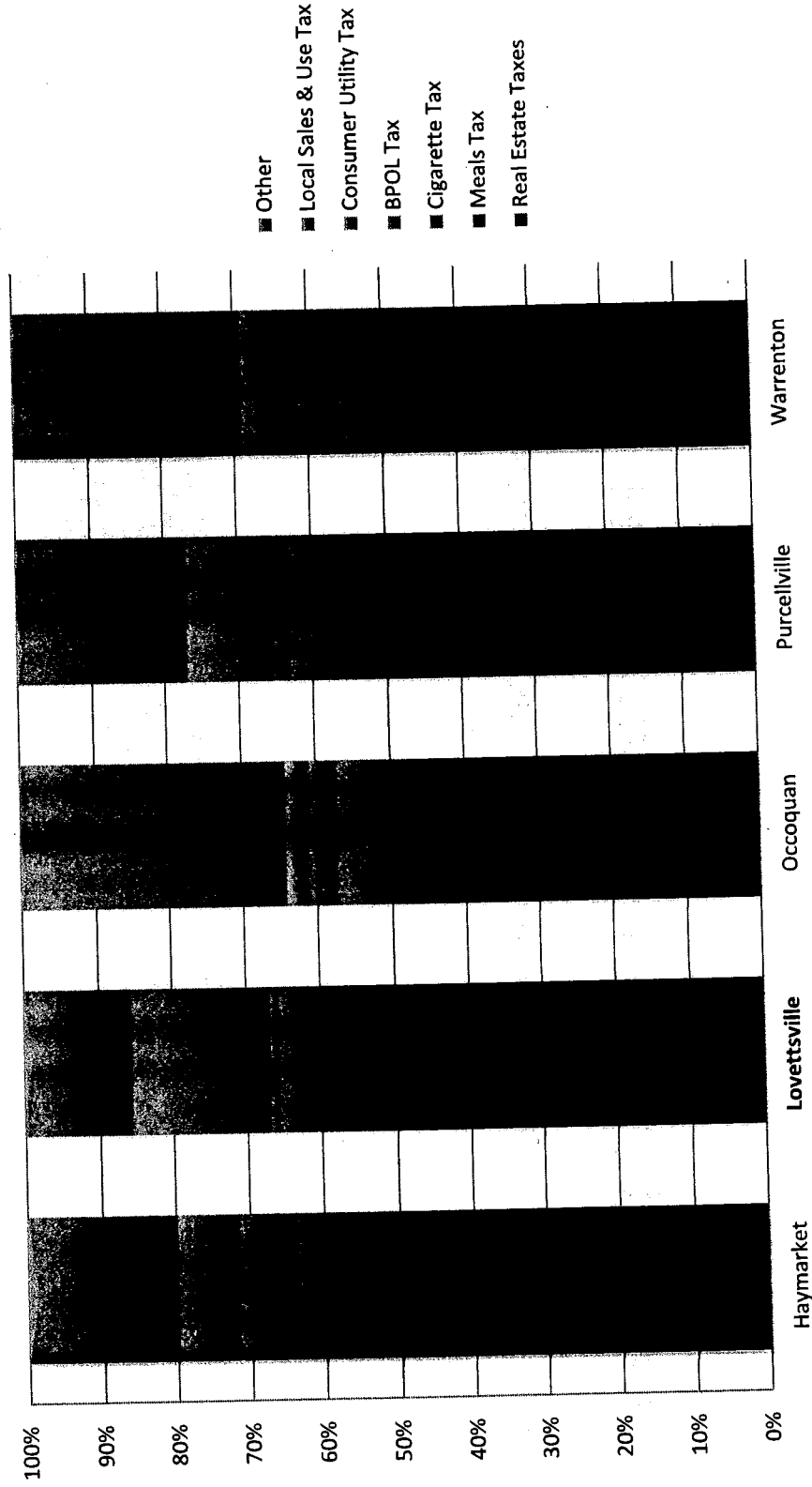
FINANCES: REVENUE

General Fund Revenue Growth, 2013 - 2015

3-year Compound Annual Growth Rates



FINANCES: REVENUE
General Fund Revenue Sources (2016)



Note: Lovettsville does not charge residents personal property tax or trash collection fees

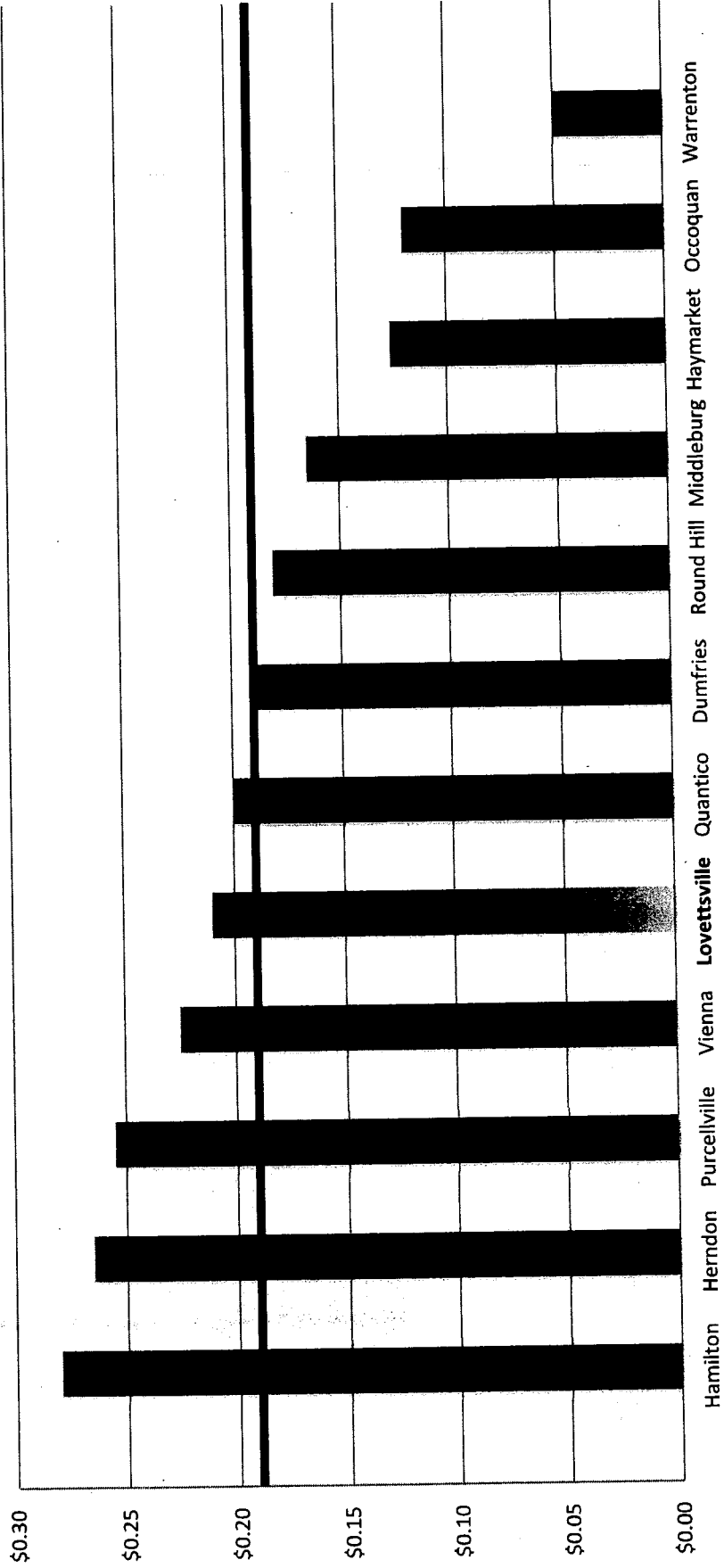


FINANCES: REVENUE

Real Estate Tax Rates (2016)

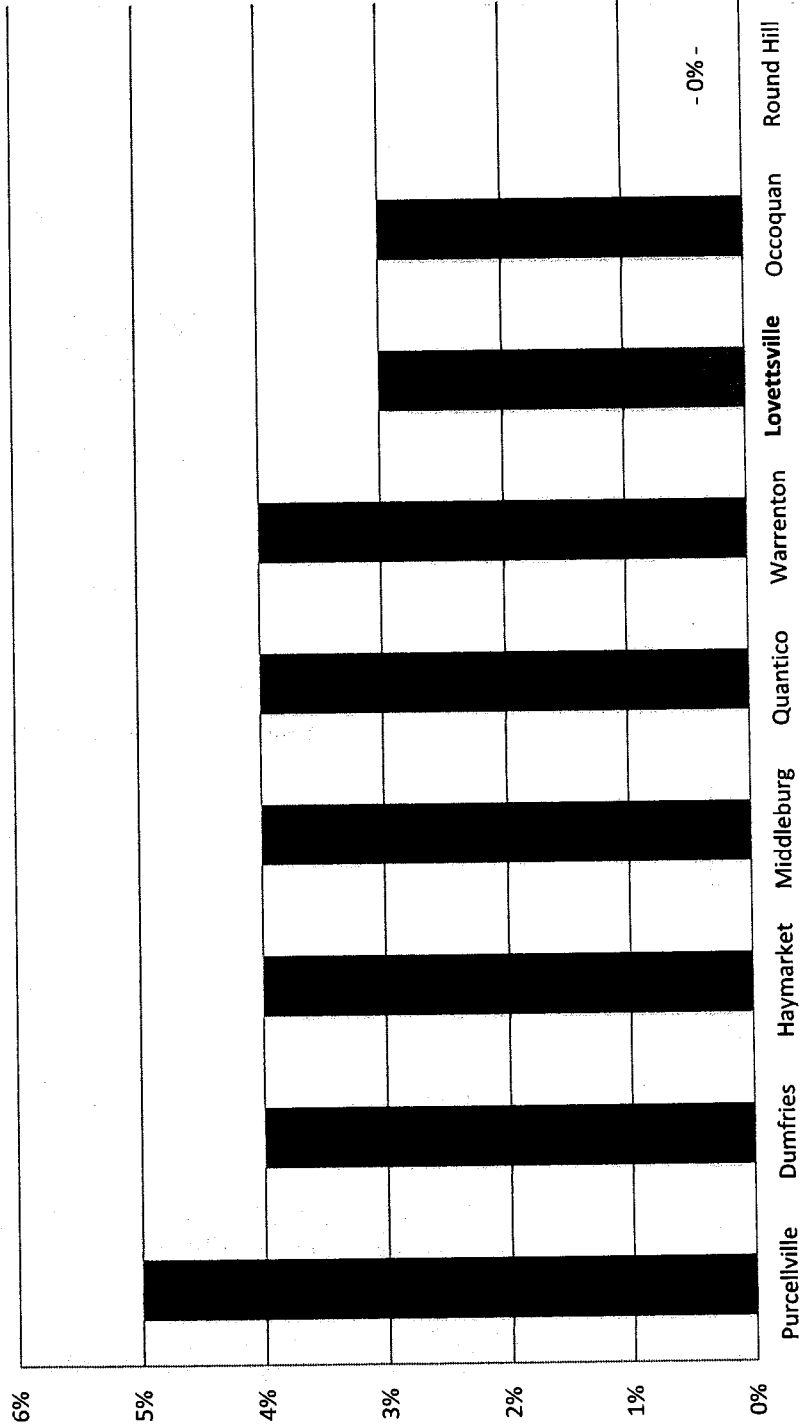
(per \$100 AV)

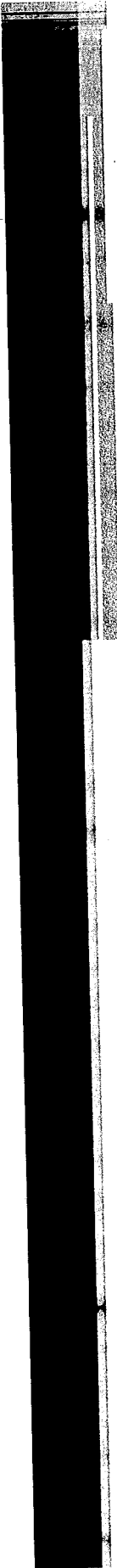
— Virginia Towns



Note: Lovettsville does not charge residents personal property tax or trash collection fees

FINANCES: REVENUE
Meals Tax Rates (2016)

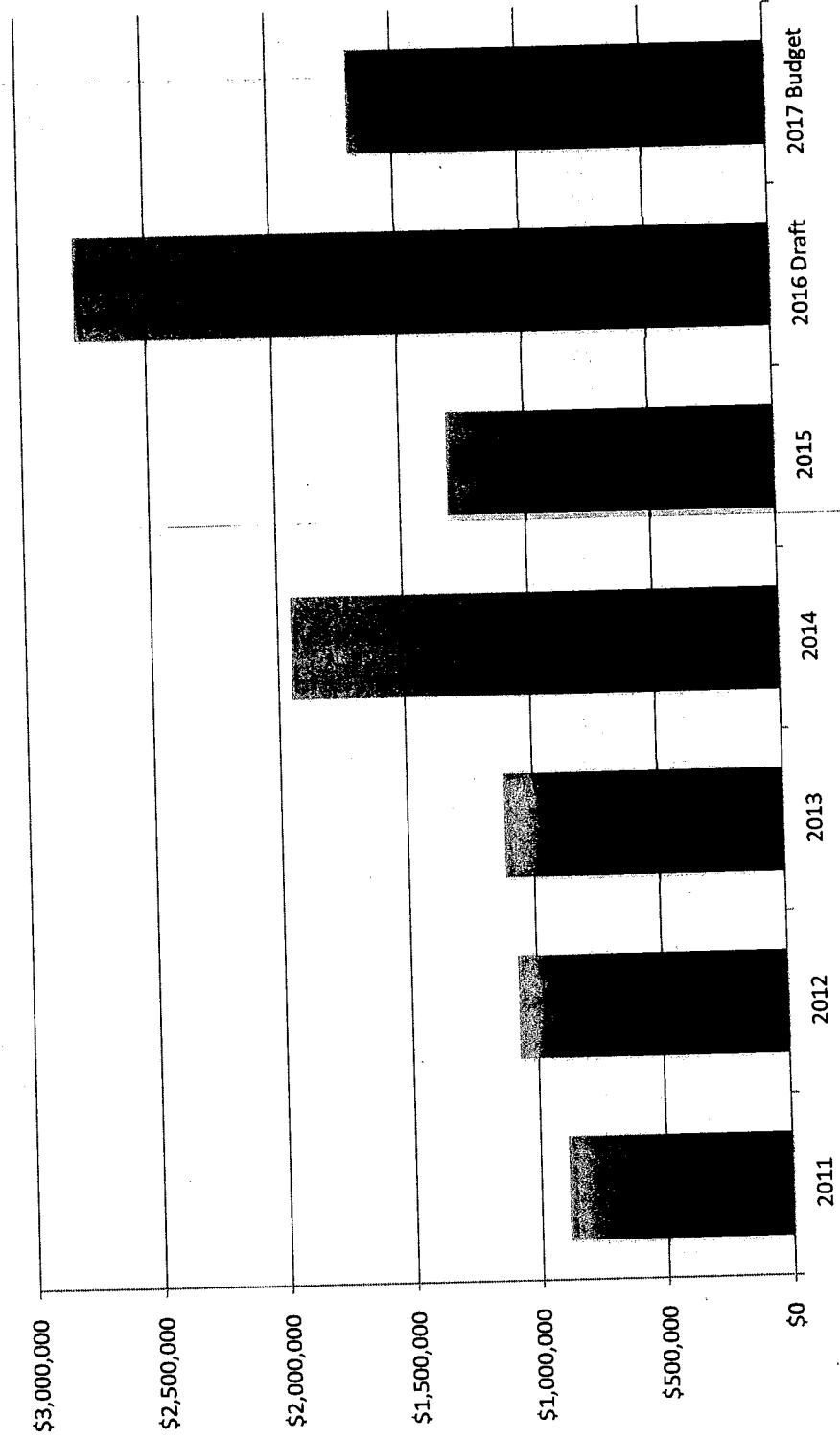




FINANCES: EXPENDITURES

General Fund Expenditures

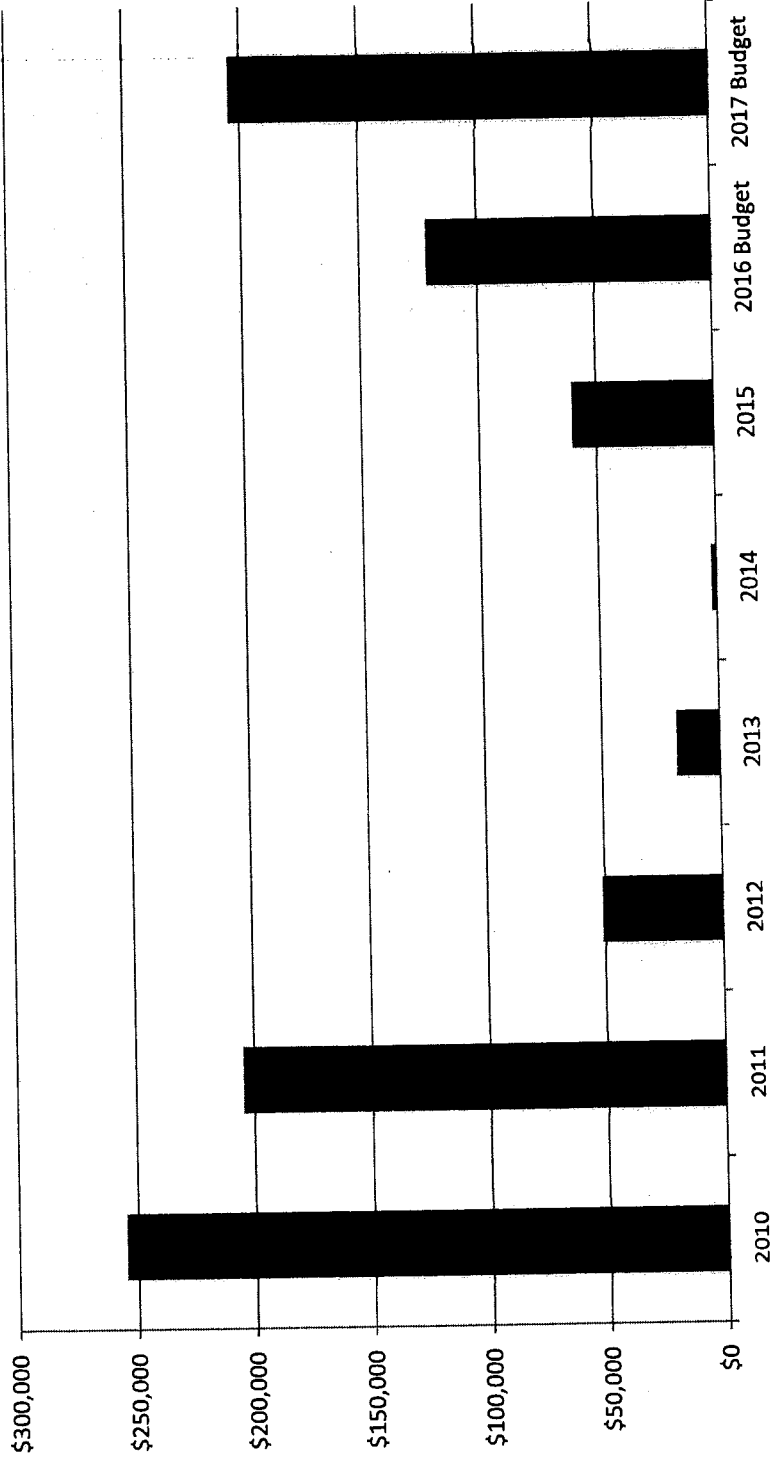
■ Capital Outlay
■ Operating Expenses



FINANCES: EXPENDITURES

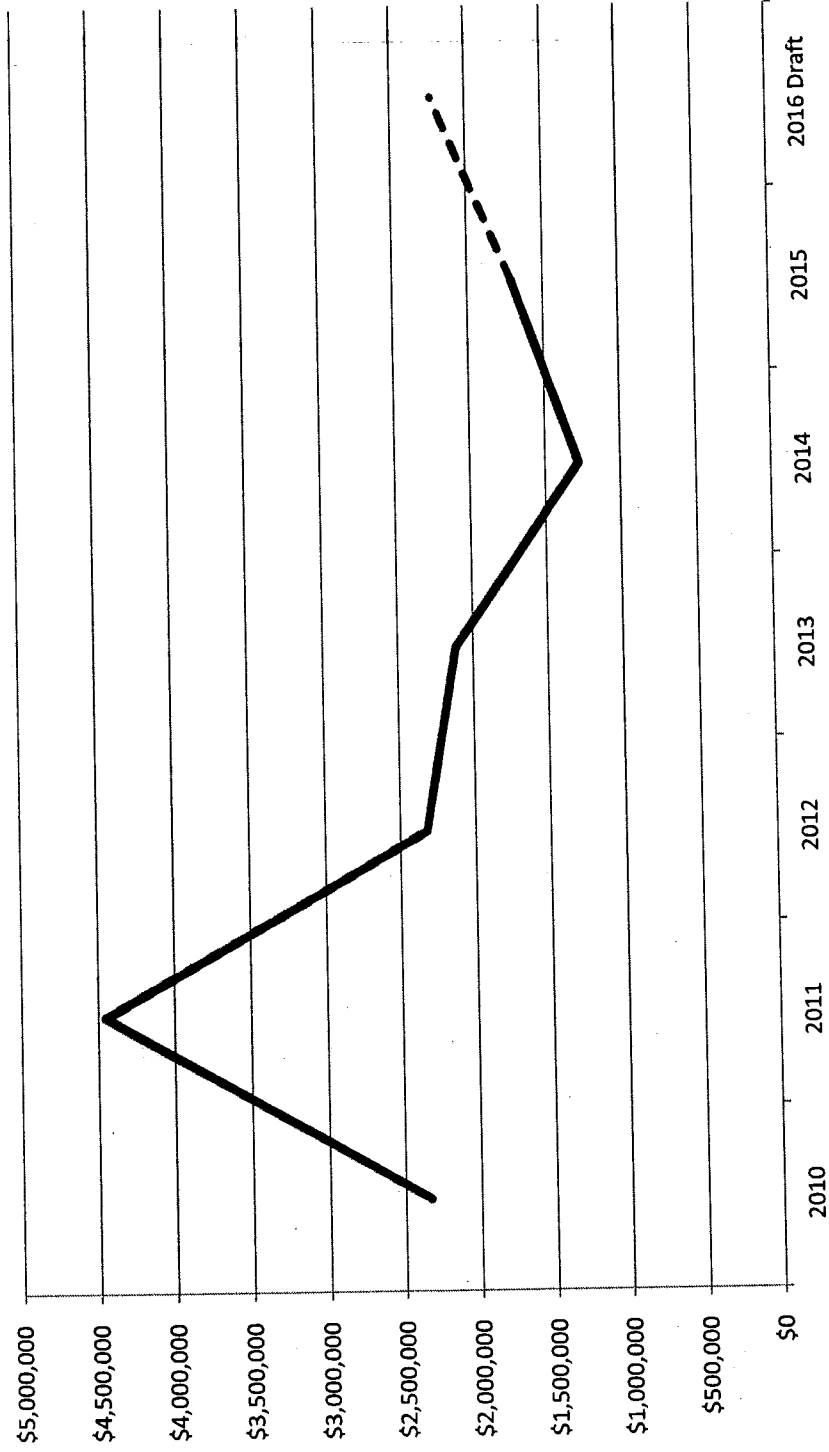
General Fund Operating Surplus

(2010 - 2015 excludes Federal Gov't revenue and capital outlays)



FINANCES: FUND BALANCE

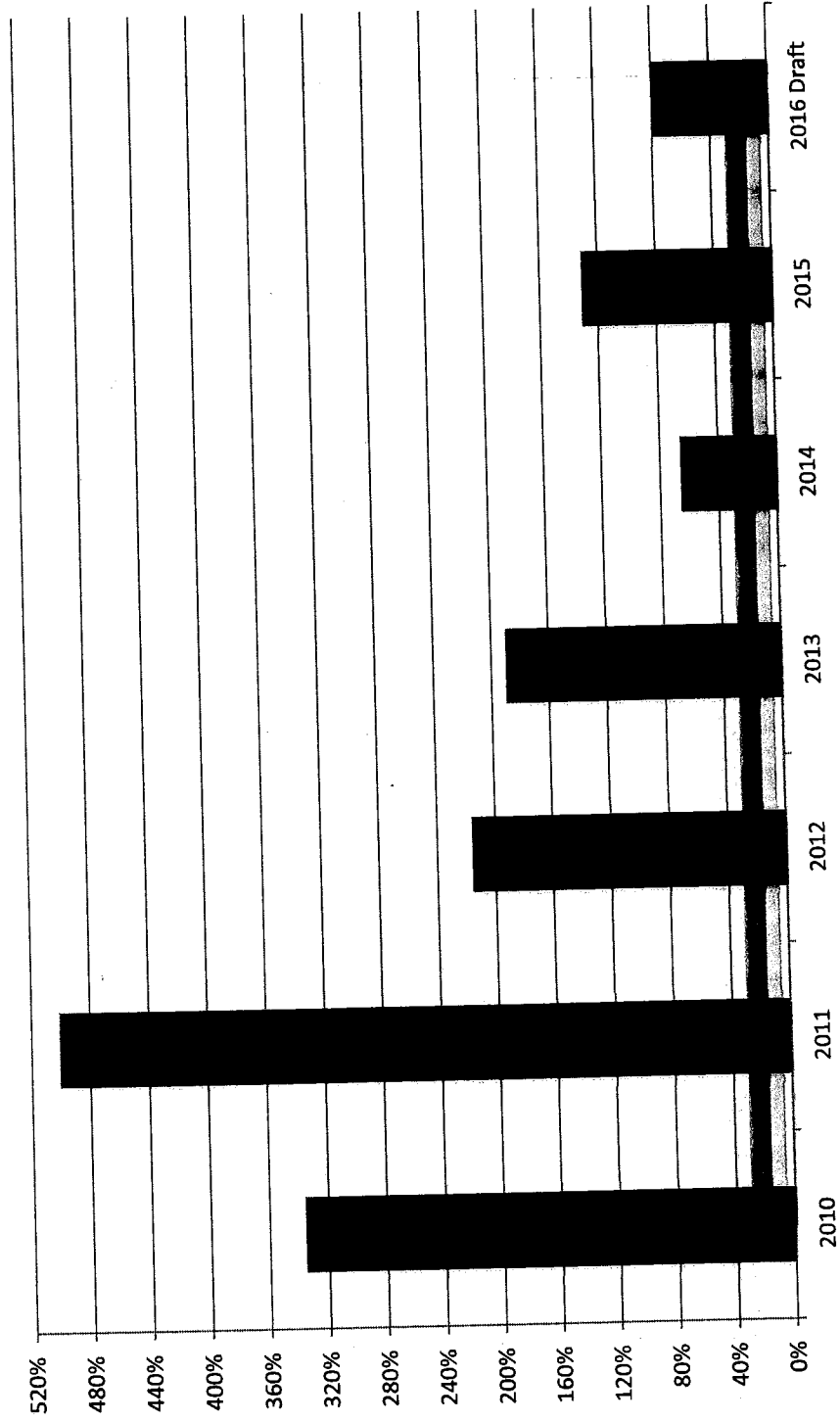
Available General Fund Balance



Available Fund Balance includes committed balances; excludes non-spendable and restricted balances.



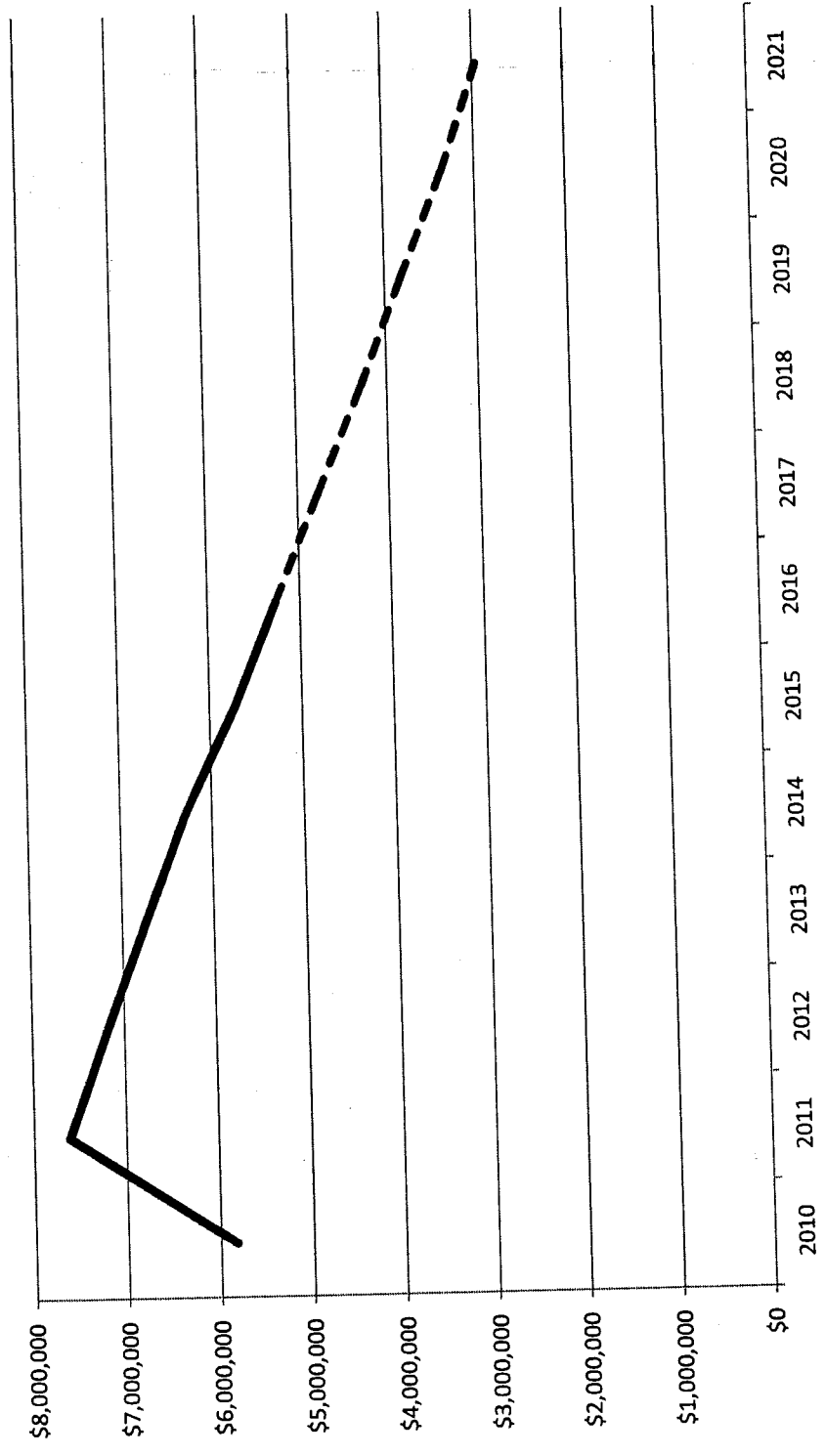
FINANCES: FUND BALANCE
Available GF Balance as % of GF Expenses

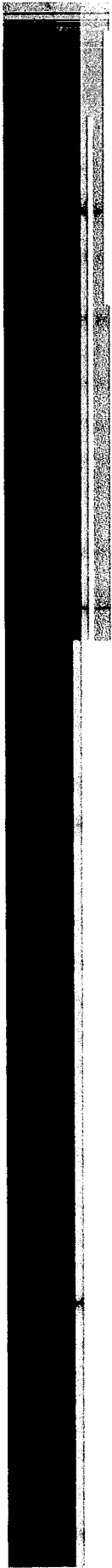


Moody's "Very Strong" 15% - 30%

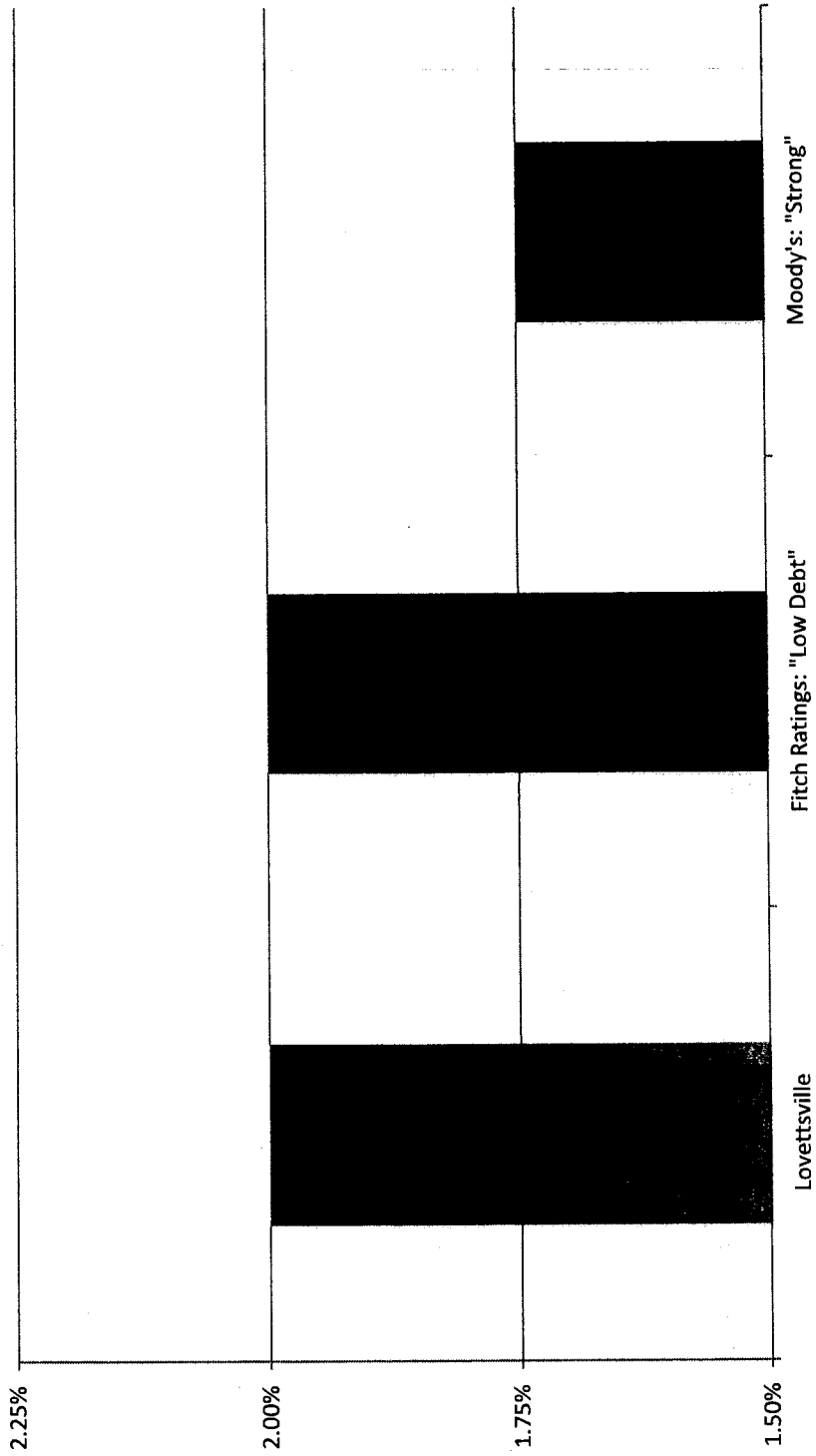
Moody's "Strong" 5% - 15%

DEBT MEASURES
Net Bonded GO Debt Outstanding





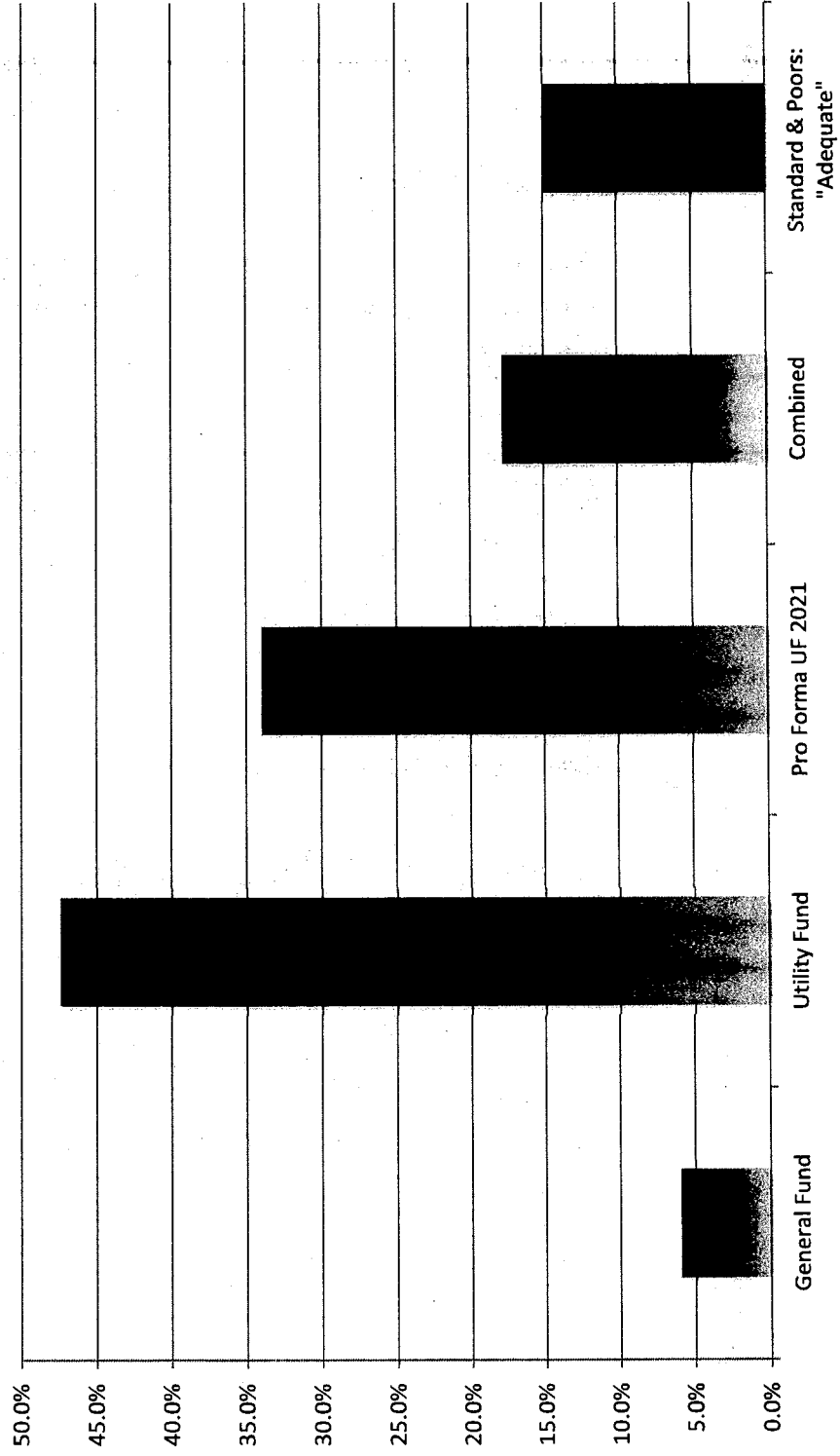
DEBT MEASURES
Net Bonded GO Debt as % of TAV (2016)





DEBT MEASURES

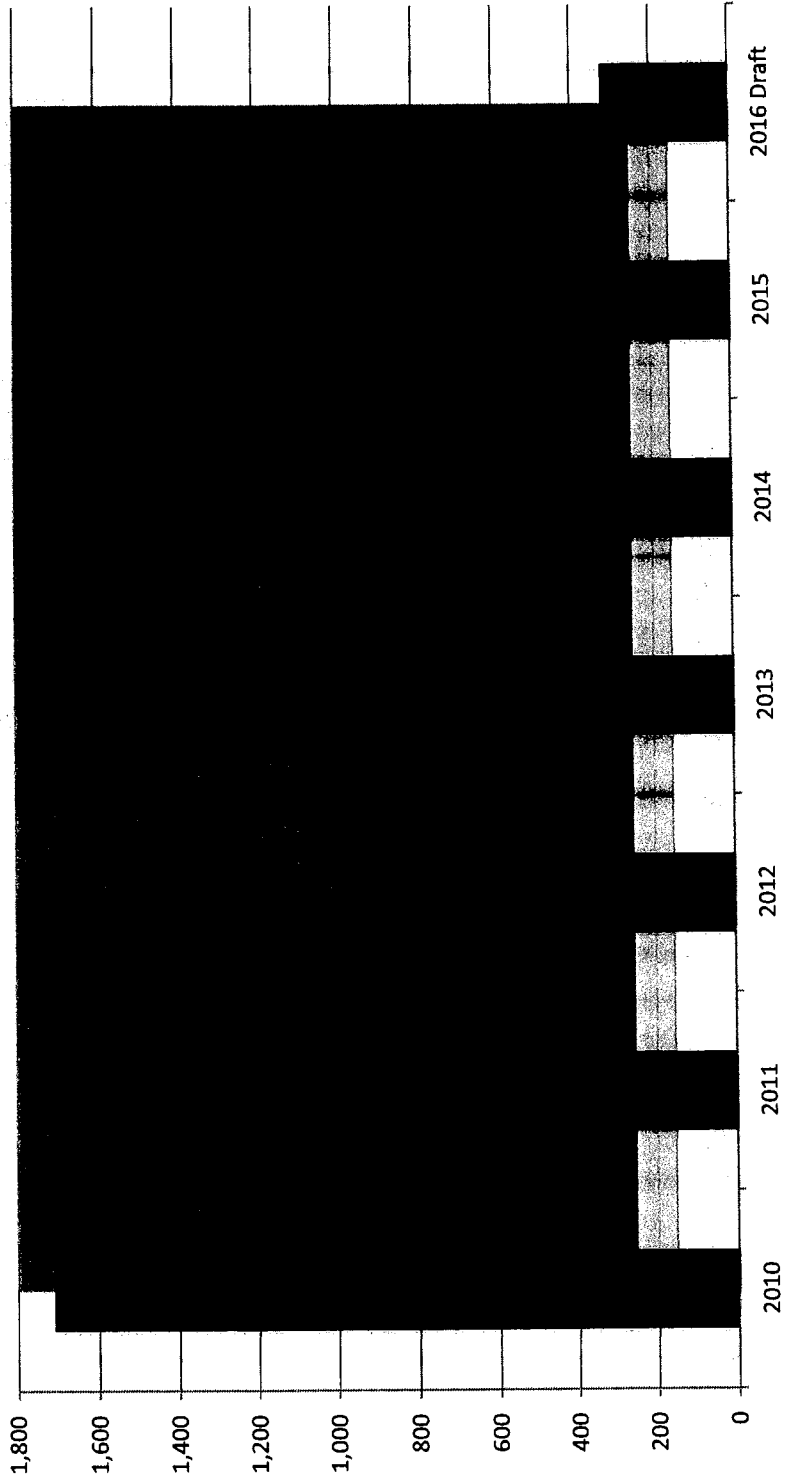
Debt Service as % of Total Expenses (2016)

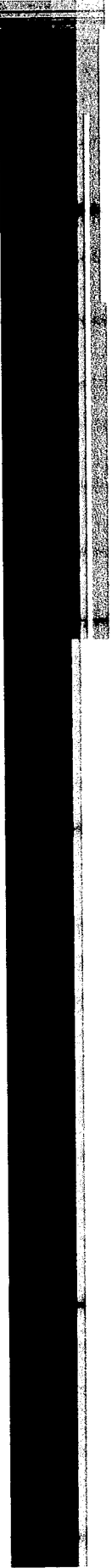




DEBT MEASURES
Utility Fund Days Cash on Hand

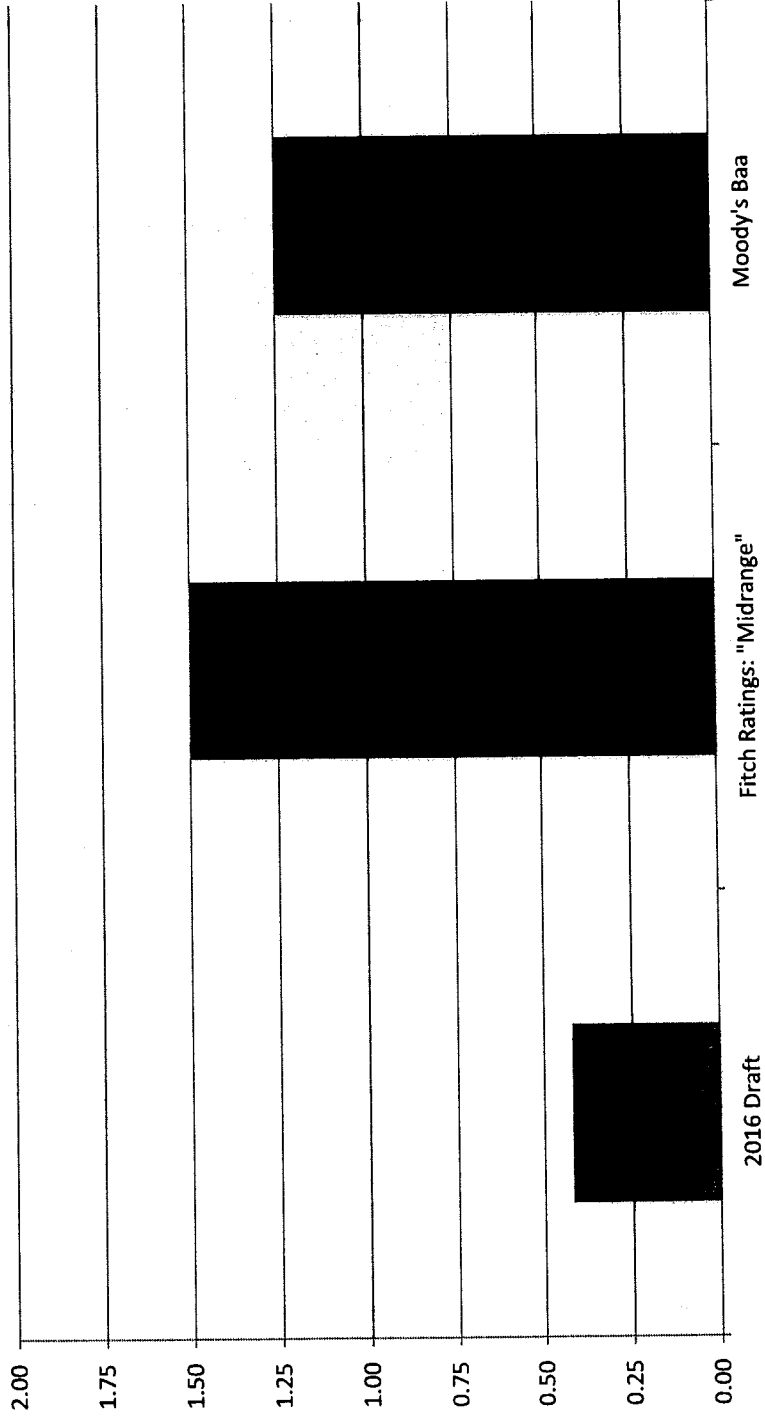
Moody's "Aaa" > 250 Days
Moody's "Aa" 250 Days > 150 Days





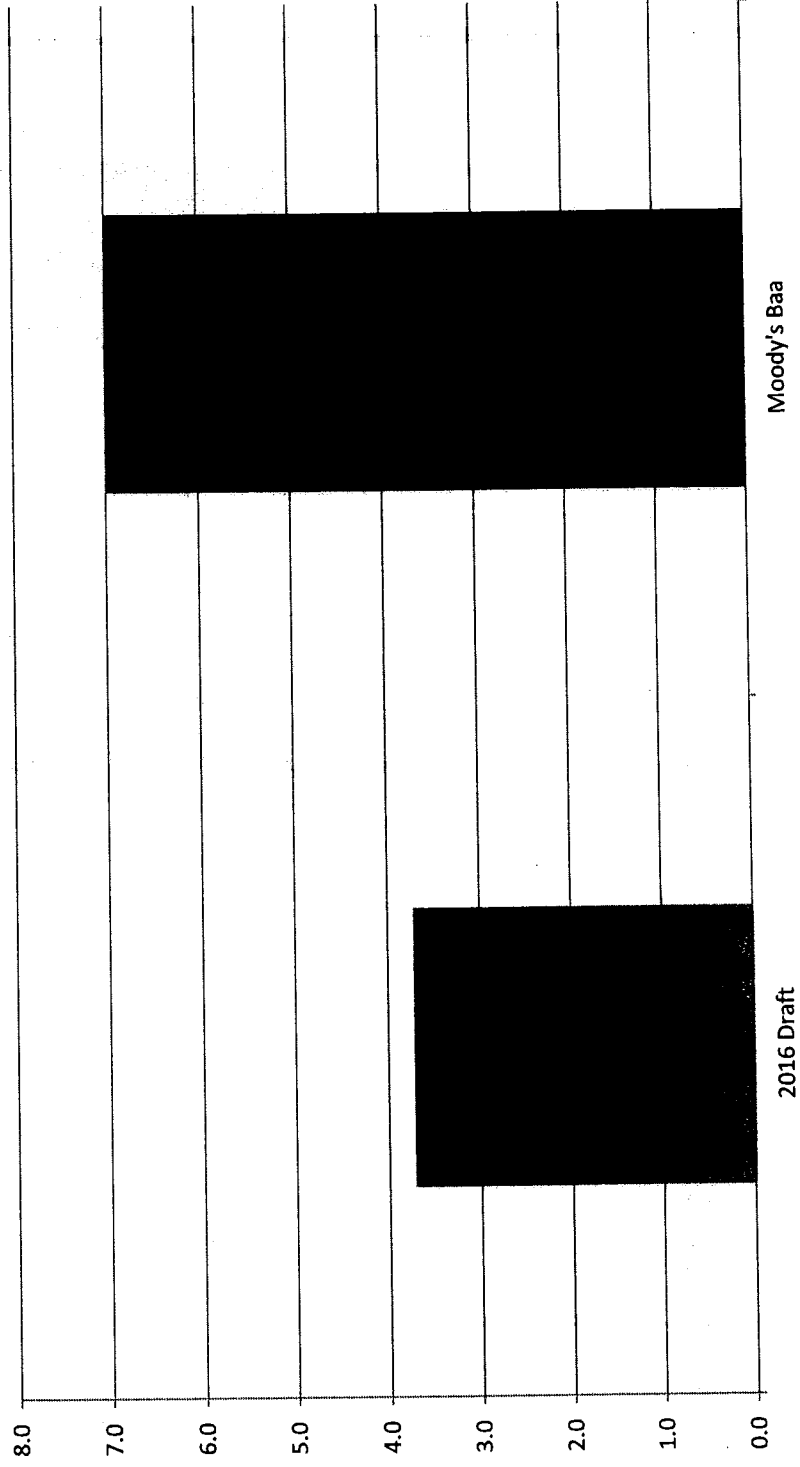
DEBT MEASURES

Utility Fund Debt Service Coverage





DEBT MEASURES
Utility Fund Debt to Revenues




Lovettsville – Current Assessment

Key Strengths

- Healthy population growth
- Strong economic base
- Increasing revenue
- Strong General Fund Balance, although declining
- Key General Fund debt ratios strong relative to rating agency measures
- Debt service burden drops over the next 3 years as loans are paid off

Offsetting Considerations

- Town size limits financial flexibility
- Revenue sources – meals tax, real estate values – sensitive to economic conditions
- 50% of revenue from real estate tax; need to diversify revenue sources.
- Declining operating surplus 2010 – 2014
- Declining Days-cash-on-hand in Utility Fund, although still strong
- Large debt burden on the Utility Fund



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