

Town of Hurt, Virginia
Council Meeting Minutes
May 17, 2022

Hurt Town Council held a called meeting/budget work session on Tuesday, May 17, 2022, at Town Hall. The meeting opened at 6:00 PM by Mayor Gary Hodnett with a quorum present.

Roll Call

Members present: Mr. Gary Poindexter, Mr. Donney Johnson, Mrs. Shirley Barksdale-Hill, Mrs. Kathy Keese, and Mr. Luke Perdieu; Members absent: Mr. Collin Adams

Invocation and Pledge of Allegiance

Invocation: Mrs. Keese

Pledge of Allegiance: led by Mayor Hodnett

Mayor Hodnett stated we had no one to come in and sign up for the public comment period. We will move forward to item C unless there are any additions to the agenda. Mayor Hodnett stated I may have something at the end where we go into closed. We will see how time goes. Gary, I will turn it over to you for the 2023 budget considerations and discussions.

Budget

Mr. Poindexter stated, thank you Mayor, thank you everyone for your time, patience, and perseverance. We have a lot on the table here tonight, but before we get into that, I just want to thank everyone who has helped us get to this point in the process. Our treasurer, our mayor, the finance committee, and anyone else that I may have forgotten. We have been quite busy for the last few weeks trying to come up with an initial draft proposal to present to the full council. I have some regrets about making a statement back in March that up to that point, there had been no serious discussions about things like tax and utility rate increases and other hard decisions like that. I was hoping that we could continue on along that line of conversation, but as we got into the 'meat and potatoes' of building a budget, it soon became evident that that wasn't realistic, and that's where we are tonight.

We do have a proposal here on the table that we'll look at in a few minutes. It has been reviewed by the finance committee. I wanted to do a little prefacing tonight with some general things [up front on the screen] before we go into all those line items. Here's some factors that have come into play with developing what's before us tonight... I don't think it's any secret that every one of us is dealing with inflation at a rate that we would really rather not. I looked again online this morning; the national rate is still approximately eight and a quarter percent. I'm not an economist, but I don't really know of anyone who's forecasting much of a drop in this for the foreseeable future. Municipalities are not immune to this; we have to deal with the same effects of it that individuals and businesses do. Our operating costs are increasing in part due to that. Also, when we got to looking at income thus far in the current fiscal year, there were some line items that looked better, but there were some others that showed a regression. When you get into forecasting for next year based on the first three quarters of the current year, some of those did not look as good. As we know, Virginia is a Dillon Rule state, so we only have the authorities that the state gives us and they like to tell us things that we have to do their way, and so does the federal government. Thus, there's always things that we have to do to be in compliance. We have project work of different types underway or about to begin that will play into this as well.

The left column here details the main things that have been identified as going up. Now, these are not exhaustive lists. I've just put together some highlights here that are some of the bigger ones. There is a collective effect of smaller ones as well, but these are the main items right here. It is unreal how much advertising has gone up and we're going to see that when we advertise this budget here in a week or two. Whenever we have to advertise a public hearing or rezoning or something like that, it goes up. We're going to begin debt service on these capital projects with the water and wastewater systems. Fuel is self-explanatory. We've all seen that at the gas pumps lately. Everything up here is up, health and liability insurances are up, not astronomically, not as bad as we feared, but some. IT and cybersecurity are always an ongoing thing; professional services are up. Fortunately, the auditors are not, John is, and other things like that that we have to farm out. External sources of advice and systems - those are up. Project work, the single biggest one we're looking at is the evidence room upgrade, we're looking at \$15,000 for that. All of the others are small compared to that one, but they are there and add up. Of course, Altavista is continuing to go up on water and wastewater, so we will have to absorb that and then extend enough to take care of and keep our own enterprise fund solvent. The cigarette tax has shown a diminishing return - not drastically, but enough to be of concern, so that's being looked at for the new year. Communication and utility taxes, fines, all those are down. Interest is way down; I looked back at what we were budgeting for interest from both the bank and LGIP. The last budget I made as mayor in 2019, 3 years ago, there's a huge difference in what we could look for from those then as opposed to what we're looking at now. It is a tiny fraction of what it was then. Of course, wastewater billing - we found some things in there that for the last few years have been a little hassle and not quite as strong as it had been being.

Now, I think we all know that when you go to balance a budget, there's only about three things that anyone can do to make that happen. There's not but so many variables in the equation. You've either got to (A) reduce what's going out, (B) you've got to increase what's coming in, or (C) you have to have a secondary temporary income source to come into play and create some type of hybrid solution between the two. The first one is our least favorite option, because as we go through this document in a few minutes, I think we're going to see there's not much in there that is readily expendable. There might be small trimmings here and there, but not enough to make a meaningful difference with the scale that we're on. To make a meaningful difference we would be talking about drastic cuts to core functions and services. Hopefully, we won't have to have that conversation. The solution that we're proposing is a hybrid of B and C; we're looking at using some carryover money from the current year. We actually have some extra money, thanks to the help that we have collecting delinquent debt. Now maybe we can put some of that money to work for us and cushion some of the blow from this. I so appreciate that. If it were not for that money, we would be looking at much, much bigger rate increases.

Alright, so what we're proposing to do here is to pull about \$44,000 out of that carryover and reserve to go along with these increases. The proposed rate increases that I'm going to show you here in a minute would be on the scale of double if we do not do this right here, as we were looking at a nearly \$100,000 shortfall. That was razzing, to put it mildly. I was not expecting that. These are the items that we're looking at proposing a rate increase on; some of them are small and some of them are not exactly small, but medium. When we go into that, there's some things that I think we just need to keep in mind as mitigating factors. When we go to contemplate tax increases, and that's a hard subject, it may be helpful for us and it might be helpful for the people to consider the scale of the town, if you will, and just what

these things translate into. The biggest spike on this proposal is the real estate tax; we're looking at going from 17 and a half cents per \$100 to 22 cents. Alright, that sounds huge because it's a 25% increase in the rate, but when you look at the fact that town rates are in the teens and 20s, that's not the same thing as a 25% increase with the county where the rates are in the 60s. What we are proposing would amount to about \$67 a year for a \$150,000 home in the town, and that approximates the average value of homes around here - some are more, some are less. I think that's a decent estimate of the average. That same home out in the county, if they went up 25%, then there would be a much bigger spike amounting to close to \$1,200. That would be a much bigger difference if the county did that than if we do it, so it's important to keep that perspective. We are also proposing a small increase in personal property tax. That was the last item we put on the list after some things came to mind that we needed to pay for. If we've got to have this hard conversation and make these hard decisions and do some of these things, it probably would be better to just do them all in the same year, while we're at it, and not just keep throwing more different things out every year. I mean, if I look at this as a taxpayer, I would prefer that, and you know I'm one person out of seven, but that's where we are. The personal property tax is actually one of the fairest/most equitable taxes, because someone who can only afford a \$5,000 car would only have a very, very minimal effect from this, while someone who can afford a \$50,000 vehicle would have a much bigger increase, but again, the punch would be proportional to one's situation and not create an undue hardship.

These things come up in our conversations a lot. I don't want to dwell on it too much, but I just think it is worth saying because it's going to be germane to these conversations. Ever since I've been on council, I've heard this statement that about all of us here are senior citizens. The data doesn't support that. I've done that research with the Census Bureau over the last couple of days, in fact, started working on this back in '16 while running for the second term, and it hasn't really changed a lot in those six years. The 65 plus population is really not much more than a quarter of the town's total population. I think what does that is it's just all of us being human. We tend to notice people that are or know more people who are close to our own age bracket, and it looks like that's the majority. I'm in my mid 50's and most of the people, I know a lot more people in their 50's and 60's than I do in their 30's - a whole lot more. I think it's probably that way for about everyone; someone 25 is probably going to know mostly people from 20 to 40. A lot of that is perspective. Another thing that we hear occasionally is we have some of the worst taxes in the state. On your tables, I prepared a municipal rates comparison of 8 -10 small municipalities across our quote-unquote 'league', meaning the population size bracket; they are all between 1,000 and 1,500 people. We are right down the middle of that with about 1,300, maybe 1,400 depending on how you counted. When you look at this comparison you will see that what we are proposing with some of these increases puts us right on par with the county and other towns in the county with things like decal fees. It puts us even with Gretna on real estate. That keeps us below Chatham on personal property; they have one of the highest personal property taxes that I've seen. One thing I noticed in the pattern there is that a lot of places that have lower real estate and personal property than we have, have an M and T tax. That is their other source of income and that is how they are able to do things that we have such a hard time doing; that's a huge generator. We are going to need to take a really hard look going forward and develop an M and T tax, so that we can have another source, another stream of revenue, and not have to keep putting practically everything on people's houses and cars.

Yesterday, we had a little conversation here about how we might make this more user friendly, more citizen friendly, more palatable, whatever term you want to use. Again, we looked at the idea from a few years ago of going to billing twice a year. I hope someday that we can do that like the county does. We did a survey a few years back, and the people indicated they liked that idea and wanted it, but when we look at the technical implications here in the office of making that work, it's not utterly impossible, but it's going to be difficult. It's not something that we can just up and do in the length of a lazy afternoon, so for now we have to come up with something more practical. What we're looking at with that is to develop and encourage the use of a pay-in-advance type of system where people can pay some per month or some per quarter if they are paying a water bill and end up either having a credit or having a much lower tax bill when December rolls around. That way, the bite of holidays, county taxes, town taxes, insurances, all kinds of things people tend to have in December - may be mitigated a little bit. Another thing we talked about along with that was to extend the grace period from December 15th to January 15th and let people have another payday before charging a penalty. Some things like this might perhaps make it a bit more level for some people. Mrs. Barksdale-Hill asked Mayor Hodnett, breaking up the real estate for people, the county gives you the option of paying half and half or paying all at the end, would that cause a lot of drama? Mayor Hodnett responded yeah, when you put the second option in to where they can do it twice, we'd be billing twice; what that does is it creates complications within the database, like for example, when you bill in November, and then you're going to bill again in let's say, February, March, when you get to February, March without critical new data written, then the people in February and March are late, so they're going to automatically be assessed the late penalty. Mrs. Barksdale-Hill asked how about June? Mayor Hodnett responded same thing applies. Mr. Poindexter stated we've talked about different periodicities with that, been trying to keep it maybe the same year doing November and May or October and April. What we ran into, the reason we can't make it mirror the county as well as we'd like, is that the information we have to have for Southern doesn't come to us from the county until late September/early October. Then, Southern has to have time to process it, and we can barely get it mailed out the first of November because of all that processing time. The only thing that we could theoretically do, is to keep billing for December 1st and then figure out a way to have a secondary due date of April or May, but we're right back into what they were just talking about. It's not impossible, but it would be difficult to make it work for us.

Mayor Hodnett stated, and they prepay; we have several people in the community now that use the prepaying. They'll come down monthly and bring in \$25 to \$50 cash and they love it. I mean they just absolutely love it because they say, man when I get my tax bills, you know, I may not owe but half or 20% on it depending on how much I do. I would a whole lot rather get a small payment than a large one, when I can come down monthly and just pay a little bit along, that's going to offset this. What we were talking about yesterday, and Gary will allude to this a little more, is making them aware of it. We have to pitch this program, that it's beneficial to you, you know, it's going to be convenient for you. We have to sell them on that idea, but it works for everybody that's using it now. Mrs. Brumfield stated, and their statement will show that credit to when they get what's due; it'll show what they've paid toward that so it's on that statement when they get billed. Mrs. Keesee stated it makes it a lot easier on you too. Mr. Perdieu stated it's not any harder on you, and budget friendly. Mrs. Brumfield stated it's not a problem at all. Mr. Poindexter stated we think that the trick to getting this to work, at least moderately well, is all about communication. That's a perennial struggle here. When I was doing it, I exhausted everything I

could think of, and there were still complaints about 'I never knew, I never heard.' I'm not really sure what else to do other than to put a megaphone on a police car. We have a good website, we have a Facebook page, we have a newsletter, we have a bulletin board, and we have good folks that can and will promote it in person at the counter, and we have two local newspapers. I'm not really sure what else we can do, but we need to do all of those. Mayor Hodnett stated, well don't forget the direct communication through voicemail. I'm going to tell you, that one we popped the other day, you won't believe the calls we've been taking. Mr. Poindexter stated, I got my first one that day when you sent that out. I liked it. We would not want to miss that because that probably would reach more people than all the others put together. Mrs. Barksdale-Hill stated not everybody even signed up for that, right? Mayor Hodnett stated no, but it is a large portion. Mrs. Keesee asked what percentage would you say we're signed up? Mayor Hodnett responded probably 40%. Mrs. Brumfield stated I do think what's going to happen with that is word of mouth; they're going to find out, well, I got the call/I didn't, and then they are going to come down here and say, oops, I didn't, and then we'll get them on it. Mr. Perdieu stated that's a good start. Mayor Hodnett stated it's unbelievable. Mr. Perdieu asked, you said you got a lot of calls, good calls? Mayor Hodnett responded pretty much all of them were good. You know, even the ones that didn't play the recording called and said, hey, I see I got a call from you guys. What's up? They didn't play the recording. They just called down here. Mrs. Brumfield stated, and they didn't quite listen to all the recording. Mr. Poindexter stated it's an ongoing thing to promote and encourage people to sign up for the options we have and are using. It's like economic development. It's a process, not an event. Mr. Perdieu stated between that and being able to check their water bill online, that's huge.

Mr. Poindexter stated I think some more people will find some leaks with that thing. That is sweet. The only other thing I've got for up here, and then I'm going to sit down and look at the papers, notice these age distribution categories here - statistics tell a lot, and that number right there is what I was referring to a while ago. That tells you that some of these things that we've heard for years just don't hold water, and we have to think in terms of everyone. We are down here to do the best we can do for everyone from 1 to 100. We can't single out one group, and this is the 2020 census data right off the U.S. Census Bureau website yesterday. That's about as up to date as I can get it. Mayor Hodnett stated but the one thing that we have to pay attention to is when you look at those 60 years and over, we're talking about over 35%, that's a significant chunk of people. Mr. Perdieu stated you also look at the median age; it is 50. We're pretty evenly distributed across the age spectrum. Mr. Poindexter stated, I mean by definition that means half are older and half are younger. Mr. Perdieu stated, which is good. It shows you got even diversity. Mr. Poindexter stated it's actually a healthier age structure than you might think. Mr. Perdieu stated there's a lot of new young people in the town. Mr. Poindexter stated we have had several come in on our street in just the last few years. Mrs. Keesee stated, hopefully it's going to get better. Mr. Poindexter stated, as we see economic development, we're hoping to see that trend at least continue if not accelerate. Alright, well, that's all I've got for the big screen. Anyone have questions or comments? Mrs. Keesee asked, have you been doing anything besides working on this? It's excellent, thank you.

Mr. Poindexter stated, after taking some time to go over all that, unless someone really wants me to, it may not take quite as much time as it did the other night going over this 10-page spreadsheet. I think everybody needs to go through it and see what this looks like. The items that have a small note there in the memo column are the main items where there's a substantial change. Now, that's not to say that every other line item is totally unchanged; it's not, but those are the major things that stand out and

represent the proposed tax increases, utility changes, and new items that weren't on last year's budget, for example, and things of that nature. Going down page one, the change in revenue there reflects the proposed real estate hike; mobile homes, they are personal property but are taxed at the real estate rate, so that's why the same note that personal property shows a quarter increase. Notice that that line item goes down despite the increase and that's because the revenue is based on valuation data from the county; what that tells us is that there's not as much taxable personal property as there was a year ago. The bigger part of that change is attributable to the fact that PPTRA, which goes with that from the state and is shown on page two - we'll look at that in a second. Some of that is made back up on page two under PPTRA. That line item is not quite as bad as it looks for that reason.

Alright, you'll notice that communication and utility taxes are forecast to be down. Business licenses, we did put a little more in the forecast there, and I'm hoping that's conservative, but I'm not going out on a limb with that. We believe that there are questions there about compliance, about not as much being turned in as should be and there's going to be some steps initiated in the new fiscal year to improve that, but I don't want to get overzealous with the forecast there and then have a bust on that. I'd rather under-forecast and come in to the good. The meals tax is looking a little better anyway. It looks a little better still going up a half percent; that puts us in the same place as the county, so it's not excessive. I did not compare it to Altavista's, but I think theirs may be a little more. Mr. Perdieu stated I guarantee it is, even McDonald's; I get the same thing in Lynchburg or Rustburg. Mr. Poindexter stated every time we eat over there it just seems a little high, and I don't nitpick about pocket change, but it just seems a little a little high. Alright, with the cigarette tax, we are proposing to take that up from 17 to 25 cents/pack. That still keeps us two or three cents below Altavista's. I think theirs is 27 or thereabout. Altavista is 7 on meals tax; we're still a full percentage below them, that's good. The games of skill, we put a small amount in there based on last year, that may do better depending on what the state does about regulating games of skill. Just like they haven't finished up the budget, I don't know that they finished up making a decision on that either, so that's to be seen. We did add in a new line item to help us a little bit. Application and permit processing fees, that is fees that we charge for people coming in the office and turning in forms, like applying for a special use permit or rezoning. Various types of things like that have a fee, and this gives us a way to account for it. It is a delight to see the solar farm lease on here, and just to build that item in there this year, felt really good. That's something I've hoped for a long time. Then at the bottom of page one, PD wanted a line item in there for their fundraising, so we have that to help them out. The refuse collection commercial revenue is new this year. I'm glad to see that there, or we would be talking \$5,000 worse bottom line. That is for providing refuse collection in a commercial sense, such as mobile home parks. Did I miss anything on that?

Mayor Hodnett stated yeah, to do the mobile home parks and the apartments, we charge them. Mr. Poindexter stated, so we're able to get some income from that. Alright, the top of page 2, not much of a difference in most of those under intergovernmental. Notice the PPTRA is more; the county informed us to go with 55%, so that's why personal property is down - well, it is part of it. We will only be billing for 45% of assessed value, because of this item here going up. The transfer that I mentioned, to help us balance the budget, the \$44,000 is showing there, total general revenues and transfers. Any questions up to this point, comments, concerns?

Alright, moving along. Now we look at expenditures. Admin Department, we're looking at meaningful increases for HR, along with overtime contingency. We may not need all of that contingency; so far this FY we haven't used very much, but it is there if we do. Along with that, you're naturally going to see some uptick in things like FICA and VRS. Health insurance did increase - not drastically, but some. Some of the differences that you may see in health insurance may depend on how many people are using it and what plan they have, whether it's just them or whether they're carrying someone would affect that. We did add a line item here for staff professional development, and in each department, as it would be a very good idea. The things that all our folks have brought back to the table from going to conferences or to training and so forth are assets not only to them, but to all of us, so we put some money in there for that this year. Operational, of course all the liability insurances are listed there. The office equipment maintenance, the reason you see that noted item go up from \$1,000 to \$2,500 - that includes the lease for the proposed new machine that is scheduled to come in within a few months when it's available.

Office supplies, you will notice that they have gone up, and that is even after we moved some of that over to enterprise to account for water billing. The price of anything to do in an office has just gone ballistic - envelopes, ink cartridges, postage, paper, it just goes on. One time we were actually going to quadruple that, but then we realized that we needed to better balance it with enterprise because a lot of that was going to water billing. Legal advertising - I mentioned while ago how much all of that has gone up. We separated public relations advertising from that and that's in another department further down, so that we can better account for how much we're spending on each. Alright, anything on page two? Alright, three, postage, you don't have note 2; that's on a separate tab in the workbook, but what that is, it's a reminder to staff to be very careful about coding, postage, anything that is about water and wastewater billing, it needs to be in enterprise, while tax billing and anything that admin needs is to be over here in general so that we don't get them out of balance with each other. That's all that is - a friendly reminder about coding. Cellular is up some, not extreme. Professional services there you see some changes. The accounting audits, the total stays the same, but we divided it half with enterprise because they have to audit all the enterprise fund, all the water and wastewater things as well as the general fund. Likewise with John; he's done a lot and has to do a lot of work with things about the water and capital projects. Contractual services/public safety, that is for Mike Jones, Deputy Town Manager and Public Safety Director. The municipal codification for \$3,500, that is half of the Municode project for the ordinance book. The other half will be seen under enterprise here in a few minutes. That line item will be less next year - it will be a small fraction of this because we will have done the initial project and then it would just be a nominal fee for maintaining it, probably a few hundred on each side instead of a few thousand, so this is not an everlasting spike. It will be considerably less than it is now.

Alright, and that's admin. Moving on to PD, same breakdown, HR proposed new compensation packages and overtime contingencies and fringe benefits, along with, we've had training for them before, but to keep it coherent, consistent across the departments, I moved that item from lower down up here so that it will have the same kind of suffix in the account numbers and it would be under HR, because that's really more of an HR expense than operational. Operational, again, insurances, workers' comp - I was surprised to see that a little better for PD, assuming that's because there were fewer injuries this past year. Near the bottom you'll see an item called PD secure server - that is a feature there that's going to be with us probably for the duration. This is something they have to do for security and confidentiality

reasons with police work. That type of thing has no business being comingled with anything else, and that's the reason for that right there. They have to have a separate secure server. Other than that, go to top of page 4 and you'll see the big item up there - the evidence room upgrade that's a \$15,000 project estimated. We would not anticipate a number nearly that much next year, but it is here for now. We're continuing with having a few thousand there for capital reserves. We keep that line item each year, so that there's a little bit being saved toward the next police car. I know we just got three new ones three years ago, but hey, the average life of them is about seven years, so we're coming up on halfway through that. Three or four years, we're going to need at least one more police car. Mr. Perdieu stated plus Tom needs a bigger one anyway. Mr. Poindexter stated I can relate. Alright, so that gets us through admin and PD, any comments, questions, anything up to that point?

Mrs. Barksdale-Hill stated, workers comp that we discussed, the new workers comp, what line, the plus coverage? Mr. Poindexter responded we put that under Admin because that was only \$500, and the part that was covered under Admin was the smallest of the three. We thought it would make sense to put it there to create a better balance between the departments and something that administration is doing. It's for everyone, so rather than what some may call hairsplitting \$500 across three departments, why not put it into the smallest one to best balance it. That's what we're proposing unless there's an objection. Alright, public works, we've moved some things to the enterprise fund to avoid a lot of hair splitting and for simplicity in processing things. The insurances are all or nearly all under General, I believe. Buildings and grounds we have merged a different account number that we had in another place, that was RLM Park and beautification; there were some thoughts there of why have 2-line items that are that close alike, just put them under the same umbrella. There's no need to separate it, so that's why that one is bigger. Street lighting and refuse collection, we're not expecting much change in that. Contractual Services \$12,000 - that is what it says it is - for our mowing and trimming services. I don't have it written in front of me, but that is based on \$400 a week with an average of servicing once a week for July through October of this year and April through June of next year, so basically, it's 30 weeks at \$400, assuming one mowing and trimming per week. We all know that in very wet weather it could be more and in dry weather it could be less. That was used as an average, as a starting point to see how it does. Then the capital there, same thing as with the police cars, that's \$3,000 for either for the next truck or for something that they need in a way of capital in a future year. IT, we consolidated I think some of these things and split some of them with enterprise because water billing is mixed into that. That's why tech support is up and Southern, there's not as much at the split. Mr. Poindexter asked Mayor can you refresh us on voice over internet telephony - something changed there. I had gotten kind of foggy by the time we got to that. What caused that - is it a different plan or is it the way some things consolidated? Mayor Hodnett responded same plan, ways somethings consolidate, I was looking to see if we split it up with water in any way. Mr. Poindexter stated that I don't think we did.

Top of Page five, email and website maintenance, actually we're not quite as much as last year, so that's an improvement. Fire Department... of course the general support is what the town does for them on its own every year. The building fund, we are thinking this may be the last year we have to budget that \$5,000 that we entered into an agreement with them to help renovate and extend the building a few years back. It's my understanding that that's to be paid off later this year, and we might not need that \$5,000 there next year. That would help us with something else if that's the case. The fire and funding grant - that is state funding; it comes in and goes out. Community development, that first line item is

the one I mentioned a minute ago that we've mixed in with buildings and grounds up under PW. Public relations advertising, that is new, that's advertising that is not legal notices and required things we have to do. It's just what it says it is - PR/promotion. We did increase the next one and tweak the descriptor to be more precise. Event Planning and town promotion... people have indicated that they want more events and the continuing improved quality of them, so we increased that to double what it was year before last for that reason. SRRIFA doesn't change, it's the same thing every year. The economic development reserve, Gary suggested increasing that, I tend to agree with him. It's hard to say what you would do with it, well, we put it in reserve. When you're talking about economic development and the kind of infrastructure that you have to have and the kind of incentive packages you have to attract it, you can't have too much in that. I think that's where we are. Running utilities and paving roads or anything you might have to do to facilitate economic development is quickly going to translate into six and seven figure price tags. That said, general is at \$602,409, is balanced with the proposal. Anybody else have comments or questions, thoughts on the general? That's the biggest part; the enterprise will be a little shorter.

Alright, page 6. The first few items are just the money in the bank, the balances on hand. It's good to see that money there in that new reserve fund for infrastructure and capital projects. That's something that should have been done 30 years ago. I'm happy to at least see it on the budget. Alright, water billing. That is another item in the package this year. It's up for an increase. We've already said Altavista plans to go up on us 10% midway through the year. We have looked at that, we have looked at our costs, our margins, what we're dealing with and figuring out just to keep things where they need to be. We can keep the quarterly base charge where it is, but we're going to need to take the volumetric rate up from \$12 to \$14 per 1,000 gallons. That's part of the increase that you see there in revenue. That may not be as high as some might would think, and one of the reasons for that is, simply we're not billing out for as many gallons, because some of these leaks have been detected and fixed, some of the waste reduced, and with the quality of the meters the accountability was there. We have a more true-to-life picture of what's actually going on. Mayor Hodnett stated if I may throw something else in there, debt service is going to be key the next couple of years, I think we figured, based on closing on phase two, about this time next year, we only picked up a few thousand going into that, but you'll see when you get over to debt service, we're at \$12,500 and that's going to double, at least double next year. Mr. Poindexter stated otherwise, not a whole lot of change in income; a couple of things right below, there's some change. Our office folks are on top of collecting and they are bringing in the late penalties like they should be, so we felt comfortable budgeting a little more income for that, thanks to their diligence. The PCSA service agreement, we've had a contract with them for many years to service the part of Grit Road, that's just outside the town limits. I have no recollection of how, what, anything of how this happened, but somewhere along the line something changed, and it became evident that we were overestimating all that. Gary has done some refiguring, and looking back at the contract came up with more realistic figures as to what to expect going forward. That one doesn't look quite as good as it used to be.

We are not expecting any more federal ARPA funding this year; we still have what we already have in the bank and are working on plans for how to use that within the boundaries of what they will allow, so that's why that's at zero. Wastewater billing is down; we are proposing a rate increase, but the volume

of it based on the current trend is not quite half what it was last year, so revenue with that, that takes care of page 6. Any questions? Alright, page 7. Water expenditures, HR here is the entirety of Joe's compensation package, including some money for staff development. I'm really pleased to see him pass his test and license in hand or soon to be. I'm sure he'll continue to grow. Operational, yeah there is some insurance there, but the workers' comp, we kept all on the general side. Office supplies... you see the big spike there, that is the increase cost for paper and envelopes and postage and such for water billing, and other things related to that. Mr. Perdieu asked if there is any way to go to online billing, email? Mr. Poindexter responded we had a conversation about that here in '17 or '18 somewhere in there. Mr. Johnson stated it's been a while. Mr. Poindexter stated Donney and I were both here, it was sometime in the middle of my second term. There were some people that requested that, and we did make the option available, but you could literally count on one hand the number of people that would use it. Out of 580-some accounts, I would be surprised five made any effort to actually use it. It's one of those things that there was some interest in, but it never followed through. Mayor Hodnett stated the other side of that, the good news is, we probably have about 35% of the people pay online now with PSN, and that's a huge step.

Mr. Poindexter stated for the record for everybody, I tend to forget this and get confused, but I know that you know it in and out. Can you explain to us again what changed with the convenience fee we used to have for the credit card machine for people paying utility bills, and now we no longer need that. That's why we zeroed that line item, but PSN charges a fee, whether you are paying water or taxes. What exactly is happening there with that money? And how did it change? Mayor Hodnett stated we don't collect the money and make them whole; they collect it, so we don't have a step in that process. When somebody pays their water bill or pays their tax bill, that money is extracted from PSN. Mr. Poindexter stated, so that goes directly to them and does not come through us. Mr. Perdieu asked, we don't collect any card payments? Mayor Hodnett stated two. Mr. Poindexter asked, really? Mayor Hodnett responded yeah. Mr. Poindexter asked do we still have the credit card machine that we had with the bank? Mayor Hodnett stated we've quit that, but it's sitting in there and they can come in there and get it anytime they want to. Mr. Poindexter asked, it's so rarely used that it's meaningless? Mayor Hodnett stated absolutely. Mr. Poindexter responded wow, that's a big change, because we used to keep it right busy. Mayor Hodnett stated well, it was never the kind of numbers we are generating now, it was probably at the most 8%, and you know, we may get two payments a year on it, and the problem with those they're a lot more complicated to process. Mr. Poindexter stated I remember there being stuff about that. Mayor Hodnett stated yeah, I mean, it's just amazing how many people are using PSN. Mr. Poindexter stated it's a great service, but not everybody likes the fee that it charges. Mayor Hodnett stated yeah, but when you go from 8% to 35% or 40% a whole lot of people don't mind the fee. Mr. Poindexter stated a lot of people do business online now and they just don't come in person, and they don't physically write out checks and mail envelopes. Mayor Hodnett stated they pay their taxes with it, pay their water bills with it, pay everything with it.

Mr. Poindexter stated we are on page 7 about halfway down water expenditures. Mayor Hodnett stated you were at office supplies. Mr. Poindexter replied yeah, I was talking about how much all of that had gone up. A little more there for vehicle maintenance is needed. We do have more vehicles. We've consolidated the two-line items for fuel now that we're not mowing and weed-eating and all that we used to do. I had separated that a few years ago. That had previously been where we were separating

gas to for the truck to be out on the road as opposed to off-road equipment. That's what that is, so we just consolidated that again for less hair-splitting. Record not much change. Postage will increase, some of this land line stuff; we're trying to resolve some of this automated communication equipment. I don't fully understand that myself, but I know there's changes. GPS is there, and to balance it, we had to have a placeholder for miscellaneous. That's what it is. The professional, the analysis and lab testing is up some, but now we may see some changes. As Joe does more, we farm out less - is my understanding. Mayor Hodnett stated yeah, you got that figure at \$6,000 a year, and it's actually \$12,000 a year for both of those items. Joe's going to start doing all that testing, probably about halfway through the year, so that's going to save us, you know, what \$6,000 there. Then he's also going to take the classes and do Miss Utility and save us another six. Going forward in his budget, he's looking at saving us \$12,000. Mr. Poindexter stated we're looking at a couple of these items being quite a bit better at this time next year, thanks to that. Mrs. Barksdale-Hill asked would he be able to do the water testing also? Mayor Hodnett stated that's what I'm talking about. Mrs. Barksdale-Hill stated, well I have in my notes, the technical system fees, so some way will he be doing that? Mayor Hodnett responded yeah that's what it is. Technical Assistant Fees is the water testing. Mrs. Barksdale-Hill stated we have two, water analysis as \$5,000? Mayor Hodnett stated water analysis is when we send it to the lab. Mrs. Barksdale-Hill stated oh that is the fee from the labs. Mr. Poindexter stated that's the way I'm testing. Mayor Hodnett stated yeah. Mr. Poindexter stated the other part down there is the part he does then. Mayor Hodnett stated right. Mr. Poindexter stated alright, there is a split with the IT stuff that we saw in general, audits, John, tech support, and then there's a new item there for bond counsel, there is a contingency in there, we need a little more for that capital project. Mayor Hodnett stated, and I confirmed with him today. He's pretty good where we're at, so we won't need any. Mr. Poindexter stated that would be good.

Alright, top of 8, there's the Municode. Just like on the general side, there will be quite a bit less next year - just a maintenance fee. Water and wastewater consulting services, that is where we pay Tom Fore for his expertise and consulting on all these projects, training, and so forth. Capital, you can see that we brought down some of these items, especially the first one, and then another one down below that. We have seen a downward trend in line repairs and maintenance. We did get some expensive valves and things like that changed out a few years ago. We've got all new cellular meters now, so we're not doing nearly as much meter work. I would say there are several factors playing into how some of these items are better. The tank maintenance contract does have an escalator clause in it, so that's why that one is up some. It had been level for some time and now it has begun to climb. We did leave \$5,000 in tools, supplies, parts, and such; Joe has already got a lot of that he's building, but we kept some more to finish out any of that. We don't have what is unknown. Product purchase, you see the change in the rate from Altavista from \$4.60 to \$5.06/1,000 gallons. That will take place about mid-year. The rest of the page is wastewater. We're expecting an increase from them also in purchasing capacity for that. Otherwise not a lot of change. Enterprise is balanced at \$490,101. Any questions, comments, concerns on enterprise?

Alright, page 9, is the smaller account (PDDR), specifically dedicated for the PD for certain things that they can use. We're not anticipating anything significant with that this year, so the figures are there as a placeholder to account for. I've saved the best for last. Page ten is the summary. I want to see who sees it first. This is a history-making year; it is a milestone. Mayor Hodnett stated but one thing about that is

that it falls within the guidelines of the last few years with our budget increases, if you go back and look at them, this is about I think it's either 12% or 14%, we've been as high as 16% and 17%. I think the average for the last three or four years is 12%, so we're not much higher, just over normal increases.

Mr. Poindexter stated to the best of my knowledge, it's our first million-dollar budget, if there was ever another one it was well before 2008. Mayor Hodnett stated I doubt it very seriously. Mr. Poindexter stated that's where we are at this point. This is the proposal that we drafted and reviewed with the finance committee. Mayor, treasurer, and I, we've all reviewed this line by line. Mayor Hodnett stated growing pains. Mr. Poindexter stated growing pains, that's pretty well put, actually. This is what we have on the table for the full council to consider. As I said, at the beginning, there's nothing about it to be taken lightly, but there's not a whole lot of room in there either without taking extreme measures, any of which would be detrimental and a step back at least in my opinion.

Mr. Perdieu stated, I know we talked about it. Kathy and Donney weren't here, we talked about it at the finance meeting, a lot of people obviously don't like tax raising, nobody does, and I don't really like it either. You know, we are increasing our services to the citizens. We're increasing our transparency. We offer a lot more now than we did five years ago, wholeheartedly. The reason I say that is, I've had people approach me, multiple people approach me just to tell me they think we should dissolve or become part of the county or be part of Altavista, and my response is, you know, we've been on, I think the town has been on an upward tick slowly over the past five years, stuff where people couldn't see happening. Before that, it really was, but you know, don't start cutting or pulling the plug when we just started gaining traction. I like to have a bottle in my hand ready to go on what we're doing, why we're spending this kind of money, what they get out of it.

Mr. Poindexter stated well all of that is a good one. I mean, it's a bad time right now to be talking about reverting. I could understand somebody saying that 10 years ago more than I could now. The cost of doing everything - it's a linear progression. Mrs. Keesee stated common sense should tell people that, but sometimes I think a lot of people are just lacking common sense. All they hear is like a budget increase or a tax increase, and don't think about the information that goes behind those decisions that have to be made. Mr. Perdieu stated even though it makes sense, it's like going to the gas pump. I know why the gas prices are up, but do I like it, do I like paying for it? Absolutely not. Mayor Hodnett stated well most people don't like to see it go out; they like to see it come in, human nature. Mr. Poindexter stated, you know, some of the things that we've got to keep in mind while we move forward with this proposal or something similar to it, modified, is that we are accountable to the citizens, and we have to, we do need to justify what we're doing. We're not just doing it for the heck of doing it, and I think we have a good case for doing that, but in terms of public relations, the important point is to be able to answer the questions. Alright, why do you need to do all of this now and you used to do it this other way, and you used to do it with fewer people, and this thing and that thing? Well, we know the answers to that, but we have to be prepared to answer. These good folks are getting things done in the office that probably have never been done, at least not in 20 years, in both quality and quantity. There's been conversation about needing another policeman, not this year, but with the new industry, that's coming. Another reason for the M&T tax. Most towns our size have had a full-time professional town manager for decades, not for years, and that's not pork in the budget. We are blessed to have a mayor who is

available during the day and willing to give his time and energy to being town manager - that's an exception, and I'm grateful. We may not agree on every single little issue, but about 99% of them we do, and I see a lot of good things getting done. The only way that that can happen, is for there to be a go-to person in charge, who can physically be here during the day, to field the questions, take the calls, go to the meetings, help with the paperwork, meet with consultants, whatever it is that needs to be done.

That's what it takes, but now a time is going to come when we're going to have to have that. Mr. Perdieu stated I know right now we are paying Mike Jones as well, and he also fills part of that role. That money could go towards full-time. Mr. Poindexter stated that is another point of contention right now. Not everyone realizes his value, what an asset that we have there. All I'm saying is we have to be able to explain and justify without exaggeration. We have to be honest, and that there is a good reason for everything we're doing. Mrs. Keesee stated well I think one thing is we've learned from our mistakes, learned from things that haven't been done. Mr. Poindexter stated, I would hope. Mr. Perdieu stated they should see that we are. Mr. Poindexter stated it should not take a whole lot of perusing this budget proposal to figure out that one or more, no not one, but multiple someone's should have been looking ahead not years ago, but decades ago, and started capital improvement plans, and set aside money to pay for them. Having small easily digestible tax increases, like most towns do, instead of having to talk about bigger ones every three or four years, and have a small one every other year, that doesn't make that much difference, then we wouldn't need to be talking about some of these more difficult things here in the current time period. The laws of nature don't allow backward travel in time; we can't fix that, but we will start where we are now and do it better, as long as we're here. I think it's incumbent on us to do that. Mr. Johnsons stated I agree with everything you're saying but we're also victims of the current economy in the whole country. Mr. Poindexter stated yes. Mr. Perdieu stated everybody is, and it's not just us, but every business, every person, every municipality. Mayor Hodnett stated this conversation has taken place all across the U.S. Mr. Johnson stated absolutely. Mayor Hodnett stated all the way. Mr. Johnson stated more than once, too. Mr. Perdieu stated we might not be one of the first ones, but everybody else is going to follow suit. Mrs. Keesee stated I think we need to be grateful that we actually live in the part of the country that we do live in. Mayor Hodnett stated, and it is no more than what it is. Mr. Johnson stated this conversation is taking place at everybody's dinner table.

Mr. Poindexter stated, you know, one of the questions or arguments we need to be prepared to respond to, is that with everything else up, how in the world can you be talking about increasing anything? That's only human; you can't blame anybody for feeling that way. No way, but as was said earlier on, municipalities are not immune. We are feeling the same pressures that households are feeling, that businesses are feeling, governmental entities everywhere are subject to the same kind of thing. I mean when gas and postage and insurance and paper and everything else goes up, it goes up for us here, too. Well, if we take this other approach that says with everything else up, we can't possibly be doing anything like this, then what we'd be doing is continuing to live in the 1980's and 90's, and we're just getting further and further and further behind the current time. The more of that that's done, the more painful it will be to dig out of it at some point. I heard one person describe what we're dealing with here as a bubble that's been blowing up for years, and it's going to have to bust at some point either this year or next or both, and that's just where we are. Mayor Hodnett stated just imagine for every conversation that you guys have here, with somebody questioning why the town does this, why the town does that - staff hears it 100 times more than you, they hear it daily. That girl sitting right

there can attest to one conversation in which I spent two hours on the phone, is that not true? Mrs. Brumfield stated, yes and it was brutal. Mayor Hodnett stated yeah, it was brutal, two hours. You have to be prepared, you have to move forward, everybody here was elected to do one job, and that's to move this town forward. You have to do what you know is right, and the community has a say, and we have to listen to them, no doubt about it. We have to weigh what they say, but at the end of the day, you have to make your decisions based on the facts that you know, where we're looking to go and the well-being of the town, and you can't worry about what's going to happen at the ballot box; you can't.

Mr. Perdieu stated, just like the President makes a whole bunch of, I've always thought people in that big office make all these promises, and as soon as they get in the office, they don't do half of them. Part of me thinks that it is dishonest, but I think a big part of that is once they get into the office, and they find out the reason behind everything that's going on, that's the big thing. Mrs. Keesee stated career politicians. Mr. Perdieu stated that's what we deal with. I'm trying to connect it to us, as we see the back end. Mayor Hodnett stated I'll go back, and Gary and I, we pleasantly disagree to some degree on this, and that's how to run the town. I run it purely as a business, purely, no exceptions, no switches, no nothing. He disagrees with that, and I respect his opinion, totally, but if anybody's got any difference, and they want to talk about it, I'm open to talk about it.

Mr. Perdieu stated that's the only way it's going to succeed. I mean I think that there's definitely a place for the way you see it, I mean 100%, you need that back and forth, and you need different viewpoints. Mayor Hodnett stated you've got to listen to everybody, but at the end of the day, you guys have to make your decision based on what you know is right. Mr. Perdieu stated, I know we don't turn for a profit, but we've got to break even. We're doing so in a hard way by pulling stuff out of our own pocket. Mayor Hodnett stated but it's not that much difference, because the revenue that you make, the LGIP account, the reserves that you have, that's your profit. That's what you have to put away for the rainy day. I mean we could have half a million bill at any point in time; we're going to have this time next year, we're going to be looking at \$800,000 on that phase two, so that doesn't take into account anything else. I could name 5-6 more projects. Mr. Poindexter stated there's more coming down the pipeline, intended or not. Mrs. Keesee stated, so we have to be prepared. Mayor Hodnett stated it's going to set this town's future. Mr. Poindexter stated as far as that type of thing goes, while we're talking about infrastructure, the number one thing that I've heard since I got involved in council in 2008, I mean that was right after Burlington closed, the number one thing I heard the whole time, is we want industry, we want business, we want economic development.

I understand that you can't have a town if you don't have something to drive the economy. If you're going to have economic development, you're going to be doing quarter-million and half-million and million-dollar capital projects for water and wastewater systems, roads and streetscapes, and just keep filling in the blanks. If you're not willing to put that skin in the game, then you can forget getting various things that you say that you want - they're not coming, they're going somewhere else, to someone that's going to provide all that, ready to plug in. Mr. Perdieu stated look how long it's been since 2008, when they pulled that. Mr. Poindexter stated that's been a little while; 15 years ago, this fall is when Burlington closed, and look here it's taken 14 years to get something underway. It's a process; it's not an event. Mr. Johnson stated that doesn't happen by chance. Mr. Poindexter stated just think of the money we've already had to spend, the time, the energy, the frustration, everything that has gone in just to get

this much. Mayor Hodnett stated, but you know one of the things, critical things we've got to do is get the M and T tax implemented. I'm working on a resolution to do that, but I mean \$5 million dollars' worth of equipment is going to generate \$125,000 to \$130,000 worth of revenue, \$5 million on a \$65 million operation, that's chump change. Mr. Perdieu stated with that money we need more police protection, to back up fire, and water and wastewater to back up what they're doing. That money is not going to be wasted. It's going to go right back into the services we provide to them. Mayor Hodnett stated it isn't taken for granted; they expect it if they are going to come to your town, they expect you to provide that kind of protection. Mr. Perdieu stated so far, they are pleased with what we have, but we are running lean.

Mr. Poindexter stated well anyway, to make an already long story as short as I can make it, unless my fellow committee members have a different thought process tonight, I believe that we left off with a recommendation to bring this to the full council as is, and then collectively all of us decide whether we want to advertise this proposal for public hearing next month as drafted, or with modifications. One way or the other, our mission here tonight is to come up with something to advertise, because it has to be advertised next Wednesday and the following Wednesday, then we have a hearing June 7th, so we're out of time. Mayor Hodnett stated I don't know any other way to put it other than we need a motion. A motion was made to advertise the budget proposal as presented for public hearing on June 7.

Motion: Mrs. Barksdale-Hill

Second: Mr. Perdieu

Passage: Unanimous

Mr. Poindexter stated that's all I can think of tonight, and I'm sure that's plenty. Mrs. Barksdale-Hill stated I don't look at it as a significant increase, but as a necessary one. Mr. Poindexter stated some things probably look worse than they really are; I hope that is the case.

Mayor Hodnett stated before we adjourn, I would like to ask that somebody move us into closed session, as I have two things. Mr. Poindexter asked what type? Mayor Hodnett responded negotiations, contract negotiations and administrative/HR. A motion was made to enter closed session as authorized by VA FOIA § 2.2-3711 A, subsections as applicable, to discuss HR and contract negotiations.

Motion: Mr. Poindexter

Second: Mr. Perdieu

Passage: Unanimous

Mayor Hodnett stated if you would please clear the room. Thank you, we really appreciate you coming. A motion was made to return to open session and to certify that only personnel and prospective business matters were discussed during closed session, as required by VA FOIA § 2.2-3712 (D).

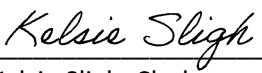
Motion: Mr. Poindexter

Second: Mr. Perdieu

Passage: Unanimous

Mayor Hodnett: thank you guys for a job well done. You did a great job. You should be congratulated; I know you probably won't, but you should be.

Meeting adjourned at 7:33PM.


Kelsie Sligh, Clerk


Gary Hodnett, Mayor