

## Fiscal Year 2025 Budget Questions - Packet #5

### Councilmember Cimino-Johnson – March 17, 2024

1.) a.) **Who can apply for personal property tax relief today?**

**RESPONSE:** The Town of Leesburg, by Council approved resolution and in order to comply with the provisions of the MOA with the County, applies the same Property Tax Relief and exemptions as Loudoun County. When a Town resident applies for relief or an exemption with Loudoun, and is approved, the same relief or exemptions are applied on the Town's taxes for that individual. Complete rules and eligibility can be found on the Loudoun County website (<https://www.loudoun.gov/1606/Tax-Relief-Tax-Exemptions>) but the summary page from their site is as follows and each underlined bullet is a link that will take one to the details about how to apply, who qualifies, and the type of relief/exemption:

#### **Tax Relief & Tax Exemptions:**

Programs that provide tax relief and tax exemptions are available to qualified Loudoun County residents and organizations. These programs are offered to:

- [Individuals or organizations with certified solar energy equipment, facilities and devices;](#)
- [Non-profit organizations with real property and/or personal property in Loudoun County;](#)
- [Veterans who have a 100% service-connected, total and permanent disability or the surviving spouse of a disabled veteran;](#)
- [Residents who are 65 or older or are totally and permanently disabled;](#) and
- [Surviving spouses of a United States Armed Forces member who was killed in action.](#)

The qualifications and applications are unique for each of these programs. Questions should be directed to the Loudoun County Tax Exemptions and Deferrals Division at 703-737-8557 or [email](mailto:trcor@loudoun.gov) (trcor@loudoun.gov).

b.) **Are there any classifications we could include like public servants-police, firefighters?**

**RESPONSE:** No, the Town is bound by its MOA with Loudoun County to be consistent with Loudoun County's relief and exemption.

2.) **How many mobile homes are in the town that we assess a personal property tax bill? Are mobile homes taxed at the same \$1.00/\$100 rate?**

**RESPONSE:** In Tax Year 2023, there were 36 manufactured homes and 27 motor homes assessed. Manufactured homes, like doublewide trailers (also known as trailer homes), while considered a class of personal property, are taxed as residential properties (real estate taxes). Motor homes (i.e. recreational vehicles or RVs) that are qualified to be driven on the street are taxed as vehicles (personal property tax rate at \$1.00 per \$100 of assessed value).

Type	Tax Rate (per \$100 Assessment Value)
Manufactured Home	0.1774
Motor Home	1.00

3.) **What were the last 10 years of merit increases approved by the council?**

**RESPONSE:** The average budgeted merit increase was 3% from Fiscal Year 2015 to Fiscal Year 2023; and 4% in in Fiscal Year 2024. Employees could earn up to 1% higher than the average budget merit increase and can also earn 1% less than the average.

FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
3%	3%	3%	3%	3%	3%	3%	3%	3%	4%

4.) a.) **What happens if we fail to pass a budget by July 1?**

**RESPONSE:** State statute mandates that the Town must pass a budget prior to July 1<sup>st</sup> the start of the Town’s fiscal year. The relevant portion of the statute reads:

§ 15.2-2503. Time for preparation and approval of budget; The relevant portion of the statute reads ..."The governing body shall approve the budget and fix a tax rate for the budget year no later than the date on which the fiscal year begins."

The budget appropriation ordinance for the budget is what empowers the Town to spend tax dollars and other revenues received as approved in the budget. Without passage of the budget and appropriation resolutions, the Town cannot continue to provide services to the residents, pay its employees, vendors, or general obligation bonds. Of the \$157.8 million appropriation proposed for Fiscal Year 2025, \$61.4 million (39%) is for personnel costs, \$45.1 million (29%) is for capital projects, \$16.7 million (11%) is for debt service/equipment leasing payments, and \$34.6 Million (21%) is for other charges including contractual services, materials and supplies, utility payments, leases, etc.

Without a budget, the Town cannot issue paychecks to over 400 Town employees; the Town cannot fulfill its obligations to vendors for services rendered which may include utility payments, payments for contractual agreements, payments to other organizations, etc.; and the Town cannot make its debt service payments and would default on its legal obligation to pay the debt pledged on behalf of the Town.

Reappropriation of capital projects is also accomplished through the adoption of the budget ordinance meaning that if no budget is passed even funding that has already been appropriated would lapse. This would include major capital projects such as the Police Station Expansion, Town Shop Refurbishment, Veterans Park at Balls Bluff, Pickleball Courts, Lawson Road Pedestrian Crossing of Tuscarora Creek, Townwide Water and Sewer Line Repair, Water Pollution Control Facility Solids Processing Improvements, and many more critical projects.

The Town’s first large General Obligation bond payment is on July 15th each year and failure to pay it would constitute default. The Town’s Bond Attorney at McGuireWood has outlined what happens if the Town defaults on any General Obligation bond payment as laid out in the state statutes in the Town’s latest GO Bond Preliminary Official Statement:

Section 15.2-2659 of the Code of Virginia (1950), as amended, provides that upon affidavit filed by or on behalf of any owner, or by any paying agent therefor, of a general obligation bond in default as to payment of principal or interest, the Governor shall forthwith conduct a summary

investigation and, if such default is established to the Governor's satisfaction, the Governor shall immediately order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth of Virginia (the "Commonwealth") to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal and interest. Section 15.2-2659 also provides for notice to registered owners of the Bonds of the default and the availability of withheld funds. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659 or its predecessor provisions Section 15.1-227.61 and Section 15.1-225 has ever been issued. Although neither Section 15.2-2659 nor its predecessors Section 15.1-227.61 or Section 15.1-225 has been approved by a Virginia court, the Attorney General of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to that section. The Town received a total of \$16,691,940 in General Fund revenues from the Commonwealth during the fiscal year ended June 30, 2023.

Since the Town's Utilities Fund bonds are also General Obligation bonds, any default by the General Fund would also be a default on all the Town's Utilities Fund bonds. Any default whether on GO Bonds or any contracted and approved contractual payments would be the end of the Town's Triple AAA bond ratings and would result in much higher interest rates on any kind of debt, would make debt less available to the Town especially during economic downturns when it might be needed most and would reduce investment income since many banks have been eager to give the Town very good rates to build their relationship with a Triple AAA client. How far down the ratings would go would depend upon the nature and length of the period of default.

**b.) I don't anticipate it, but I saw if we don't pass a tax rate by March 31, we default to the current rate.**

**RESPONSE:** The Town Attorney has provided an opinion that if the Town does not pass a tax rate, the tax rate is zero. If the Town fails to pass a tax rate by March 31<sup>st</sup>, staff would be compelled to notify the Loudoun County Treasurer that the Real Estate Tax Rate is \$0.00, and the County would effectively not bill or collect the Town's taxes. The Fiscal Year 2025 budget programs \$20.1 million in real property tax revenue. Failure to adopt a real estate tax rate by March 31<sup>st</sup> would also have a negative impact on the current fiscal year by about \$9.9 million. The Loudoun County Treasurer has communicated that the County's systems do not allow for the issuance of amended tax bills since the Town's bills are included in the County's bill. The Town has no ability to create separate supplemental bills or to generate refunds as the Town does not have assessment data in its systems. That information is kept by the Loudoun County Commissioner of Revenue and the Loudoun County Treasurer. The Town would have no means to bill the Real Estate Taxes.

**c.) I have asked this before and felt I never received an answer. Do we have the equivalent of a detailed balance sheet? I would like to see something like a chart of accounts with balances at June 30, 2023. A list of all our assets and liabilities.**

**RESPONSE:** The Fiscal Year 2023 Annual Comprehensive Financial Report (ACFR) includes an audited summary of the Town's assets and liabilities with accruals and adjustments to make the statements understandable and consistent with the generally acceptable accounting principles (GAAP). The Balance Sheet for all the Governmental Funds is found in EXHIBIT 3 (Attachment #1) on pages 9 and 10 of the [Annual Comprehensive Financial Report - Fiscal Year 2023](#). The General Governmental Balance Sheets included in the ACFR have been extracted and are attached for your reference. The Utilities Fund Balance Sheet (Statement of Net Position) can be found in the ACFR in EXHIBIT 8 on pages 15 – 16.

A simple listing of the general ledger chart of accounts would be unaudited and reflective of balances in the ledger accounts without meaningful subtotals and totals.

**5.) On the Capital Projects Fund balance, what is the \$4,000 non-spendable restriction?**

**RESPONSE:** This amount is a combination of invoices for capital projects that were prepaid in Fiscal Year 2023 but relate to work completed in Fiscal Year 2024.

**6.) Are council members considered regular part-time or flexible part-time? Or something else?**

**RESPONSE:** Town Councilmembers are classified as elected officials. Elected Officials are considered “statutory employees” which means they are treated like employees for tax withholding and Social Security.

**Mayor Burk – March 17, 2024**

**7.) What is the average savings if real estate is reduced by 1 cent?**

**RESPONSE:** The savings to a taxpayer if the real estate tax rate is reduced by 1-cent for the average residential home of approximately \$600,000 is \$60 annually or \$5 monthly.

**8.) What is the average vehicle tax bill for the Town?**

**RESPONSE:** The average vehicle tax bill for the Town is approximately \$88.

## EXHIBIT 3

## TOWN OF LEESBURG, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

	General	Capital Projects	NVTAs	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents, and investments	\$ 48,136,878	\$ 22,901,553	\$ -	\$ 1,197,640	\$ 72,236,071
Receivables (net of allowance for doubtful accounts)					
Property taxes, including penalties	11,716,103	-	-	-	11,716,103
Utility taxes	166,670	-	-	-	166,670
Local taxes	1,079,019	-	-	-	1,079,019
Accounts	393,990	-	-	-	393,990
Miscellaneous	-	61,948	-	-	61,948
Leases	3,987,804	-	-	-	3,987,804
Due from other governments	7,810,611	7,552,088	-	-	15,362,699
Accrued interest	19,381	9,087	-	-	28,468
Deposits	117,294	-	-	-	117,294
Inventory	2,972	-	-	-	2,972
Prepaid items	458,692	4,000	-	-	462,692
Restricted cash	2,782,286	4,318,120	-	-	7,100,406
	<u>\$ 76,671,700</u>	<u>\$ 34,846,796</u>	<u>\$ -</u>	<u>\$ 1,197,640</u>	<u>\$ 112,716,136</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 2,401,644	\$ 3,476,440	\$ -	\$ -	\$ 5,878,084
Due to other governments	284,228	-	-	-	284,228
Retainage payable	219,627	60,408	-	-	280,035
Accrued payroll	1,144,594	-	-	-	1,144,594
Accrued liabilities – other	545,764	1,120,591	-	-	1,666,355
Customer deposits	125,405	-	-	-	125,405
Performance bonds	2,610,720	-	-	-	2,610,720
Reserve for proffers	104,404	2,992,298	-	-	3,096,702
Unearned revenue	97,165	-	-	-	97,165
	<u>7,533,551</u>	<u>7,649,737</u>	<u>-</u>	<u>-</u>	<u>15,183,288</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Grants	-	14,599,552	-	-	14,599,552
Leases	3,824,104	-	-	-	3,824,104
Property taxes	12,310,479	-	-	-	12,310,479
	<u>16,134,583</u>	<u>14,599,552</u>	<u>-</u>	<u>-</u>	<u>30,734,135</u>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

## EXHIBIT 3

## TOWN OF LEESBURG, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

	General	Capital Projects	NVTAs	Other Governmental Fund	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF</b>					
<b>RESOURCES, AND FUND BALANCES (Continued)</b>					
<b>FUND BALANCES</b>					
Nonspendable					
Deposit	\$ 117,294	\$ -	\$ -	\$ -	\$ 117,294
Inventory	2,972	-	-	-	2,972
Prepaid costs	458,692	4,000	-	-	462,692
Restricted					
Thomas Balch Library Endowment Fund	-	-	-	1,197,640	1,197,640
Parks and recreation (Symmington)	50,521	-	-	-	50,521
Police	147,340	-	-	-	147,340
Bond proceeds	-	4,318,120	-	-	4,318,120
Proffers	-	6,012,499	-	-	6,012,499
Gas tax	2,443,083	-	-	-	2,443,083
Parking in lieu	517,130	-	-	-	517,130
Esummons	379,804	-	-	-	379,804
Committed					
Capital Projects – general government	-	20,407,279	-	-	20,407,279
Capital Projects – parks and recreation	-	53,122	-	-	53,122
Capital Projects – streets and highways	-	6,459,338	-	-	6,459,338
Capital Projects – storm drainage	-	-	-	-	-
Capital Projects – airport	-	221,749	-	-	221,749
Assigned					
Debt service reserve	9,753,620	-	-	-	9,753,620
Other reserves	7,327,396	-	-	-	7,327,396
Expenditures designated for future years	3,463,611	-	-	-	3,463,611
Unassigned	28,342,103	(24,878,600)	-	-	3,463,503
Total fund balances	53,003,566	12,597,507	-	1,197,640	66,798,713
Total liabilities, deferred inflows of resources, and fund balances	\$ 76,671,700	\$ 34,846,796	\$ -	\$ 1,197,640	\$ 112,716,136

The Notes to Financial Statements are an integral part of this statement.