Narrows Town Council
Budget Work Session
May 20, 2026

Mayor Spangler called the budget work session to order.

Council members present were John Hale, Sara Bowles, Alicia Lane, John Mills, and Jonathan Creger.

Staff members present included Terry Nicholson, Benji Ratcliffe, and Debbie Thomas.

Attorney Mike Bedsaul was present.

Kyle Laux and Austin Sacks from Davenport & Company participated remotely.

Mayor Spangler gave the invocation.

Council and audience recited the Pledge of Allegiance.

Financial Overview -- Davenport & Company

Kyle Laux of Davenport & Company opened the session by providing financial perspective to council. He noted that a key theme of the 2023 advisory report was the need for the town to build up its reserve levels. Despite progress in fiscal years 2022–2024, the town is now facing the FY2026–2027 budget cycle in a position where reserves and cash are at very low and concerning levels.

Kyle Laux explained that the town's revenue anticipation note (RAN), issued in late calendar year 2025, has provided sufficient funds to cover bills through the balance of the current fiscal year. That note is due at the end of June and will likely need to be reissued at the start of FY2027. He emphasized that the water and sewer fund functions as the town's most reliable monthly revenue stream and must generate a surplus to help rebuild the town's overall cash position.

Austin Sacks remained on the call for the duration of the meeting to answer questions.

Discussion -- Water & Sewer Rates and VRA Compliance

Council members expressed concern that the proposed 35% water and sewer rate increase would impose an unbearable burden on residents, and inquired whether rates could be reduced and phased in over a longer period.

Kyle Laux acknowledged the difficulty and indicated that Davenport & Company could model alternative scenarios but stressed that whatever rates are ultimately adopted must cover all expenditures and generate additional cash to reduce the fund's deficit. He noted that a substantial rate adjustment in FY2027 is essential.

Council inquired about the Virginia Resources Authority's (VRA) role given the town's existing VRA loan and its pursuit of an additional loan for the I&I study. Kyle Laux explained that the existing loan carries cash flow requirements that the town currently falls below, and that VRA requires the town to return to conformity. He noted there may be options related to the timing of the new loan that could provide some relief to the FY2027 budget.

Council confirmed its understanding that if the town does not demonstrate a credible plan to return to compliance, VRA has legal authority to compel rate increases. Attorney Mike Bedsaul and Kyle Laux confirmed this understanding. Kyle Laux noted that Davenport has proposed a two-year step plan to VRA: achieving partial compliance at the end of year one and full compliance by the end of year two.

Council members noted that part of the town's financial difficulty stems from Hurricane Helene, which caused significant unreimbursed expenditures. FEMA has approved reimbursements but the treasury has been slow to disperse funds. Kyle Laux acknowledged these extenuating circumstances would be presented to VRA but reiterated that the immediate priority is restoring cash to meet daily operating needs.

Mayor Spangler and council members expressed strong reservations about placing the full financial burden on residents through large water and sewer rate and tax increases, particularly given the cumulative impact of reassessment, proposed tax rate changes, and utility rate increases. Council emphasized the need to explore all available cost-cutting measures and alternative revenue options before committing to the proposed rate levels. Kyle Laux indicated that Davenport & Company would review scenarios and consult with Terry Nicholson but asked that council manage expectations, as the core need for additional cash remains regardless.

A question was raised regarding the possibility of refinancing or refunding the town's existing debt service to open up cash flow. Kyle Laux indicated this might be possible in the short term and agreed to look into it.

FEMA Reimbursement Update

Terry Nicholson reported on the status of outstanding FEMA reimbursements. He noted that approved funds have been pushed to the state level, and the town is now working with state agencies rather than federal, which he indicated tends to be more responsive.

Two projects remain open:

- Camp Success: Recently completed. Approximately $83,000 anticipated in reimbursement. Staff hopes to receive funds within the current fiscal year but does not hold high confidence in that timeline.
- Wastewater Treatment Plant – Primary Clarifier: Approximately $70,000 must be spent to replace the primary clarifiers in order to trigger approximately $135,000 in FEMA reimbursement. The town has already expended approximately $65,000 but cannot be reimbursed until the project is complete. Thompson & Litton is ready to proceed but the town has deferred expenditure until the start of FY2027 when a new revenue anticipation note will provide necessary funds. The clarifier project and anticipated reimbursement have been incorporated into the proposed FY2027 budget.

Council discussed whether elected officials or other contacts could be engaged to accelerate the reimbursement process. Discussion was also held regarding the town's history of proactively pursuing financing for sewer improvements, including prior trips to Richmond to seek funding before any regulatory violations were issued.

Council noted that the 10% annual water rate increases implemented over the past three years have been directed entirely toward water line replacement and do not flow to the general fund.

A question was raised regarding grant funding opportunities for aging water infrastructure. Terry Nicholson noted that grant funding is difficult to obtain, competition is high across all municipalities and grants typically require a local match.

Budget Process – Advertised Rates and Council Subcommittee

Terry Nicholson proposed that council advertise a "not to exceed" rate for taxes and water and sewer fees, consistent with the draft budget as presented. He explained that advertising the maximum rate preserves council's ability to adopt lower rates at the June public hearing without requiring an additional advertising cycle, whereas advertising a lower rate and then seeking to increase it would require a new public hearing and process.

Terry Nicholson requested that the mayor appoint two council members to work with him between now and June 8th to review proposed expenditure reductions and alternative revenue measures submitted by council members, assess their feasibility, and develop a workable budget proposal for the public hearing.

Mayor Spangler nominated Councilman Hale and Councilmember Lane to serve on the subcommittee. Both had previously agreed to participate.

Council members affirmed their commitment to doing everything possible to reduce the burden on residents before finalizing rate levels, while acknowledging that some tax and rate increases are unavoidable.

Councilman Mills made a motion to advertise the following rates as not-to-exceed amounts:

- **Real estate tax rate: $0.49 per $100 assessed value**
- **Personal property tax rate: unchanged at $1.153 per $100 assessed value**
- **Meals tax: 6% (state maximum)**
- **Water and sewer rates: 35% increase for both water and sewer**

Councilmember Bowles seconded the motion.
Ayes: Hale, Bowles, Creger, Mills, and Lane
Nays: None
Motion Carried 5-0

Communications from the Public

Wayne Gautier

Wayne Gautier, a recently retired Virginia employee and former long-term town employee, addressed council as a concerned citizen. He offered his experience from prior periods of financial difficulty, noting that the town had previously implemented hiring freezes and purchasing freezes to manage cash shortfalls.

Wayne Gautier asked whether FEMA reimbursements, once received, would be sufficient to allow tax rates to be reduced. Terry Nicholson responded that the funds received through the revenue anticipation note will need to be repaid first, meaning reimbursement proceeds are already committed and will not on their own relieve the need for rate increases.

Wayne Gautier stated his intention to attend future meetings, hold council accountable, and offer assistance in any way he can as a volunteer. Council expressed appreciation for his continued engagement and institutional knowledge.

Councilman Mills and Police Chief Ratcliffe left the meeting.

Communications from Staff

VDOT Crosswalk Project Update

Terry Nicholson informed council of a letter received from VDOT regarding a planned crosswalk installation project. Following a safety study conducted with VDOT on all VDOT-controlled roads in town, two locations were identified for new crosswalks:

- Monroe Street near Mary Street
- Northview Street and Wolf Street

VDOT will fund and construct the crosswalks at their expense. The goal is to provide a safe pedestrian connection from the duck pond trail terminus across to the sidewalk leading to Mary Street and the recreation center. Construction is anticipated in late 2026 or early-to-mid 2027. VDOT will advertise the project and a public hearing opportunity will be available through VDOT. High-visibility pavement markings will be used; standard yellow warning signs (not flashing) will be installed, similar to the existing crosswalk signage at the Main Street and Monroe Street intersection.

Executive Session

Councilman Creger made a motion to amend the agenda to add an executive session and to enter executive session for the purpose of discussing personnel matters pursuant to Code of Virginia Section 2.2-3711.A.1. Councilmember Lane seconded the motion.
Ayes: Hale, Bowles, Creger, and Lane
Nays: None
Motion Carried 4-0

Councilman Creger made a motion to return to open session. Councilmember Bowles seconded the motion.
Ayes: Hale, Bowles, Creger, and Lane
Nays: None
Motion Carried 4-0

Certification

WHEREAS, the Town of Narrows has convened an executive meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification of the Town Council that such executive meeting was conducted in conformity with Virginia law:

NOW, THEREFORE, BE IT RESOLVED THAT THE Town of Narrows hereby certifies that, to the best of each member's knowledge, (1) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the executive meeting to which this certification resolution applies; and (2) only such public business matters as were identified in the motion convening the executive meeting were heard, discussed or considered by the Town Council.

ATTEST: ________________________

Councilman Creger made a motion to certify that what was discussed in closed session was limited to personnel matters pursuant to Code of Virginia Section 2.2-3711.A.1. Councilman Hale seconded the motion.
Ayes: Hale, Bowles, Creger, and Lane
Nays: None
Motion Carried 4-0

Adjournment

Councilman Hale made a motion to adjourn. Councilmember Bowles seconded the motion.
Ayes: Hale, Bowles, Creger, and Lane
Nays: None
Motion Carried 4-0

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Clerk, Debbie Thomas Mayor, Tom Spangler