

Mount Jackson
Town Council Special Meeting

May 9, 2023

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Special Meeting

A special meeting of the Mount Jackson Town Council was held May 9, 2023 at 6:00 PM in the council chambers at 5901 Main Street. Roll call was taken with Mayor Pifer and Councilmembers Rod Shepherd, Bonnie Good, Evelyn Burner, and Todd Holtzman in attendance. Councilmembers Judy Fultz and Brandi Freed were absent. Also, in attendance, Neil Showalter, Town Manager; Mario Rosso, Finance Director; and Barbara Riggelman, Town Clerk.

Agenda Additions/Deletions/Changes: None

New Business:

1. Discussion of Proposed FY 2024 Budget Ordinance.

Mr. Shepherd stated that this meeting was to look at the budget and ask Staff questions before the public hearing later tonight. Council will not be able to vote on the budget until the June meeting; voting on the budget is not allowed on the same night as the public hearing. Introductions are held in April, a public hearing in May, with the final vote in June. Information provided was for the current budget we are in right now. Auditors prefer the Council to view this information quarterly. Oftentimes when the budget is done, there is the need for reconciliation of the current budget due to unforeseen circumstances. This year there are no budget adjustments needed to the current fiscal year. Mr. Shepherd drew attention to the interest rates putting cash reserves at a higher rate; the Town is \$51,000 ahead in the General Fund and \$59,000 ahead in the Enterprise Fund. Mr. Holtzman asked how much cash is in the bank. Mr. Shepherd answered about \$4 million, to which Mr. Rosso and Mr. Showalter responded that it is about \$7 million with the recent ARPA deposit. Mr. Shepherd stated that he wanted to draw attention to the interest rates bringing an extra \$100,000 and this will go up in the next quarter, about \$125,000 extra. This is all for the current budget; what Council is looking at now is the proposed budget that will start July 1. Spreadsheets and reports were given at the April meeting. Mr. Showalter printed extra copies for the Council.

Mr. Shepherd stated that he had a budget assumptions worksheet. There are no changes in real estate tax, no change in the personal property tax rate. The idea is to change the percentage based on what the County says; the Town wrote a check for \$100, so another \$100 check this year. This amount may vary by a little bit, but this is the goal with personal property and real estate in the coming tax year. Mr. Shepherd stated that water rates will remain the same as last year, however trash rates will increase due to the contractor's rates increasing. Ms. Good stated that this was known, that it would be increasing. Mr. Holtzman inquired if a tax cut would ever be a possibility with \$7 million in the bank, like property tax for homeowners; this would be a nice thing to do if the Town could do it. Mr. Shepherd stated that some of the money is allocated in different ways. Some will go towards sidewalk construction, a large amount will go to the sewer plant expansion, which will be discussed at the regular Council meeting, so about \$2 million is going towards this. Mr. Rosso stated that \$2 million is ARPA money, which must be spent by the end of 2024, so this amount can't be relied upon as being there gaining interest. Mr. Holtzman asked if you could spend ARPA funds on the taxpayers in the form of a tax reduction. Mr. Shepherd stated that ARPA legislation specifically outlawed that type of thing; you can not use this money to reduce your regular rates. Mr. Shepherd stated that the other thing the Town is doing is that when new vehicles or equipment is purchased, the Town writes a check for it. Instead of buying credit, the Town saves this money; Mr. Rosso made a spreadsheet showing where the money is saved for those expenses. Mr. Shepherd stated that there is \$7 million in the bank, but a lot of it has been allocated.

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Ms. Burner inquired if there are any funds available to put restrooms at the park; this has been a frequently mentioned topic. Mr. Rosso stated that an additional \$10,000 has been put into park equipment, and park bathrooms an additional \$45,000.

Mr. Showalter pointed out that the budget has no tax increases; the only rate that town citizens will see raised is the rate for trash pickup. The Town Code requires that the Town Council charge a rate that recovers the cost of removing the trash. There was a 50¢ increase in the per stop per month rate this year, so this needs to be passed along. Ms. Good inquired if this increase would hold for a couple years. Mr. Showalter stated that there will be another 50¢ increase for next year. Mr. Holtzman asked how long it has been since there was a tax increase. Mr. Showalter stated this was debated last year due to the county-wide reassessment that hit values about 25%. His recollection was that to keep an equivalent rate it would have required the Town to make about 11.7%, and the Town went with a 12¢/100 rate, which was a drop down from the 14¢/100 rate that the Town was at, but nevertheless was advertised and passed as a tax increase due to state law. The Town actually lowered their rate but it was technically an increase of about 5% due to the reassessment. On the personal property side, the escalating price of vehicles has been somewhat of a windfall on personal property taxes. The Town has kept the rate at 80¢/100; there hasn't been a rate change in about 20 years. The rates on personal property have remained the same and real estate taxes have fallen from 14¢ down to 12¢ as mentioned. Staff looked at cigarette taxes and meals taxes. The meals tax has raised over time. Rising menu prices have greatly increased the meals taxes even though the rate has not increased. The cigarette taxes, which used to be one of the biggest sources, have continued to fall as smoking traditional tobacco has fallen, and will probably continue to decrease. Secondly, the state legislature has put a cap on what localities can charge for cigarette taxes. Ms. Burner inquired if there are charges for vaping. Mr. Showalter replied that the Town gets sales tax, but to his knowledge, there is not a tax offered by the General Assembly that you can apply to vaping products. You can only tax what the General Assembly will allow you to tax. Mr. Holtzman stated his surprise that this hasn't been brought up yet. Mr. Showalter stated that there are so many borderline vaping products and many would claim to not be a cigarette substitute.

Mr. Shepherd stated that meals taxes are at \$18,000 ahead of the budget for the first 9 months of this fiscal year. Mr. Showalter stated that inflation is helping with the meals. Mr. Rosso stated that it is helping sales tax too as everything costs more, so sales tax is increasing without a rate change. Mr. Showalter stated that he believes the State is seeing a budget surplus as well due to some of these factors. Mr. Shepherd asked for Staff to touch on sales tax and how the Town gets this from the County. Mr. Rosso reported that it comes from the County; they are the ones who collect it and they are running about 2 months behind. Mr. Showalter stated that the State reports to the counties what their sales were; the county treasurer has a predetermined percentage of sales that she allocates from that states how much each town receives. This is all handled at the County level; the Town gets a hand-written check every month from the County that is the Town's sales tax. Ms. Good asked how it works when Staff is trying to work out the budget if the County is 2 months behind. Mr. Rosso stated that at the end of the year Staff throws back those 2 months when it comes to audit time, but it all works out. Mr. Showalter stated that the retail level is fairly stable. The Town's percentage of the retail level of Shenandoah County that the Town is allocated is a small fraction, so it really has to move to cause much of a change, but with inflation, Staff is seeing a change right now.

Mr. Showalter stated that he wanted to touch on something on the expense side that should be addressed for input. When the Town Manager issues the budget, he has to make some assumptions about a lot of things, and one of those assumptions is a rate of increase of pay to the Town Staff. One thing that this has historically been based on is a measure of CPI from the Bureau of Labor Statistics. Staff has used the All Items number,

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which is probably the broadest CPI. Staff took this to the Personnel Committee a couple weeks ago and the Committee suggested that maybe Staff should be looking more at the Government Wage Index or the Government Payroll Index, an indicator of wage gains by government workers. Some information that Mr. Holtzman had indicated that 5% was more of an appropriate percentage increase. While the Detail Budget Worksheets have been worked out at 6.4%, Mr. Showalter stated that he believes he reported in the Council TW3 Report that the Personnel Committee had voted to recommend the 5%. This doesn't necessarily have to change the budget much, it just changes what pay rates will be on July 1. It would change the budget numbers slightly and they could be reworked, but it would be a lot of rework that wouldn't change anything anyway, it would just go into contingency and the total would be the same, but Staff needs some input on that. Mr. Holtzman asked if it was 7% last year. Mr. Showalter confirmed that it was 7%. Mr. Holtzman asked what it was the year before that; he had asked about it and was trying to look at the budget. In the private sector 3% is very common, 3-5% is really strong, and there is certainly a lot of wage pressure now. Mr. Holtzman stated that he had asked around; Holtzman Corp. for example, 3% is their start; Shentel did 1.5% this year, which surprised him that it was so low. He believes that his plan, with feedback from the Personnel Committee, is to propose an amendment to the 6.4% to be 5%, which he still feels is very generous, would be on the upper end, and does match the CPI for government workers. Mr. Holtzman stated that our Town Staff does work hard, does a great job, they have been appropriately rewarded, and when you see something like 7% last year, most people from the private sector would tell you that they've never seen 7%. The Town needs to spend the citizens' money wisely like we would our own. Ms. Good added unless the Town brings the wages up to be competitive for this area. Mr. Holtzman stated that was a good point; if you look at the list, the wages certainly are competitive and it's hard to fill positions in the town like it is everywhere else. Our wage structure is certainly competitive and the change in the last number of years helped make that so.

Ms. Burner inquired if the teachers and the county employees are getting 6%. Mr. Holtzman stated he did not know. Mr. Showalter stated that they argued between 6% and 5% and a step; he believes they settled on 6%. Mayor Pifer stated that he heard today that they did 6% but their insurance went up 15%. Ms. Burner stated that insurances go up all the time and asked if the Town's insurance will be going up. Mr. Showalter stated that as of today, it looks like the Town will stay with Anthem and Anthem's rates to the Town will not change on July 1, so we will have the same rate. Staff was concerned for a while that the Town would need to change insurance providers, but the advisors have recommended the Town to not change as they can't find an alternative in the same price range. Valley Health could impact the rates and this may need to be readdressed in December, but right now Staff recommendation is to go with Anthem.

Mr. Showalter answered Mr. Holtzman's earlier question about previous wage increases. Two years ago there was a 2.3% increase, then 3%, and then 7%. Mr. Holtzman inquired if Staff was using the CPI in the years with the lower increases. Mr. Showalter stated that Staff tries to use the same number, off the same worksheet, and it is documented in the papers. Mr. Showalter stated that this doesn't need to be decided right now, but he wanted Council to be informed and Staff would like Council's guidance. Ms. Good asked for clarification into what CPI is. Mr. Showalter stated that CPI is the Consumer Price Index; the Bureau of Labor Statistics studies this every year and compares the prices on hundreds of items, based on what increases and decreases, what people buy, and Staff measures year over year. Mr. Showalter stated that 6.4% happened to be January of last year to January of this year. It wasn't for calendar year 2022, it was for January 2022 thru January 2023. Mr. Holtzman stated that it is really a measure of inflation then, to which Mr. Showalter agreed. Mr. Holtzman stated that the way the world is working right now, people's incomes are not exactly climbing because the cost of everything is going through the roof, but there are cycles and things have been a little out of hand recently. Mr. Shepherd stated that he understands Mr. Holtzman's point completely but he is still fine with the 6.4%,

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especially when you have a windfall of over \$100,000 in extra dividend income, so the Town can clearly afford it; the Town has a good staff and he would hate to cut back on that. Ms. Good inquired when you say staff, are you talking about everyone who is staff, all the people in Maintenance and other departments. Mr. Showalter answered that what he reviewed with the Personnel Committee was every individual on full-time staff, every full-time person. Mr. Rosso stated that this included council members. Mr. Holtzman inquired what the council rates are. Mr. Showalter stated that the wage is \$2245. Mr. Holtzman inquired if this would be a lump sum. Mr. Shepherd stated it was lump sum last year due to the awkward fiscal year thing, and asked Staff if this year would be fiscal year or paid twice. Mr. Showalter stated that it would be half-year step, so it would be the end of the calendar year. Mr. Shepherd stated that it was end of the calendar year to match council terms; before the Town had done it at the end of the fiscal year, which used to be council term end. Mr. Showalter stated that it would be paid in December.

Mr. Holtzman stated that he is still a fan of 5% because of the pre-marked private sector, but he hears of the schools getting a 6% increase. Ms. Good inquired as to how long it has been since the schools had a decent increase. Mr. Holtzman stated that policemen and school teachers are notoriously under paid, it would seem. Ms. Burner stated that their insurance keeps going up too, and they can't afford to have the family insurance because the rates are so high. Mr. Holtzman asked if Council could come to a consensus in this setting, and then if the consensus was that we are where we need to be, then he will not make the motion and an argument over it. For the record, Mr. Shepherd has stated that he is favor of 6.4%, Mr. Holtzman is in favor of 5%, and he asked the council members present to share what their opinions are; if the consensus is 6.4%, then he can make peace with that. Ms. Good stated that expenses are so bad right now, just putting food on the table. Ms. Burner added the costs of daycare. Mr. Holtzman stated that a lot of businesses can't do 7%, and when you see a big powerhouse firm like Shentel doing 1.5%, he is surprised their employees tolerate that. Mr. Holtzman stated that in the private sector, he would like to give all his employees 7% across the board, but when you look at the bottom line, he just can't do it. He sees that disparity between government and the private sector, which is why he brought it up when he saw the number initially. Ms. Good stated that if the Town can do it they should; she believes that people are overwhelmed, especially if they have a mortgage on their home. Mr. Holtzman asked for clarification on previous years' increases, it was 2.3% in 2020 and 3% in 2021 and 7% last year. Mr. Showalter stated that the earlier years were Covid years. Mr. Holtzman stated that if you look at last year and this year, that is a 13.6% increase which is a substantial increase in pay, whereas in the private sector, they are looking at more like 3-5%. Mr. Showalter stated that this is debated every year. Mr. Shepherd stated that there are two council members absent; their opinions on the 6.4% should be asked and whether they are ok with that or not. A decision can not be made today, or in the regular council meeting later tonight; if it needs to be amended in the June meeting, that can be proposed. Mr. Showalter stated that it would not have a substantial impact on the budget, to which Mr. Holtzman agreed that it wouldn't have to be changed at all. Mr. Showalter stated that payroll is about \$1.2 million, so 1% of that is about \$14,000. Mr. Holtzman stated that at this point, he is still planning on making the motion so that it can be debated.

Mr. Showalter asked Mr. Rosso if there was anything else to cover. Mr. Rosso stated that the only question he had budget-wise was with the changes in positions, and if Erick Moore's position would be reposted or a similar job, because there is money in the budget for that person. Mr. Holtzman stated that he felt the Town should leave the budget there and Personnel is already actively looking for the Town Manager position; it would be smart to look for an Assistant Town Manager, Planning & Zoning, or whatever the title may be. The intent is to plan for the future. Ms. Good questioned the change in position with Mr. Moore. Mr. Holtzman stated that Mr. Moore was dismissed. The Personnel Committee met, Mr. Moore has been dismissed, and Mr. Holtzman stated he had planned to report that in the regular meeting later. Personnel is looking for a

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replacement. Mr. Showalter advised Mr. Holtzman that he would not have to mention the dismissal if he did not wish to, as it was just mentioned at this meeting here. Mr. Showalter stated that Judy Fultz and Brandi Freed, the absent councilmembers, were already aware. Mr. Holtzman stated that the Personnel Committee, and ultimately he felt the Council, would like to plan for the future. It is a big change to have Mr. Showalter retiring and hiring an assistant position, but it is a smart investment for the future – a lot of towns this size have one person covering a lot of positions – but having a Town Manager and a second position, whatever the title may be, the second person can shadow the Town Manager and at some point maybe grow into that role. Ms. Good stated that a town manager and planning are two different things, and the town manager's core work is not focused on planning, so this is important. Mr. Shepherd stated the need for a better advocate; there is too much on their plate to just have one position. Mr. Holtzman stated informing the person who is hired that part of their job is economic development, you want someone who is welcoming to business. Mr. Holtzman stated that the consensus is to leave that money in the budget. Personnel has questioned if Staff could get an advertisement ready for that second position; it doesn't need to be just planning and zoning. Mr. Shepherd stated that this probably means more contact with The Berkeley Group, and advised to keep a close record of those expenses as they are very expensive.

Ms. Good stated that the budget is supposed to reflect the goals of the Comprehensive Plan, and asked if it is doing that. Mr. Shepherd stated his belief that it is. Mr. Holtzman stated that he is proud of that, as it shows the Town has phenomenal services, but is also at the lower end of the tax rates in all categories, which is great for the Town's citizens. Mr. Showalter stated that the sewer rates are far better than others.

Mr. Holtzman inquired if there is a break down of what percentage the expenses are, as far as labor, vehicles, buildings, and debt services. Mr. Rosso stated that it is not a generated report. Mr. Holtzman asked how much the total budget is. Mr. Rosso stated that the General Fund is \$3.2 million, Enterprise is \$3.4 million. Mr. Showalter stated that some of what inflates that number are grants and ARPA money. Mr. Holtzman asked what General Funds are, to which Mr. Rosso responded that is administrative/office; Mr. Showalter responded it is everything except Water and Sewer. It includes police, public works, and Town Hall. Mr. Holtzman stated that the Enterprise Fund would be utilities. Mr. Shepherd stated that it is water and sewer and the processing thereof. Mr. Holtzman stated that it costs the Town almost an identical amount to process the water and sewer as to run the whole town. Mr. Showalter stated that he would hesitate to agree with that, because also in those total numbers are transfers in and out for fixed assets, bonds; it would take about 15 minutes of work to say that. Mr. Holtzman stated that in rough terms it's almost 50/50 between those two things. Capital Projects is \$2.2 million and Mr. Holtzman inquired into this. Mr. Rosso stated that would be sewer improvements, park improvements, sidewalks; Mr. Holtzman stated any infrastructure that is not water and sewer. Mr. Holtzman inquired if there was a need to fix something in the building, would this come from the General Fund. Mr. Rosso stated that it would depend; if it were a major repair it would be a Capitalized Asset. Mr. Holtzman inquired that the Equipment Replacement Fund is set aside to purchase new vehicles. Mr. Showalter stated that Chart C shows where each piece of equipment is on a replacement schedule. Mr. Rosso stated that one huge bonus is, as Chief Cowart mentioned a couple months ago, Virginia cleared some ARPA funds just for law enforcement, to spend on equipment and technology improvement. Staff set aside \$80-90,000 for police cruisers and Chief Cowart will be able to use all those ARPA funds. The Town of Mount Jackson received \$212,000. Mr. Holtzman inquired what that could purchase. Mr. Rosso and Mr. Showalter stated that it could not be used for cameras, but ammo, tasers, cruisers, any equipment. Mr. Shepherd stated that the two cruisers just purchased are paid for, to which Mr. Showalter agreed. These cruisers did not cost the Town anything.

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Mr. Holtzman asked if there was anything else noteworthy that Staff feels Council should know. Mr. Holtzman stated that he did not understand the budget very well, so that is why he asked lots of questions. Mr. Showalter stated that Staff is about to undertake the significant project at the Wastewater Treatment Plant. This will increase the capacity at the plant by about 50% and the efficiency of everything, the ability to react to pollutants, will be greatly improved. Mr. Holtzman stated that this would mean if someone wanted to build a factory that the infrastructure could handle this, to which Mr. Showalter agreed. Mr. Rosso stated that this has to be complete by the end of September 2024. Mr. Showalter stated that would be the big story next year; the sidewalks were the big story this year. Mr. Shepherd stated that all the ARPA money that the Town received is a windfall, but had to be well-documented, spent only on certain things, and has to be wrapped up by the end of 2024, which is a whole lot of juggling. Mr. Rosso stated that Staff didn't want to make the budget so that the Town had to have the ARPA funds because those funds will be going away, and once it's gone, it is gone.

Councilmember Shepherd thanked everyone for coming in and adjourned the meeting at 6:43 PM.

Barbara Riggelman, Clerk

Donald "Donnie" I. Pifer, Mayor