

**Narrows Town Council Meeting  
Strategic Planning Session #2  
March 31, 2025**

Mayor Tom Spangler called the meeting to order. Council Members present were John Hale, Jonathan Creger, and John Mills. Sara Bowles and Joe Goorskey were absent.

Staff members present were Terry Nicholson and Debbie Thomas.

No attorney was present.

Councilman John Mills gave the invocation.

Council and audience recited the Pledge of Allegiance.

**Communications from Mayor, Council, and Staff**

Mayor Spangler said first was an update on the automatic transfer switch.

Terry Nicholson said John Mills, Joe Goorskey, and himself met with Martin Jansons, Russell Jackson, and Scott Bortz from Peed and Bortz about the automatic transfer switch. They agreed to not bill the town \$13,000 of their engineering fees that were still outstanding, and they would make a donation to Kids' Fishing Day for \$2,100. That was roughly half of the amount the town would end up paying, so the group agreed that was a reasonable solution. Terry has ordered the VFDs and gave Peed and Bortz the go ahead for the change order, so that was resolved.

Councilman Hale thanked Terry Nicholson and John Mills.

John Mills said they got all they were going to get, so he wanted to let council know they did not leave anything on the table. He commended Scott Bortz for agreeing to give \$2,100 toward Kids' Fishing Day. If he was going to have to pay money himself, he would want to put a positive spin on it, and that was what they did and he was okay with that.

Mayor Spangler said he was glad that was resolved because it had been up in the air for a while now.

Councilman Creger asked when the expected completion of this project would be.

Terry Nicholson said the town ordered the second VFD and would need to wait for that to be delivered. The first one came pretty quickly so he expected it would arrive in the next couple of weeks. It would then just be a matter of scheduling Johnson Electric to install it. They had wired them for the town before temporarily, so it should be a pretty quick thing for them. The other aspect of that change order was replacing the line between the generator and the building, and to the ATS itself, so that would be a part of the project as well.

**New Business**

Mayor Spangler said moving on to new business Kevin Byrd had an update for council on strategic planning.

Kevin Byrd asked council if they had any questions reflecting back on the activities from two weeks ago. They could then do a deeper dive on the numbers because like he said last time they received information and a little bit of prioritization but then there were the wants and the needs. What could they afford to do and how did they want to financially prioritize those. Hopefully they would be able to get further along than that tonight with all the information they shared. The wastewater treatment plant and the I&I study with repair and replacement as needed was underway now and they were making good progress on that. Were there any questions on I&I. Were there any questions on the rotating biological contactors. Terry Nicholson did a good job explaining the \$300,000 cost three times, once per year for the next three years. The topic of the

Narrows/Pearisburg partnership for the new wastewater plant had a consensus to continue exploring that.

Terry Nicholson said he would like to give just a quick update on that. He was doing bi-weekly meetings with FEMA. He had a meeting today that was specifically about the mitigation project and they did talk about that. FEMA actually suggested another source of funding the town could look at as well, so there was the possibility of pulling three different grant fundings together for that larger project of the new plant. The third funding source they suggested was the Federal Flood Risk Management Standard (FFRMS), so they would pursue that as well as a third opportunity for bringing funding in to generate the total they would need.

Councilman Creger asked when he expected this venture with Narrows and Pearisburg would begin.

Terry Nicholson said it would be at least three years before everything was resolved. In the next couple of months, they were going to start making progress on the application to FEMA. FEMA told them that the application process itself, and the granting of the money, would be a yearlong process as well. They said the town could be working on these other sources of funding and doing the engineering studies that needed to be done. All of that could be progressing at the same time that they were pursuing the funding. We would continue to have a sense that the funding was going to be accessible to the town as long as this process continued. If anything were to change where the funding were to go away, we would know that and know to stop pursuing it.

Councilman Creger asked if Narrows and Pearisburg were applying for the same funding simultaneously.

Terry Nicholson said yes and that was at FEMA's request, and the towns wanted that as well because what they did not want to happen was for Narrows to get funding and Pearisburg not. They needed to be tied together from the get-go.

Councilman Mills said they needed to be tied together to make them more attractive to the funding agencies as well.

Terry Nicholson said Narrows wanted it to be tied together so that it was more attractive because it was a regional approach.

Councilman Mills asked if the town had received any funds from FEMA.

Terry Nicholson said money-wise no, not yet, but they received the commitment that they would. They had to pay for it first, so it would be a reimbursement under the town's public assistance projects, which included the Lurich Road ballfields, Camp Success, and the wastewater plant. They had everything in place for the Lurich Road ballfield complex as the appliances were delivered this week and they had received quotes on replacing the windows. They put new cabinets in, the countertops, and the new baseboards all around so they were making progress on that. The fields would be usable early on in the season, but may not be fenced for their first games. We did put temporary fencing up so they could play there. The fencing should be installed in the next six weeks. We have the contract on that. The RFP went out and the low bidder came in right where they expected them to. There was no money there yet, but the projects had been approved for the town to get the money.

Councilman Mills said the reason he was asking was because in their staff meeting at Bluefield this morning the town manager said they had received three checks. He just wanted to make sure Narrows stayed on the list.

Terry Nicholson said FEMA began first farther in Southwest Virginia and were working their way toward Narrows.

Councilman Hale said he believed the county was in the same position as the town.

Terry Nicholson said Narrows had taken all the steps they needed to and their projects had been approved. The next step was for the town to submit the reimbursement request.

Kevin Byrd said the other item was to refurbish the existing wastewater plant. Council talked through that and said they would prefer the combined option. There was also a generator being discussed for the wastewater plant.

Terry Nicholson said the town advertised for a public hearing for the April 14<sup>th</sup> council meeting, which was the first step for the town to look at a grant for replacing the generator at the wastewater treatment plant. They did the advertisement for that and he would like to do a budget work session with council in April as well. They typically do one in April, so he was looking at scheduling that for April 28<sup>th</sup>, which would be two weeks after their regular meeting. That would be when he would advertise for the second public hearing. We can then submit the application for that grant.

Kevin Byrd said those were disaster funds that were urgent need. He told Terry Nicholson he sent a note today about a Q&A session tomorrow concerning this grant.

Terry Nicholson said he could not do that one, but they were doing a second one April 22<sup>nd</sup>. He would like for the New River Valley Regional Commission to help the town with the application for that.

Kevin Byrd said under parks and recreation, they had Mill Creek signage and trailhead improvements and that was a grant application. Council talked quite a bit two weeks ago about the renovation of the rec center and thought they had a good understanding of what they wanted to do and what they did not want to do on that.

Councilman Creger said he thought they decided to not really spend any money on that. When would they start looking into what would happen there such as what needed to be moved and where they would move it when something failed and they could no longer do whatever they needed to do.

Terry Nicholson said if that was the direction Council wanted the town to go, staff could start looking at that.

Councilman Creger said if the town was not going to spend any money on it, it was not going to get any better and would just continue to deteriorate at some point.

Terry Nicholson said there was still life in that building and they could maintain it as-is. It was not that the town was in a bind to where they needed to replace it immediately.

Councilman Hale said he agreed with what Councilman Creger said and agreed with what Terry Nicholson said. He thought at the very least they should have a plan for where they were going to go so that if something catastrophic happened or whatever they would know where to go with anything that was held in the building.

Mayor Spangler said they would have to give the citizens an opportunity to meet here and speak about that if they desired. As long as they were using the building they were going to have to make some semblance of maintaining it.

Councilman Mills asked what that number was. That was what kept popping up in his head. He thought every time they did something to that building they were sending good money after bad. He agreed about the public input and people needed to be told and let the town know if they wanted the town to keep that building. The town did not have the money, so they would have to raise taxes or do something to generate the funds.

Councilman Creger said they could still get use out of the building. Just for an example, say they play basketball in the building but then there was a hole in the roof they were not going to repair so they could not play basketball there now so they would have to find some other place to play basketball.

Terry Nicholson said they had that in place already and had done that before when one of their facilities was not available. They had arrangements with the school so they could use school gyms for practices, for games, and things like that.

Councilman Creger said the next time it developed a leak it was going to be a more permanent thing.

Mayor Spangler said the town had been putting a band-aid on the roof forever and guessed they could continue to do that to some degree if they had to.

Terry Nicholson said the roof was twelve years old.

Mayor Spangler said he was like Councilman Creger in that he did not want to see the town spend the money to put a whole new roof system on it. They had too many other things that were a priority. As long as they were using the building they would have to keep things operable, like the heating system. He did not remember what the amount was for the heating that had to be replaced.

Terry Nicholson said it was going to cost between \$15,000 and \$20,000 to repair that.

Mayor Spangler said that was hard to stomach but that would be a conversation for later on. They did not have to use the heat in the summertime but would have to put something in place if they were going to use it before winter arrived.

Councilman Mills said they had been discussing the budget and if they were going to consider doing something at that building they needed some sort of number to plug into the budget to deal with those things. They did not need to wait until November and then say they needed \$20,000. Where would the \$20,000 come from at that point.

Councilman Hale said he agreed. If he had to choose between spending \$20,000 on that facility or spending it on dealing with the blighted property issue Councilman Mills knew where his heart was at. He considered blighted property a higher priority, particularly since he believed Terry Nicholson indicated they had an alternative to that facility for the gymnasium.

Terry Nicholson said if they boiled it down to the bare essentials of how that building was serving the town right now, they had two offices in it and the gymnasium that they used. The rest of the stuff was ancillary to the fact that they were using the gymnasium. The concession stand was there, there was a birthday-party room, and there were some rooms that they rented or allowed local groups to use.

Mayor Spangler asked if there were one or more of those rooms rented out on a monthly basis and was there a lease involved.

Terry Nicholson said yes and there had to be a 30-day notice to break the lease.

Councilman Hale said from his view he thought that the decision they were talking about had something to do with how much it would cost them to stay in the building versus how much it would cost them to go somewhere else. If it cost them more to stay they needed to be out of there.

Councilman Mills said he agreed. Most council members had made blighted properties a very high priority and had agreed in principle to really take care of it this year.

Terry Nicholson said he did not think it was an either/or for that situation. He did not think they should be equating the Rec Center and the blighted properties, as they were not going to get one and not the other. To him, they were continuing to maintain the recreation building as they always had. They had a budget for maintenance on that building and a budget for heating it.

Kevin Byrd said he believed this question was more about long-term capital investment prioritization and it sounded like there was not a strong consensus to invest a lot of money there. Council seemed to be in favor of repurposing facilities at the town park and it sounded like it was a

pretty good approach. They would use existing labor from the town and skills there to work on rehab. Lurich Road, Camp Success, the parking and dugouts at the Lurich Road property, and the campsites and disc golf seemed like those were all being handled in house.

Terry Nicholson said those were low-budget items that the town could do internally.

Councilman Hale said he was concerned about the platform at the town park. Did Terry Nicholson feel like they could do that internally.

Terry Nicholson said possibly. They would need to investigate it more thoroughly when the water was down.

Mayor Spangler said it had gotten a lot worse over the summer, or over the last six to eight months anyway.

Terry Nicholson said he suspected the two floods had made it worse.

Mayor Spangler said he did not know how bad it was back in under where the rocks were falling out. It would not be a big deal to replace a rock if the water level would accommodate, but replacing a rock may not shore it up the way it needed to be.

Terry Nicholson said that was still a question mark because he could not evaluate that now.

Kevin Byrd said there was a good conversation about the general alternatives for the public works building. They discussed using an existing building for public works or a new fire department. They discussed the shuffling of buildings and resources available.

Councilman Mills said the Gallimores were going to have an auction in April to auction Mac Gallimore's cars and other items. He just wanted council to be aware of that.

Terry Nicholson said he met with Mauyer Gallimore (the executor of the estate) and there would be two auctions: one for the vehicles and one for the rest of the contents of the building. It was becoming a little clearer that the town was going to inherit a building with a bunch of unsellable items left in it, so council needed to be aware of that fact.

Councilman Mills said it was still the best piece of property in town, so it was worth more to them than anyone.

Kevin Byrd said then came the water distribution system improvements and replacement of galvanized lines. Those were being done as the budget allowed. They discussed constructing a new building for the fire department and then refurbishing the pumper truck. They discussed abandoned dilapidated buildings such as the former bank building and old town hall. The old town hall seemed like mostly a tear-down situation. There was a good conversation about the former bank building and identifying performance measures or objectives if they were to put it out for interest for development.

Councilman Hale said Lilly Gallimore just texted him and said the company that was auctioning Mac Gallimore's cars and other items was Blue Ridge Land and Auction.

Councilman Creger said he was thinking about the abandoned and dilapidated properties. He read through the PDFs and emails and came upon the friendly-owner template. If a private individual had a house that was in poor shape and the town sent them this letter and they accepted the help but did not have any money, was there a grant to help them and who would do the labor.

Terry Nicholson said that was one of the things they were waiting on for this friendly letter to go out. They had to have a list of what those resources were for where property owners might get help to be able to do that. Habitat for Humanity was putting together a new program where they would come in and help refurbish a property for qualifying owners, so that would be one of the key elements. They had talked about the town being a possible resource if someone was looking to get

rid of a property. The town might be able to facilitate either getting them to a willing buyer or the town might be able to purchase it to get it into hands like Habitat for Humanity or the Housing Consortium.

Mayor Spangler said he heard on the news that Governor Youngkin signed a bill to make it easier for municipalities to act on dilapidated buildings as far as taking possession of them. He asked Terry Nicholson if he was familiar with any of the details.

Terry Nicholson said not a whole lot yet. There had been some talk about that but he had not looked at that specific legislation since it was passed. There were a number of things they had done within the last few years, allowing a municipality to tax blighted properties at a higher tax rate so that it would cost the owner something and put more of their skin in the game.

Councilman Hale said he was in favor of that. He was in favor of less tax but in that case, he was in favor of more.

Terry Nicholson said Austin Sacks was in attendance tonight and would present a financial analysis to the Town of Narrows. He was with Davenport & Company, and they were financial advisors who had been helping the town with their capital projects, getting the unassigned fund balance built up, and those kinds of things. He appreciated Austin Sacks being at the council meeting.

Austin Sacks said he appreciated the introduction from Terry Nicholson. It sounded like they had a very productive discussion two weeks ago. Davenport & Company was the town's fiduciary to give them financial recommendations and advice on how best to tackle capital projects, balance budgets, and things like that. Two key points he wanted to mention were, they were not a bank nor a brokerage, so they were not trying to lend any money nor sell any services. They did not have any stake in any capital projects that the town was considering. They were just here to give council fiduciary advice on how best to tackle those projects, and that would be the key point of tonight's discussion. They would look first at the utility fund, and then look at the general fund following that. The wastewater treatment plant was kind of the keystone, so they would dig into some numbers on that specifically. They would take a look at the debt profiles for the general fund and utility fund, kind of that foundational building block to the extent where they look at taking on additional debt. They would just be adding on to those payments and would need to factor those into the analysis. Then on the water and sewer side, they modeled a couple of scenarios for discussion tonight, looking at revenues, expenditures, and laying in some potential debt options and what that would really look like in terms of rate increases. On the general fund side, they would really look at the debt affordability side, to the extent where the town would take out debt for those capital projects and find out what the budgetary impact was and what dollars the town needed to come up with to finance those projects. The water and sewer fund was truly a business enterprise fund and that was different from the general fund in that users of the system paid for the system, so obviously if they used more water they would pay for more of that use so that differed compared to the general fund where real estate taxes mattered if they had a blighted property or if they had a nice property, they still paid the same tax rate. A key point here was to maintain a self-supporting nature of that utility fund so they wanted to make sure that it was insulated from the general fund, so the utility fund was paying for its own expenditures. If any debt was taken on, they needed to make sure that debt was paid by the water rates and those revenues. That was going to insulate the water and sewer fund from the general fund that increased their borrowing capacity on the general fund, and it also insulated it in the fact that it did not have to pay for the town's operating expenditures like salaries, benefits, electric, power and things like that.

Councilman Mills said if it was their desire as they did last year if council designated monies for water line and sewer line replacements would it be deposited in this account.

Terry Nicholson said yes. It would go through what they called Fund 20, which was the enterprise fund.

Austin Sacks said obviously one of the key projects was the wastewater treatment plant and they were working with the town of Pearisburg, as well as long-term advisers to the county, so they were very close to the project and sat in on some of the meetings with FEMA. He had met with some



state representatives on some additional water-sewer projects, so as that project continued to evolve, it would obviously be a key part of the model here. The current estimate was about \$16 million for the town's portion of that project and he thought the total that he last heard was around the range of \$45 million between the Town of Pearisburg and the Town of Narrows. All this modeling included that project as well as the other capital projects the town identified in terms of water and sewer.

Councilman Hale asked how the town's portion was determined.

Terry Nicholson said right now he thought they were using basically just a ratio of populations between Narrows and Pearisburg.

Austin Sacks said to give council some estimates/figures with those projects, the lead and copper rule revisions through the PSA were going to cost around \$155,000, at least that was what had been budgeted. The RBC replacement would cost \$300,000 annually for three years starting with this upcoming fiscal year. The replacement of water lines was previously budgeted at \$22,000 but would be increasing to \$40,000 going forward. For I&I upgrades/improvements he believed the town had received approval from DEQ for funding in that \$1.5 million amount. That was broken out between loan forgiveness and actual loan principal forgiveness and the loan was still to be determined. The wastewater treatment plant was estimated right now in the FY27 range to the extent it moved around a little bit. It was the same order magnitude numbers, but it would just be incrementally better in that the town could incrementally ramp up rates a little bit slower. In terms of cash and debt funding, they had cash funding being replacement of the water lines and then the balance of those projects being debt funded.

Terry Nicholson said the debt funding for the lead and copper rule revisions was actually financed by the PSA and the town would be making payments in addition to the regular monthly water purchases. They would be adding a fee for that \$155,000 so the town would not be taking on new debt for that they would just be paying their portion to the PSA for that.

Mayor Spangler asked if this was a one-time amount.

Terry Nicholson said it would be monthly.

Mayor Spangler said there would be no reoccurring amounts in future years at this point.

Terry Nicholson said that was correct. The amount may be less now than the \$155,000 because the engineers were completing the project now and the amount they had spent was about \$100,000 but believed there were some outstanding bills to complete that. He believed the payments would be spread out over ten years.

Councilman Mills said that was correct.

Austin Sacks said that was a very good clarification from their perspective and was still somewhat of a fixed cost. The town did not have to go out and secure that funding because it had already been taken care of by the PSA.

Terry Nicholson said that was correct.

Mayor Spangler said several months ago they discussed something concerning DEQ and the town's water and sewer rates increasing dramatically. He could not remember what it was.

Terry Nicholson said that was the meeting that John Mills, Austin Sacks, and himself attended and they also met with DEQ in Richmond. Rick Chitwood was the one that was saying to them that DEQ would want the town's water rate to be comparable to the state average. Austin Sacks would be showing council some figures for their region and the town was pretty comparable there, but if they looked at it statewide, they were pretty low. Rick Chitwood's point was DEQ may want the town to bump their rates up pretty significantly to be more in line with the state. He was not convinced that was going to be true because regionally they were pretty consistent among the others

around them. It would be odd for the town to have to go up in order to meet their funding requirements and be the lone municipality in Southwest Virginia that had to do that.

Mayor Spangler said that would be a dramatic amount.

Councilman Mills said he thought their engineer was preparing them for an absolute worst-case scenario.

Terry Nicholson said council would see when they got to Austin Sacks' number that the town was going to incrementally increase water/sewer rates to get to the point that they were getting closer to that statewide number than they had been in the past.

Councilman Mills said whether they were asking him for something or not they were going to have to do it.

Terry Nicholson said council said last year that they were going to do around five years of incremental step increases, and that was what they had built into the modeling for the town.

Austin Sacks said he thought those were all good points and there was no need to be an outlier in that sense, but he thought one of the key points they were looking at was they wanted to make sure the town was meeting their financial requirements. Within the loans DEQ provided, they needed the town to meet certain thresholds in terms of debt-service coverage, which was something Davenport & Company had taken into account as well as wanting to see certain levels of reserves within the town's account. They wanted to make sure rates were in place so that once operating expenditures and debt service had been taken care of, there was still money that could flow into those reserves. He thought that lent itself as well to some assumptions that they had used in the financial analysis, in terms of modeling. He thought the key assumption was that they had not factored in any growth in this analysis, so in terms of water/sewer usage, any new connections, and tapping fees, the town may collect to the extent that if any of that came to fruition that would just make the numbers look better, and incremental rate increases would not be as much. The one other thing that he would point out was that in terms of debt, the 5% planning interest rate was a little bit above the current market right now, so their hope would be that if the town was taking out long-term tax exempt debt, it would potentially come in a little bit stronger than that 5% level. The town's utility-supported debt profile was paid from water and sewer revenues. There would be fairly level payments beginning in FY26 and would be the commencement of the 2024 VRA loan. That would be constant for several years and then there would be some nice decline coming in about seven years and then a nice decline beginning in 2034. That was natural capacity that was built into the town's debt profile that was managed conservatively, to the extent that if they took out any new debt there would be some built-in capacity just in the way that had been issued in the past. The other point he would make was all the town's debt was fixed rate, so that would function very much like a mortgage and for a number of these loans at 20-years fixed rate they would know what those payments would look like. There were four scenarios concerning capital funding and they were:

Scenario 1: \$16M Wastewater Treatment Plant	\$16M Town Debt	\$ - Outside Funding
Scenario 2: \$16M Wastewater Treatment Plant	\$6M Town Debt	\$10M Outside Funding
Scenario 3: \$16M Wastewater Treatment Plant	\$4M Town Debt	\$12M Outside Funding
Scenario 4: \$16M Wastewater Treatment Plant	\$2M Town Debt	\$14M Outside Funding

Austin Sacks said Scenario 1 looked at if the town had to issue \$16 million for a wastewater treatment plant what that would look like, and then worked their way down from that. Scenario 2 was if the town had to issue \$6 million, (and they purposely left this vague) and the town secured \$10 million from outside funding. Whether that came from the federal level, the state level, or the county level, but just for purposes of this analysis it was some sort of outside funding. Scenario 3 looked at \$4 million the town would have to come up with and Scenario 4 the town would have to come up with \$2 million. To give council a sense of tax-exempt interest rates, a 20-year bond index tended to be good for long-term-tax-exempt interest rates. There was a graph going back roughly 45 years and it showed when interest rates were above ten-plus percent they had been steadily decreasing. The main point here was, outside of the pandemic, where interest rates were at an all-time low, they were showing a very historically favorable interest rate. The one benefit of the



interest rate environment they were in was the reinvestment rate. The Virginia LGIP (Local Government Investment Pool) that was run by the state was a very well-run program. There had been very dramatic shifts up and down, but right now, and council would probably see this in personal finance if they had a savings account, the LGIP program was earning about 4-4.5%. There had been some instances with local governments he had worked with recently where they were borrowing over 20 years at a lower rate and they were reinvesting that money back in. That was one of the key points on why they thought cash was so important right now in the fact that it was earning real dollars and was really being a benefit to the taxpayer in that it was adding an additional revenue source that they may not have been counting on but was a nice benefit to budget. Summarizing the results of financial modeling, they would look at the town's debt-to-assessed value. The constitutional limit was that a city or town could not have more than 10% of its assessed value in debt outstanding. If they exceeded 10%, that was not within the statutory constraint so the town would not be able to take on that amount of debt. If the town were to have to take on \$16 million for the wastewater treatment plant, and even \$6 million for the wastewater treatment plant, it projected exceeding that constitutional limit. Davenport & Company projected those rate increases to maintain debt-service-coverage compliance and days cash-on-hand compliance so they had the 10%-10%-87% in Scenario 1 and the 10%-10%-30% in Scenario 2. The town would just not be able to borrow under the assumptions they would use in terms of assessed value.

Councilman Hale asked what those assumptions were.

Austin Sacks said those assumptions were assuming 1% growth in assessed value. He knew the county was working through a reassessment process, so when they saw those numbers come to fruition, they could revisit this analysis, but just to be conservative and using the town's last audited financials and starting with that assessed value, that was what was baked into the cake here.

Councilman Hale said he agreed with Austin Sacks being conservative. He wondered, based on his gut, relative to the assessed values, whether Scenario 2, which may or may not be a good idea fiscally, might become actually a possibility.

Terry Nicholson said he believed it would because for counties around Giles County real estate assessments have been in the 30%-40% range of increase so 1% was being very conservative for what they anticipated might happen.

Austin Sacks said that was a very good point. Looking at some incremental rate increases in Scenario 2 with 10% in 2026 following that again with 10% and when those debt service payments kicked in to the wastewater treatment plant borrowing, they would be looking at a 30% increase in 2028 followed by a 10% increase and ratcheting down thereafter. In Scenario 3, it showed maintaining compliance with that statutory limit in terms of debt outstanding and in terms of rate increases sticking with the first 2-10% and a 21% rate increase to maintain cash on hand debt service coverage. Scenario 4 on the low end of that barbell 10%-10% and then 12%, so there were about four years in that 10% range and then incrementally decreasing thereafter. Debt-service coverage after revenues less operating expenditures for every dollar debt service, how many dollars would the town have left over after the payment of operating expenditures. That was really just measuring cap flexibility within the town's annual cash flows. Giving council a sense of what the typical residential bill would look like under those scenarios he focused on Scenario 3 and 4. In FY25, the current fiscal year, typical users pay around \$70-\$75/month. With the rate increases looking over the next five years users would be paying \$120-\$130/month. For the regional comparative in FY24, they pulled data for comparative water and sewer rates and got regional comparatives around the region and the peer median looked at about \$71-\$72/month and within Giles County, Pearisburg was on the low end at around \$47-\$48/month and Narrows was at about \$68/month. Narrows was within the range within the county, but when they looked outside the county at the region, they were competitive with their neighbors and were not out of line in any sense. As council thought about those increases, they were still starting from a position of strength in that they were not the highest as of now. Before they jumped into the general fund he wanted to stop and see if there were any more questions on the utility side.

Councilman Hale said he was looking at the typical residential bills and understood why Pearisburg was less than Narrows. He asked Austin Sacks if he could help him understand the difference in the sewer bill.

Austin Sacks said this was where the comparison was only so good. That was really tied to that 3,000 gallon mark, which was just a good typical industrywide number. The difference there was that with Pearisburg the first 2,500 gallons were within a fixed rate and then they had a volume-metric rate starting with the next 1,000 gallons whereas for the Town of Narrows the first 2,000 gallons was a fixed charge and then every thousand after that had an associated volume-metric fee. The town was capturing that volume-metric fee within the 3,000 figure here whereas with Pearisburg they were not meeting that next threshold in terms of where that volume metric would kick in. If they were to take this and look at 4,000 gallons a month it would look a bit more comparable. He did not think it was that they were that much lower, it was just this particular comparison.

Councilman Mills said another contributing factor was over 30 years ago when these agreements were orchestrated, Pearisburg had Chris McKlarney working for them, and he skinned everyone on this agreement and that was the truth. They benefited for a long time from him being there, and he just negotiated them a better deal than the other towns.

Councilman Creger said that was what he had always heard.

Mayor Spangler said where the financial analysis discussed outside funding, was that strictly financing or did that take into consideration any grant money.

Austin Sacks said the outside funding focused on grant dollars.

Terry Nicholson said that was where they hoped the mitigation money would come into play.

Austin Sacks said they would jump over to the general fund. He gave kudos to the elected-body and staff because the town's finances were in a much better shape on the general fund side than just a couple of years ago. The key metric there was going to be the town's unassigned fund balance, which was their rainy-day fund and reserve. The town was in a position where it was actually negative for a year, but it was now around the range of about \$300,000 as of the 2024 audit. Over the last year the town had events that had occurred that placed a strain on the budget in terms of funding some projects and receiving reimbursement. The key point here and one thing that Davenport & Company stressed, was maintaining those reserves at a high level just so the town could take on these types of projects and knowing that reimbursement could be a month or maybe a couple of months away. When he talked to Terry Nicholson beforehand, the concept of interim financing came up for these types of projects, or even the wastewater treatment plant project, in that if the town did get awarded grant dollars and those were on a reimbursement basis, what options were available to them as a town. It would be important to understand the cash flows of the project in what would those monthly draws look like and the other piece would be working with FEMA and other agencies, and understanding if the interest would also be reimbursable. Understanding those two pieces, there were a couple of different options. There was something called a grant anticipation note and so on an interim basis, the town would draw that money and would know what the interest payments were and plan to get reimbursed those dollars. They could capitalize interest to make those payments from the borrowed dollars and then once the town was reimbursed, they could pay off that note. The town could also look at a line of credit where they would only draw what was needed and only pay interest on what was drawn from that principal balance. There were options available, it would just need to be determined based on what the exact situation was.

Councilman Mills said he had felt for a long time the town needed a line of credit and had talked to Terry Nicholson about it.

Austin Sacks said they had done that for a couple of other localities and had just extended one of those for the City of Norton, and they considered it an emergency cushion. It was there just depending on what came up, and was there if they needed to draw it.

Councilman Hale asked if the City of Norton was paying for that.

Austin Sacks said there was no payment, only on the funds that were drawn.

Councilman Mills asked if there was any downside to having a line of credit available.

Austin Sacks said when Davenport & Company looked at the reinvestment rate, in the interest-rate environment right now borrowing on a short-term basis was actually going to be higher than borrowing on a long-term tax-exempt basis so it could have a potentially higher borrowing cost. He thought the one thing which would be dependent on the proposals that the town received from particular banks was there was kind of an unused-proceeds fee. In simple math, if the town took out a line of credit for a million dollars and there was a 10% unused-proceeds fee if they did not touch those dollars they would still be on the hook for \$100,000. That would be the only real negative that could be associated with that.

Terry Nicholson said he visualized this as several levels of protection for the town. The town had LGIP funds where they kept around \$200,000 in for cash flow purposes, and we used that this year when we were waiting for the tax money to come in (because we delayed the tax-due date). The town had around \$200,000 as a cushion for small needs that might pop up that they could tap into and they could get that in a day. That was one level of protection, and he thought the line-of-credit level Councilman Mills talked about was maybe something they should formalize and put in place, but he felt like the town had good relationships with two local banks who would be very willing to work with them if they were to need something quickly.

Mayor Spangler said it was his understanding that Terry Nicholson had already discussed this with the banks and they were willing to do that if needed.

Councilman Mills said that was the same thing he was asking for; the ability to get money in a hurry if they needed it.

Terry Nicholson said he was just pointing out to them the levels they were talking about here were for something bigger they might need to borrow. It would take some time, but a problem that would generate that need to borrow, we would have some time to deal with it.

Mayor Spangler said Austin Sacks mentioned those dreaded words 'variable rate'. Did he mean if this line of credit was used the rate would vary from one time to another depending on when they would draw against it or would the repayment be a variable rate.

Austin Sacks said the draws would be whenever the town drew those, it was whatever the rate was at that time. He thought that was a good segue to the next couple bullets there, the main one being structural balance concerning this upcoming budget process. The town wanted to make sure they had recurring revenues meeting recurring expenditures. A situation they would not want to be in was where they were borrowing and utilizing that line of credit for operating costs such as salaries, benefits, and things like that. The last key point he would like to hit on was the reassessment process. The one thing that was different than maybe the last couple of reassessments was inflation, and 10 to 12 years ago that was not much of a consideration. The last increases were maybe 2%-3% each year over the last couple of years, especially with capital projects, and the cost of materials, and it was a very material figure. Going through the reassessment process he thought it would be important not only to focus on that budget year but the next multiple years ahead, so council needed to be thinking strategically and setting the tax rate appropriately for those next couple of years.

Councilman Mills told Austin Sacks he agreed with his observation and if things went like he anticipated council would be able to cut the tax rate, and still bring in more money, which was always nice to do. They would just have to see where the reassessments come in.

Austin Sacks said that would obviously be dependent on the numbers from the assessor's office. In terms of debt profile, in general funds and payments already in place, approximately \$56,000 in the upcoming budget year took into account the interest on the 2023 interim financing for the land purchase increasing incrementally to \$60,000 for a couple of years. One thing he would point out

was that interim financing would come due in FY29 and at that point he thought the current plan was to permanently finance that with a longer term loan. That was an option, or paying it off with cash was also an alternative. There were some key debt ratios that they looked at analyzing when they did this modeling. The first one would be debt-to-assessed value, and they had touched on that on the water/sewer side, and this was the town's debt relative to their tax base. The second one was debt service versus expenditures and that was looking at the budgetary, so for every dollar in the budget how many cents were going to a debt-service payment. Starting from the capacity standpoint, looking at the town's outstanding general obligation debt relative to that 10% constitutional limit there was about \$7.6 million of borrowing capacity, and that was subject to change dependent on the new assessment figures, but that was where they were starting from. Davenport & Company wanted to build in some of those water and sewer projects so they had everything except that wastewater treatment plant. So with the I&I and RBC's, some of that capacity would get absorbed by those projects issuing that debt, and that would lead the town to about \$5 million borrowing capacity. The real question before they got into the general fund affordability, was did they have the statutory capacity to borrow those funds, and that would obviously be dependent on the impact of the wastewater treatment plant. They were kind of framing before they dug into the cash flow a little bit.

Councilman Mills said if push came to shove the town could get \$5.2 million towards this endeavor. Did he understand that correctly.

Austin Sacks said that was correct. He thought the only caveat there would be the new assessment figures so just for discussion purposes, if the assessments increased 30%, the town would have 30% more capacity, so that was before taking into account what the budgetary effect was in terms of rates. Davenport & Company put together a debt affordability analysis, so looking at the cash flow impact of potential borrowings, they compared that to the real estate tax rate or the tax equivalent impact of pennies on the real estate tax rate. They also had a dollar figure in the debt affordability analysis as well just to give council that sense that the dollars needed did not have to be solely relying on real estate taxes, but there were other revenue generating sources within the town's control. The Mill Creek signage and trail improvements were estimated about \$120,000 and the thought process was being about \$100,000 being grant funded and then \$20,000 being provided by in-town labor and things like that. The rec center renovation was listed at \$15,000 and this would be cash funded and could be tweaked and amended as necessary. Refurbishing facilities at the town park was in FY27 at \$100,000 and they were considering that to be debt funded. The refurbished pumper truck would be \$250,000 and that was also debt funded. The Keystone project within the five-year CIP was for the new fire department and that was estimated in order of magnitude at about \$2.5 million and that would be in FY29. The thought process there was to allow the town to build up some natural capacity in terms of borrowing as well as allowing them to roll that into the interim financing when that matured.

Councilman Hale asked if this looked at, for example, the public works department where they did not anticipate significant capital requirements between now and the end of FY29 for their vehicles and their equipment and those sorts of things.

Terry Nicholson said yes.

Councilman Hale said he appreciated seeing the pumper truck in the financial analysis. He believed they were over by \$20,000 on Mill Creek in this report.

Terry Nicholson said possibly. He left that in there that way though because they may need to go up on the amounts.

Councilman Mills said he was sorry but Councilman Hale was questioning Terry Nicholson concerning the public works department and he did not catch all of that.

Councilman Hale said his concern was they had a fairly sizable fleet of vehicles and equipment.

Terry Nicholson said the town did, and a number of those vehicles might need to be replaced in this timeline. He thought what he would look at doing there was rather than cash funding them, he

would consider doing what the town did with the police vehicle last year, where they individually financed that vehicle. We could do that for anything we needed to replace, and there were several options to do that. We received a pretty good deal to do that with the police vehicle with the local bank, or there were programs through VRA or USRDA which could finance vehicles or equipment.

Councilman Hale said the point of the purpose of his question was it was his observation that there was a fairly significant fleet of equipment and vehicles assigned to the town's public works department and he thought they did a great job of running those things as long as they could based on the visual appearance. He wanted to make sure they were not overlooking a need potentially to update that fleet.

Terry Nicholson told Austin Sacks they could talk about whether that would affect Davenport & Company's projections.

Austin Sacks said they could definitely look at that. He thought fleet vehicles were not as much of a concern two or three years ago but thought the cost of those had just kind of increased significantly.

Councilman Hale said they did not look like homecoming parade vehicles.

Terry Nicholson said the town used to purchase one police vehicle per year with cash the town built into the budget, and last year they decided they could not afford to keep doing that because the costs of the vehicles were getting to be \$75,000 to replace one vehicle. They had the two accidents close together, so they ended up with one being replaced with insurance money and the second one the town financed, and they did that locally with a four-year loan. That could be an option for other vehicles and equipment. On the other hand, public works was probably going to ask him this year for a smaller backhoe or trencher as well, so they might have to look at some equipment financing for that.

Councilman Hale said in light of their continued focus on updating the town's infrastructure there might be a greater demand.

Terry Nicholson said he had not been too concerned about those yet either because those smaller-equipment trenchers like that they could probably get for \$30,000 or so versus a new backhoe which would probably be similar to a larger vehicle like a police vehicle and that could cost \$70,000.

Mayor Spangler asked Terry Nicholson what the normal life expectancy of a police vehicle was barring any accidents.

Terry Nicholson said around five years. They were rotating them out in five years and when they come out they normally put them into the public works fleet. For instance, Verna Combs drove an old police vehicle. John Davis needed a vehicle because he was using his personal vehicle. They needed a police vehicle to roll out, but did not have one because of the accidents. They had not had one roll out in the last two years.

Councilman Mills said rolling the used police vehicles into other departments was a good idea.

Austin Sacks said they needed to run a couple more scenarios and look at a couple more line items to see the impact and he would be happy to do so. If they were going to finance fleet vehicles, they did not want them to go past their expected useful life.

Davenport & Company looked at the 5% planning interest rate and said if the town kept their existing debt service payment as a watermark in terms of where they were starting in terms of debt service, they looked at what they needed to come up with incrementally above that amount. Davenport & Company equated that to pennies on the real estate tax rate, and so every penny on the real estate tax rate would generate roughly \$11,000. They used that as the equivalent impact in terms of these cash flows. The results of the financial analysis, including the fire station, included permanently financing that with the interim financing from 2023. The total of capital requirements took the town's existing debt service and what the proposed debt service would look like taking out those new debt issuance amounts. They started at 56K and incrementally ramped up and when in



2029 the town took out that additional debt for the fire department and permanently financed that 2023 the interim financing showed the debt service basically levels out at about \$276,000 annually. If they did this on an incremental basis, it was about 7 cents in 2027, another 7 cents in 2028, and 6 cents in 2029. If they equated that to dollar figures, it was basically coming up with \$220,000 on a recurring basis in order to satisfy those debt service payments, and that took into account the decline in the existing debt service, so as that rolled off and the town maintained that debt service budget level and came up with \$220,000, they would have financial sustainability in terms of repaying that debt service.

Councilman Hale asked if this considered the impact of inflation.

Austin Sacks said it did not consider the impact of increasing penny value. To clarify the question, inflation on project costs or value of inflation on capital equipment expenses would utilize those estimates from the beginning. If they wanted to apply an inflation factor to the projects they could, but they had the budgeted estimates in terms of the new debt figures.

Terry Nicholson said the budget estimates for the capital projects did include a figure anticipating inflation and the timeline for when they might be built. For instance, the wastewater treatment plant they knew was four or five years down the road so Thompson and Litton built into the cost estimate that four or five years and anticipated inflation growth over that time.

Austin Sacks said the one other thing that was not taken into account was inflation or reassessment on the value of one penny on a real estate tax rate. They had 30% growth on that 20 cent figure over three years, decreased by 30%, so in that scenario instead of 20 pennies it would be the equivalent of roughly 13 pennies. They took out the fire department, so that left the town having to term out that 2023 land purchase financing so they had to come up with about two pennies in 2027 and another two pennies in 2028 for a recurring revenue figure of about \$44,000 and with that the town would have recurring revenue sufficient to pay for estimated debt service payments on the borrowed funds.

Mayor Spangler said the \$5 million buying power if the town had a 25% increase in real estate values it would directly affect that in a good way but the scenario of reducing the tax rate impacted that in a negative way so the town would not get the increase.

Councilman Mills said that was a true statement, but council could not raise taxes 30% either.

Terry Nicholson said the constitutional debt limit was on the assessed real estate value regardless of the tax rate so the tax rate was taken out of that equation. The town's debt borrowing capacity was based on what the county assessed real estate values were, so the fact that the town may lower taxes would not negatively affect their constitutional borrowing limit, but it would mean that if they were to decrease the tax rate the town's income would go down and the ability to repay that might be affected.

Councilman Mills said it would all depend on the funds that came in that day. He could not see anyone sitting on this council today that was going to try to put that kind of increase on people. They needed to have an increase, and he was the first proponent of that, but they could not increase taxes that amount.

Terry Nicholson said Austin Sacks delayed the incremental equivalent tax rate increases to 2027 so those would not be in this coming budget cycle it would be in 2027, and that would give the town the time they needed to be able to know what the reassessments were going to be.

Austin Sacks said there was a scenario where the town would be able to decrease taxes and still come up with additional dollars.

Mayor Spangler said they had to be sure to show the citizens that they were getting something tangible if their taxes increased.

Councilman Mills said he agreed, and they could do that.

Austin Sacks said Davenport & Company had some next steps but he thought the main thing was the additional analysis of some fleet needs and really explore what the water treatment plant looked like, and what funding opportunities/alternatives were out there. This would be in tandem with the town's 2026 budget process, working with Pearisburg, the county, and exploring and understanding what that impact was.

Councilman Mills said he thought Austin Sacks and Terry Nicholson had answered some questions for him that he had been worried about. He did not want to raise taxes this year in lieu of their anticipated gains in the next cycle. He believed they told council the town would not have to have bridge funding or anything like that. If the town was in a bind, the town could get money from the LGIP account.

Terry Nicholson said that was correct. The town would be holding themselves steady this coming year in anticipation of the coming years, where they would need to increase that debt service.

Councilman Mills said he was not going to hold Terry Nicholson to this tonight but he anticipated that the town would not have to raise taxes this year.

Terry Nicholson said he was not far enough along in the budget process to promise that yet. Council had said they were going to increase the water and sewer rates and that was really going to help the town for the coming year.

Councilman Mills asked if the town had meals tax maxed out.

Terry Nicholson said he did not think so. Meals tax was doing very well for the town this year and he anticipated next year they would do even better, because this year they were doing better than they did last year even though the Iron Skillet had been closed for four or five months. When the Iron Skillet opened back up that number was going to be even better.

Councilman Mills said he personally did not see raising that because it could make people quit shopping at Narrows for a sandwich.

Terry Nicholson said that was an option they could still look at in the future.

Councilman Hale said another consideration could potentially be a hotel room tax. If you went to a place like Orlando and looked at how much tax was on the hotel bill it was incredible. The people that would be paying the tax would not be from here.

Terry Nicholson said the town did not have a large hotel, and the revenue generated by the MacArthur Inn was relatively small.

Councilman Creger asked where the town was at on the cigarette tax.

Terry Nicholson said the town was maxed out there at 25 cents a pack and there was a state-controlled limit on that. Every other community around the town was maxed out on that because they all did that at the same time.

Councilman Mills asked if they were confident the town was getting that money.

Debbie Thomas said she had Police Chief Ratcliffe go out every month or two and check each store.

Councilman Mills said that was good.

Austin Sacks said he thought the limit for meals tax was 8% because that was what the City of Richmond charged. Meals tax had been super useful for local governments in that it had an inflation factor already built in just with restaurants increasing prices and being collected on a percentage basis. The other really good point was it was transient, where people coming through the town were

paying it as well as residents, so it was a way to spread the burden there, not solely within town limits.

Austin Sacks said that was all he had to present tonight. He appreciated the opportunity to speak with council and talk through a series of these capital projects and would be happy to run additional analysis and help as needed with the 2026 budgeting going forward.

Councilman Mills said Austin Sacks did a good job and council appreciated him.

Mayor Spangler thanked Kevin Byrd for attending the meeting.

Kevin Byrd said this report from Davenport helped the town put the emphasis on getting some grant money.

**Councilman Mills made a motion to adjourn. Councilman Creger seconded the motion.**  
**Ayes: Hale, Creger, and Mills**  
**Nays: None**  
**Motion Carried 3-0**

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Clerk, Debbie Thomas

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Mayor, Tom Spangler