TOWN OF HERNDON, VIRGINIA
WORK SESSION AGENDA
HERNDON COUNCIL CHAMBERS BUILDING
765 LYNN STREET
MAY 5, 2020
7:00 P.M.

The meeting is being held electronically due to Order of the Governor EO-53 and pursuant to Ordinance 20-O-23, adopted March 24, 2020 by the Herndon Town Council, and Code of Virginia §2.2-3708.2 (A)(3), as amended. Public comments will be received through the town clerk at town.clerk@herndon-va.gov.

CALL TO ORDER

1. Roll Call & Determination of Quorum.

2. Comments from the Town Manager.

PUBLIC HEARINGS

3. Ordinance, to amend Chapter 63 (SOLID WASTE), Sec. 63-8 (Schedule of fees), for an increase in the recyclables fee to $16.00 per quarter. (The current fee is $8.00 per quarter.)

4. Ordinance, to Levy Taxes on Real Estate and Manufactured Homes, and Other Subjects for the Fiscal Year 2021 budget.

5. Resolution, to adopt a Fiscal Planning Resolution for the Fiscal Year 2021 budget for the Town of Herndon, to consider the proposed total budget as submitted to the town council. [The budget includes the Fiscal Year 2021 portion of the Capital Improvements Program (CIP)].

6. Ordinance, to Appropriate Funds to Implement the Fiscal Year 2021 budget for the Town of Herndon, establishing the pay plan, and reserving on-going and capital funding for this fiscal year.

FY 21 BUDGET BRIDGE DOCUMENT

ROUNDTABLE

TOWN OF Herndon
DEPARTMENT OF PUBLIC WORKS

STAFF REPORT

Town Council
May 5, 2020

Title:

Ordinance - to amend Chapter 63 (SOLID WASTE), Sections 63-8 of the Code of the Town of Herndon, regarding schedule of fees for recyclables.

Staff Contact:

Tammy Chastain, Deputy Director of Public Works
(phone) 703-435-6860
(e-mail) tammy.chastain@herndon-va.gov

Background:

The proposed ordinance recommends fee changes to the Recycling Fee. The changes will increase the Recycling Fee from $8.00 per quarter to $16.00 per quarter. The recycling fee was last increased in 2018 when it was changed from $4.00 per quarter to $8.00 per quarter, and prior to that it was last changed in 2010 when it was changed from $2.50 per quarter to $4.00 per quarter.

Since this time the recycling industry has changed drastically, commodity prices are no longer as they once were and processing costs have continued to increase, while tonnages have either remained the same or increased. As a result, the town no longer receives rebates that fully cover the cost to recycle and the town currently pays monthly for recycling processing. The current fee offsets 42% of the costs of recycling, and the proposed fee will offset 83% of the recycling costs.

These changes will address some of the costs incurred due to increased costs to recycle proper material at the Material Recovery Facility.

Fiscal Impact:

The Recycling Fee is increased from $8.00 per quarter to $16.00 per quarter.

Expected revenue:

Recycling Fee revenue will increase from $196,000 to $392,000

Staff Recommendation:

Staff recommends Town Council approve the Ordinance to amend Chapter 63 Solid Waste.

Attachments:

Draft Ordinance

Staff:

Tammy Chastain
Deputy Director of Public Works

TOWN OF HERNDON, VIRGINIA

ORDINANCE

MAY 26, 2020

Ordinance- to amend Chapter 63 (SOLID WASTE), Section 63-8 of the Code of the Town of Herndon, regarding schedule of fees for recyclables.

BE IT ORDAINED by the Town Council of the Town of Herndon, Virginia, that:

1. The following sections of the Herndon Town Code (2000), as amended, is amended and re-ordained as follows:

Sec. 63-8. - Schedule of fees.

(a) *Fees*. The town council imposes the following fees on the owner, lessee, occupant, person in control of the premises, or the generator of the MSW or recyclables, as appropriate, for MSW and recyclables collected by the town.

(b) *Miscellaneous fees*. The town council establishes and imposes the following fees:

(1) Recyclables (per quarter) ~~$8.00~~ **$16.00**

This fee shall not be prorated or refundable and shall be payable with and under the same terms as water bill payments.

***

2. This ordinance shall be effective on and after July 1, 2020.

Town of Herndon
PROPOSED BUDGET
2.0

TOWN OF Herndon VIRGINIA

William H. Ashton II
TOWN MANAGER
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Bill.Ashton@herndon-va.gov

TOWN COUNCIL
Lisa C. Merkel, Mayor
Sheila A. Olem, Vice Mayor
Jennifer K. Baker
Cesar del Aguila
Pradip Dhakal
Signe Friedrichs
Bill McKenna

May 1, 2020

The Honorable Mayor and Town Council
Town of Herndon
730 Elden Street
Herndon, Virginia 20170-4637

Dear Mayor Merkel and Members of the Town Council:

The initial Proposed FY 2021 Budget, released on April 1, 2020, was the product of many months of staff analysis and consultation with Town Council. It included the priorities that you set forth in your formal budget guidance adopted at the January 28, 2020 Town Council Public Hearing. This proposal was finalized, and had been sent to the printer, when the COVID-19 pandemic took hold and began its unprecedented disruption of daily life, the local, regional, national, and global economies and its threat to health and safety.

To slow the spread of the virus and "flatten the curve," schools and non-essential businesses were shuttered. Industries such as hospitality and food service saw their revenues plummet, practically overnight. Many workers were furloughed or laid off. According to a news release issued by the U.S. Department of Labor on April 23, 2020, the seasonally adjusted, insured unemployment rate for the week ending April 11, 2020 was 11.0 percent, the highest it has ever been in the history of the seasonally adjusted data series. At the same time, Black Knight, Inc., a U.S. corporation that provides integrated data and analytics to the mortgage and real estate industries, informed that 6.4 percent of all mortgages were in forbearance, versus the 0.25 percent reported by the Mortgage Bankers Association six weeks earlier.

As to when these bleak data points will turnaround is unknown. Several states have begun to ease restrictions. On April 24, 2020, Virginia Governor Ralph Northam released a blueprint, dubbed "Forward Virginia," for easing public health restrictions in the Commonwealth. "Forward Virginia" is a slow, phased plan to re-open the businesses of the Commonwealth, but it cannot commence until certain public health benchmarks are met.

In the face of this uncertainty, one thing is sure—the assumptions on which the Proposed FY 2021 Budget were built—are no longer valid. However, the values and goals outlined in your January 28, 2020 budget guidance resolution remain unchanged. These include:

- Activities that will advance the 2035 Vision
- Demonstrate a commitment to the Town's employees
- Continue efforts that promote the Town's strong fiscal position

These tenets plus your over-riding desire to deliver high-quality services to the town's residents and businesses are still reflected in the amended version of the Proposed FY 2021 Budget discussed below.

The economic forecasting ambiguity borne out of the lack of information requires the Town to position itself with the maximum amount of flexibility. We need to make incremental decisions as more information becomes available to meet your goals and live up to the values you adopted on January 28, 2020.

Therefore, the budget that is being presented for your consideration is not materially different in total from the original FY 2021 Proposed Budget. The significant difference is the inclusion of a strict spending plan, which is outlined in the following pages of this document. This strict spending plan, once married to a series of revenue triggers, will allow us to adapt FY 2021 spending to the available revenues. As we navigate FY 2021, I will routinely brief you on the town's performance relative to these benchmarks.

This document is intended to bring you up-to-date on the latest FY 2020 Projections; will propose an updated FY 2021 budget that will use the April 1, 2020 Proposed FY 2021 budget document as a base with a "bridge" amendment to unwind several elements from the original proposal; and a strict spending plan that will allow us the flexibility to adjust town expenditures in response to the actual economic conditions the town experiences in FY 2021.

Updated FY 2020 Projection—General Fund

Since our last budget discussion on April 7, 2020, tax returns have been filed and/or payments made for March's meals and transient occupancy taxes and February's local sales and 5 percent communications sales and use tax.

- Meals taxes reported totaled $217k while meals taxes paid totaled about $165k, which is a 32.4 percent decline in payments from the prior month.
    - Not every restaurant has filed a return for March. Restaurant owners who requested additional time to remit the taxes were granted a 30-day extension without penalties or interest.
    - While we expect significantly lower volume for the remainder of the current fiscal year, the meals tax projection was increased by $117k because the initial projection was extremely conservative.
- Transient occupancy taxes reported totaled $99.6k while taxes paid equaled about $51.5k, which is a 62.5 percent decline in payments from the prior month.
    - Recall that the payment due date for transient occupancy taxes collected in March 2020 was extended to June 2020; however, several of the town's hotels remitted payment anyway.
    - The projection for transient occupancy taxes for the remainder of FY 2020 remains unchanged.

- Local sales and the 5 percent communications sales taxes are lagged by two months, so the receipts in April were from February's sales.
    - Local sales tax receipts totaled $135k, which is an 8.7 percent decrease from the prior month, but a year-over-year increase of 15.71 percent. Sales taxes from the month of February are typically the lowest of all the months. Sales taxes from the month of February are typically the lowest of the year.
    - 5 percent communications sales tax receipts totaled $120k, or 2.8 percent higher than the prior month.
    - The projection for both of these taxes for the remainder of FY 2020 remains unchanged.
- The FY 2020 projection for Charges for Services was reduced by an additional $345k to account for refunds from cancelled Parks & Recreation programs and events.
- The FY 2020 projection for Intergovernmental revenues was increased by $225k due to expected reimbursement from VDOT for grant-funded paving projects.
- Expected use of Revenue Stabilization increased from $360k to $419k or 3.3 percent.

Considering the latest information, the revenue projections for the remainder of FY 2020 is represented in the table below (Table I – Revenues)

Table I - Revenues

Revenue Description	2020 Original Budget	2020 Original Projection	2020 Revised Projection
Real Property Taxes	$ 12,230,431	$ 12,230,615	$ 12,234,201
Other Local Taxes	14,275,577	14,046,783	13,270,905
Permits & Fees	595,000	571,600	511,344
Fines & Forfeitures	475,000	423,738	408,509
Use of Money & Property	760,000	924,700	848,799
Charges for Services	3,761,233	3,742,032	2,287,805
Miscellaneous	29,200	4,000	50,816
Intergovernmental	4,495,035	4,968,367	4,639,462
Other Financing Sources	30,000	249,030	223,320
Use of Fund Balance	614,776	-	419,003
Grand Total	**$ 37,266,252**	**$ 37,160,865**	**$ 34,894,165**

Revenues are only one half of the fiscal picture. Normally staff pays close attention to its expenditures, but during this pandemic crisis, we have been even more vigilant, paying very close attention to every expenditure to ensure that it is focused on pandemic

response or a series of critical services that must remain online throughout this crisis. Taking into account the latest information, staff is providing to you an updated picture of the town's expenditures for FY 2020. Please reference Table II – Expenditures (below).

Table II – Expenditures

Expenditure Description	2020 Original Budget	2020 Revised Budget	2020 Revised Projection
Personnel	$ 25,594,625	$ 25,553,625	$ 25,152,150
Operations & Maintenance	7,433,286	9,616,560	6,546,112
Capital	766,600	1,159,053	998,996
Non-departmental	510,600	503,150	449,459
Inter-fund Transfers	930,000	753,000	-
Debt Service	2,031,141	2,031,141	1,747,448
Grand Total	**$ 37,266,252**	**$ 39,616,529**	**$ 34,894,165**

This table takes into account all of the restrictions that were enacted immediately at the onset of this crisis, including freezes on hiring, travel and training, pending capital purchases (non-grant-funded only), and caps on non-critical operations and maintenance remain in effect. Interfund transfers to the Capital Improvement Projects fund were pulled back and those projects were placed on hold. Personnel figures include salaries and benefits for regular status employees only, beginning with the March 28th pay period.

As of today, current estimates indicate that the town will close FY 2020 with our revenues and expenditures in balance while using approximately $420,000 from our $1.8 million revenue stabilization reserve. All other reserves will remain untouched.

FY 2021 Proposed Budget, Version 2.0

The original FY 2021 Proposed Budget for the General Fund totaled $39,371,000, which included a one cent increase on the real estate tax rate yielding an additional $465,000; and a $100,000 increase in Business, Professional, and Occupational Licensing returns on the revenue side. Please reference Table III – General Fund, Original Proposed to Version 2.0 (Revenues) shown below.

In this document, expenditures included a 1.3 percent market rate adjustment (MRA), a 2.0 percent average pay-for-performance (PFP) increase for employees, and a $56k increase in contingency funding. This document outlines the Proposed FY 2021 Budget (version 2). It proposes the removal of all these expenditure elements, for a total General Fund budget of $38,806,000. This is the version of the budget that we submit to you for your consideration for adoption. Please reference Table IV – General Fund, Original Proposed to Version 2.0 (Expenditures) shown below.

Table III – General Fund, Original Proposed to Version 2.0

Revenue Description	2021 Original Proposed Budget	Reductions	2021 Proposed Budget Version 2.0	% of Total
Real Property Taxes	$ 13,213,000	$ (465,000)	$ 12,748,000	32.9%
Other Local Taxes	14,230,650	(100,000)	14,130,650	36.4%
Permits & Fees	571,600	-	571,600	1.5%
Fines & Forfeitures	429,000	-	429,000	1.1%
Use of Money & Property	859,900	-	859,900	2.2%
Charges for Services	3,750,895	-	3,750,895	9.7%
Miscellaneous	4,000	-	4,000	0.0%
Intergovernmental	4,478,121	-	4,478,121	11.5%
Other Financing Sources	-	-	-	0.0%
Use of Fund Balance	1,833,834	-	1,833,834	4.7%
Grand Total	**$ 39,371,000**	**$ (565,000)**	**$ 38,806,000**	**100%**

Table IV – General Fund Expenditures, Original Proposed to Version 2.0

Expenditure Description	2021 Original Proposed Budget	Reductions	2021 Proposed Budget Version 2.0	% of Total
Personnel	$ 26,369,202	$ (508,751)	$ 25,860,451	66.6%
Operations & Maintenance	8,346,073	-	8,346,073	21.5%
Capital	1,293,704	-	1,293,704	3.3%
Non-departmental	634,900	(56,249)	578,651	1.5%
Inter-fund Transfers	977,000	-	977,000	2.5%
Debt Service	1,750,121	-	1,750,121	4.5%
Grand Total	**$ 39,371,000**	**$ (565,000)**	**$ 38,806,000**	**100%**

The Proposed FY 2021 Budget, Version 2 provides the town with a baseline on which to construct a strict spending plan that is mindful of the changing economic situation and the actual revenues the town is receiving as we move ahead into new fiscal year. This spending plan will be critical as it will seek to set benchmarks and triggers to either (a) allow the spending to occur, or conversely (b) require staff to find additional reductions in expenditures.

FY 2021 Spending Plan

Clearly, the FY 2021 budget proposal is predicated on many assumptions in a pre-COVID-19 economic forecast. We no longer expect to perform at these levels. However, presenting a budget that is based on post-COVID-19 conservative projections creates two problems. One, such a budget would have required significant personnel reductions, to the detriment of our talented staff, the types, levels, and quality of the services offered by the town, and the bottom line. Personnel actions such as reductions in force and layoffs are expensive and decisive. They are expensive in that it will trigger a pay-out of unused leave and unemployment claims. They are decisive because, should conditions improve more quickly and favorably than anticipated, they cannot be undone. Two, such projections fail to consider the fluidity of the economic situation as we emerge from COVID-19 and the complete lack of data on which to build revenue assumptions.

In this highly unusual budget environment staff is proposing that the town take a different approach to meet the demands of flexibility that will be required moving forward. Budgets are not just vehicles through which authorizations and appropriations are obtained from the governing body, they are also spending plans. Through focusing on our spending plan, we can provide the maximum amount of flexibility without taking decisive action before such actions are warranted.

Revenue Assumptions

The spending plan is needed to bridge the chasm between the Proposed FY 2021 Budget, Version 2.0 and FY 2021 revenue projections that are based on very limited information. Right now, this chasm looks to be approximately $5.5 million. Please reference Table V – FY 2021 Revenue Projections (below).

Table V – FY 2021 Revenue Projections

Revenue Description	2021 Proposed Budget Version 2.0	Reductions Based on Assumptions	2021 Revenue Projections	% of Total
Real Property Taxes	$ 12,748,000	$ (20,000)	$ 12,728,000	38.2%
Other Local Taxes	14,130,650	(3,851,938)	10,278,713	30.9%
Permits & Fees	571,600	-	571,600	1.7%
Fines & Forfeitures	429,000	(41,500)	387,500	1.2%
Use of Money & Property	859,900	(220,000)	639,900	1.9%
Charges for Services	3,750,895	(1,515,101)	2,235,795	6.7%
Miscellaneous	4,000	-	4,000	0.0%
Intergovernmental	4,478,121	-	4,478,121	13.4%
Other Financing Sources	-	-	-	0.0%
Use of Fund Balance	1,833,834	146,841	1,980,675	5.9%
Grand Total	**$ 38,806,000**	**$ (5,501,697)**	**$ 33,304,303**	**100%**

These revenue assumptions are based on the limited information available at the date of this document and we expect them to change over time. As such, staff will closely monitor and analyze revenues as they materialize.

The monitoring of revenue performance will occur at the sub-category level outlined in the table below. The following table, Table VI – Revenue Assumptions by Category provides a breakdown of our projections to the sub-category level, to include details regarding the assumptions used to create the projection.

It is from these data that we will create our revenue benchmarks and triggers using these tables as our starting point.

Table VI - Revenue Assumptions by Category

Revenue Category	Description	$ (Reduction)/ Increase	% Reduction	Rationale
Real Property Taxes	Penalties & Interest	(20,000)	-0.2%	Waivers of certain penalties & interest
Other Local Taxes	Meals Taxes	(1,745,000)	-50%	75% reduction for 2 quarters & 25% reduction for 2 quarters
Other Local Taxes	Transient Occupancy Taxes	(1,719,438)	-76%	90% reduction for 2 quarters, 75% for 1 quarter, & 50% for 1 quarter
Other Local Taxes	Bank Stock Taxes	(50,000)	-13.5%	Easing of retained capital requirements
Other Local Taxes	Motor Vehicle Licenses	(45,000)	-10%	Reduction in vehicle purchases
Other Local Taxes	Sales Taxes	(292,500)	-15%	30% reduction for 2 quarters
Fines & Forfeitures	Parking Tickets	(36,500)	-50%	100% reduction for 2 quarters
Fines & Forfeitures	eSummons	(5,000)	-20%	Fewer tickets due to stay at home orders
Use of Money & Property	Interest on Investments	(220,000)	-59%	FY 21 based solely on fixed interest income from securities. Expect 0% on LGIP.
Charges for Services	Parks & Recreation Fees	(1,506,001)	-55.9%	100% reduction for Herndon Festival; 50% reduction for every other category
Charges for Services	Management Fee from Golf	(9,100)	-25%	100% reduction for 1 quarter
Use of Fund Balance	Use of Capital Reserve	(203,000)	-44.8%	Freeze all but $250k of capital purchases
Use of Fund Balance	Use of Unassigned Fund Balance	349,841	25.3%	Strategic use of reserves to defer personnel actions
Total		**$ (5,501,698)**		

Expenditure Sequestration

Given our updated revenue projections the town will receive $5.5 million less in revenue, our spending plan must be tailored to ensure the town keeps its budget in balance. To ensure that the town's budget remains in balance, I am proposing, that upon adoption of the Proposed FY 2021 Budget, Version 2, the Town Council immediately sequesters $5.5 million in expenditures to instill spending discipline to a level commensurate with the revenue projections. Table VII – Expenditure Spending Plan (below) provides a macro-level expenditure category view into the Proposed FY 2021 Budget, version 2 requested appropriation, sequestration, and level that we are requesting be authorized.

Table VII – Expenditure Spending Plan

Expenditure Description	2021 Proposed Budget Version 2.0	Sequestered Items	2021 Spending Plan	% of Total
Personnel	$ 25,860,451	$ 776,108	$ 25,084,343	75.3%
Operations & Maintenance	8,346,073	2,494,485	5,851,589	17.6%
Capital	1,293,704	977,904	315,800	0.9%
Non-departmental	578,651	276,200	302,451	0.9%
Inter-fund Transfers	977,000	977,000	-	0.0%
Debt Service	1,750,121	-	1,750,121	5.3%
Grand Total	**$ 38,806,000**	**$ 5,501,697**	**$ 33,304,303**	**100%**

Table VIII - Expenditure Sequestration Detail and Related Revenue Stream (below) provides additional detail as to the items that staff is asking to be sequestered.

Table VIII - Expenditure Sequestration Detail and Related Revenue Stream

Expenditure Category	Description	Amount Sequested	Revenue Stream
Personnel	Temporary/Seasonal & Part-time Flexible Workers	$ 776,108	Charges for Services
Operations & Maintenance	Herndon Festival	380,000	Charges for Services
Non-departmental	Community Donations	211,200	Charges for Services
Non-departmental	Event Sponsorship	65,000	Charges for Services
Operations & Maintenance	All Other	860,908	Other Local Taxes
Operations & Maintenance	Repaving	250,000	Other Local Taxes
Operations & Maintenance	Professional Services, Fund-wide	204,550	Other Local Taxes
Operations & Maintenance	Recycling Roll Off Containers	135,000	Other Local Taxes
Operations & Maintenance	GIS Improvements	127,250	Other Local Taxes
Operations & Maintenance	Concrete Repair & Replacement	125,000	Other Local Taxes
Operations & Maintenance	Cityworks Improvements	100,000	Other Local Taxes
Operations & Maintenance	Travel & Training	95,930	Other Local Taxes
Operations & Maintenance	Building Security Project	95,000	Other Local Taxes
Operations & Maintenance	Automobile Repair & Maintenance	75,000	Other Local Taxes
Operations & Maintenance	Employee Education	45,847	Other Local Taxes
Capital	DPW Rolling Stock Replacement	719,504	Other Local Taxes - BPOL
Capital	Police Cruiser Replacements	198,400	Other Local Taxes - BPOL
Capital	"Your Speed" Signs	20,000	Other Local Taxes - BPOL
Inter-fund Transfers	All Transfers from the General Fund	977,000	Other Local Taxes - BPOL & Use of Capital Reserve
Capital	Computer Hardware Replacement	40,000	Real Property Taxes & Other Local Taxes
Total		**$ 5,501,697**	

Any adjustment to these items must be balanced with the revenue to support the expenditure or a corresponding decrease from an authorized (non-sequestered) expenditure. Any further adjustments to the plan will have to include additional cuts to personnel and since we have already sequestered all non-revenue producing temporary and part-time flexible workers, the adjustment will affect the town's regular status workforce.

Other Considerations

The assumptions and spending plan outlined in this document are estimates based on limited, and in some cases, non-existent information. Other considerations that could materially impact this plan include:

- Changes in state aid received by the General Fund, including reduced or frozen revenue streams from the Virginia Department of Transportation.

- Changes in local, state, and federal grants for CIP projects, including projects currently underway.
- The status of federal aid. None of the legislative actions taken to date include assistance to local governments to cover revenue shortfalls or to protect public employees' paychecks.
- The longer-term impact to real estate assessments and BPOL, whether due to the direct impact from stay-at-home orders or the indirect impact of businesses permanently altering how and where they operate.
- The willingness of the public to resume certain activities even after restrictions are lifted.
- The ability to retain personnel during these uncertain times, and to attract and retain future hires.
- The long-term economic impact of this pandemic, including its severity and the length of time it will take to recover.

Should any of these considerations manifest themselves then we will be forced to balance the budget through realizing increases in other revenue categories or a corresponding removal of an authorized (sequestered) expenditure.

The Proposed FY 2021 Budget, Version 2 is not much different than what was proposed on April 1, 2020. The primary differences are this version removes the request for a one cent increase to the real estate tax rate, $100,000 increase to our BPOL estimate, all pay increases for town staff, and a contribution to the town's contingency funding, thereby lowering the budget request by $565,000.

The shortcoming of this proposal is that it does not directly consider how significant changes to the economy will affect the town's revenues moving into, and through, FY 2021. The problem with creating such a forecast is that we have limited data to support creating assumptions on which to build these projections. If we were to establish projections based on the small data sampling we have today, we would be forced into significant personnel reductions in this budget. Such reductions would cause the town to incur additional costs and would be difficult to unwind should the revenue situation materialize better than expected.

We seek to mitigate this shortcoming through the use of a Spending Plan that will sequester $5.5 million, primarily derived from Operations and Maintenance and Capital spending. It also includes a limited sequestration of Personnel spending associated with Temporary and Part-time Flexible employees. This plan will be closely monitored and enforced through rigorous purchasing controls and regular analysis. Financial status will be reported regularly to the Town Council throughout next fiscal year.

Should you adopt the Proposed FY 2021 Budget, Version 2 and the Spending Plan outlined above, staff will develop the revenue benchmarks and triggers necessary to implement this plan. As we move into FY 2021, actual revenue receipts will be measured against these benchmarks. Performance against these benchmarks will inform us as to whether items may be released from sequester. However, should revenues fall short of these benchmarks or should sequestered items be released

without associated revenues being realized, we will have to make additional cuts in the Spending Plan. If either of these situations manifest, the additional cuts will have to be made to regular status personnel.

This recommended budgeting approach will keep the town from over-committing in its response to a worst-case scenario. Instead, it prepares us to respond to the worst case but gives us the flexibility to adapt as we begin to understand the economic climate that we will find ourselves in a post-COVID-19 world. As Governor Northam's "Forward Virginia" is launched, we will get a much better understanding of what the "new economic normal" will be. We will need as much flexibility as possible to adapt to this great unknown. The Proposed FY 2021 Budget, version 2 and its corresponding Spending Plan provides the town with the greatest level of flexibility moving forward.

There is no road map for the current situation we are in, but as long as we continue to retain maximum flexibility and make incremental decisions that can be pulled back or expanded as required, we can come out of this pandemic wiser, stronger, and more effective than ever.

Thank you for your patience with this budget process and please contact me with any questions.

Respectfully submitted,

William H. Ashton II
Town Manager