

**TOWN COUNCIL
RETREAT MINUTES
November 16, 2009 at 3:00 p.m.
Samuels Public Library Meeting Room B**

1. Solar Update

Mr. Graham explained that the Request for Proposals (RFP) was about to go out on bid to the general public for any and all bids. He noted that the bids would then be reviewed and the quotes analyzed. Mr. Graham stated that it would be valuable to have the Finance Committee moving on the project at the same time. He noted that if bonding was the issue it would be a waste of time until we see who actually wins the RFP.

Mr. Graham stated that the Finance Committee could meet Wednesday, November 18th, which would allow clarification to the Finance Committee why aspects have changed relating to the project and the Standard Energy/SolAVerde/Standard Solar merger. Mr. Graham noted that the Finance Director and the Council members who are part of the Finance Committee would be given the opportunity to become more involved with the project. He asked Council if the Finance Committee should meet prior to the RFP being turned in by the proposers.

Mr. Graham noted that the RFP should go out in another two weeks and then there would be another 30-60 days to review it. He stated that hopefully things would be finalized by the first week in January. Mr. Graham commented that he was unsure if there would be a large or small number of companies submitting proposals, adding that AMP (formerly AMP Ohio) secured bond financing interest free, to place a six watt solar site in Danville, Virginia. He stated that they currently have no plan, no design, no land and nothing else concrete on the project, and SolAVerde was now speaking with AMP about the possibility of coming to Front Royal, rather than Danville, for many reasons.

Mr. Graham reminded Council that the solar issue was moving rapidly and it was in the Town's favor. He stated that the whole projection of the financing aspect had changed dramatically. He noted that perhaps having the Finance Committee meet soon, rather than waiting, would make sense in order to keep those Council members advised of the changes. Councilman Conkey agreed that it was a fast moving and ever-changing project, adding that the Town should review any and all options regarding the project.

Mayor Tewalt stated that he would like the Audit/Finance Committee meeting to take place to make a better decision on the bonds in the future on various matters. Councilman Conkey voiced his agreement with holding the meeting, noting that the committee should make a report back to the entire Council.

Mr. Graham clarified that Steve Lamb, of Standard Energy, had expressed to him that he had not intended to threaten the Town with an absolute December 21st date, adding that they would be very willing to submit an RFP in reference to the project.

Councilman Conkey asked if potential bidders would be allowed to review and comment on the draft RFP before it went out in final form. He noted that while it tended to add time to the process, it would be valuable to obtain their insight. Mr. Graham stated that the Town's consultants explained that many similar RFP's had been gathered at various times, noting that the Town's RFP was very standard in nature. He stated that the RFP would be very basic in nature,

allotting the Town a certain number of amps and how it would be financed. Mr. Graham noted that financing options would have to be reviewed in full, and could be built into the RFP. Mayor Tewalt explained that the financing options needed to clearly be defined.

Mayor Tewalt stated that the EDA suggested that the solar company check with the Town in reference to financing. Vice Mayor Hrbek noted that he was referencing other projects, such as the Wastewater Treatment Plant, etc. Mayor Tewalt stated that he was unsure. Mr. Graham explained that roads may be able to be financed through bonds.

Councilman Sayre arrived at 3:15 p.m.

To bring Councilman Sayre up to date, Mr. Graham noted that Council was discussing whether to have a Finance Committee Meeting on Wednesday, the 18th. Mr. Graham noted that the RFP would be going out and he was questioning the timing of the Finance Committee Meeting at this time.

Vice Mayor Hrbek asked if the Town automatically awarded the project to the lowest bidder. Mrs. Breeden stated that the Town did not have to go with the lower bidder. Councilman Sayre asked about the tax credits which would be awarded to someone. Councilman Holloway noted that they were in place, however; the Town would not be the one receiving the credits.

Mayor Tewalt stated that whether it was solar energy or another matter, he would like to know a lot more about the bonding process and amounts in question. He noted that how the payback was laid in place, etc., needed to be clearly explained to Council.

Mrs. Breeden explained that \$18 million had been requested from the Town. She noted that the EDA was brought into one of the meetings held, and it was pointed out that the EDA may be able to obtain a better rating than the Town. Mrs. Breeden stated that whenever the Town went to bond, they had to use the Town's credit rating. She added that it appeared that there would be no benefit at this point to have the EDA involved, as they could not obtain a better rating than the Town, nor could they benefit from it solar project. Mrs. Breeden noted that the \$18 million does go against what the Town was allowed to borrow, and the Town would be responsible for paying the amount back, whether the solar farm was successful or not.

Mrs. Breeden noted that there was an entire process which needed to be in place. She added that the Town would receive credit from the solar company for the solar the Town would purchase, and the Town would not be paying PJM as they were currently, under the proposed financial layout. Mrs. Breeden noted that if the solar farm folds, was the Town responsible for the amounts. She added that if the tax incentives were not in place, investors would not sign on to the project.

Councilman Conkey advised that the risk was low of the Town losing on the deal, as it was not new technology. He noted that the Town will either receive what is promised from the company chosen to provide the energy, or they would not.

Councilman Parker clarified that the Town was not paying anyone to build anything for Front Royal, but rather they were buying the energy for the next fourteen years. He stated that the Finance Committee should also look into all avenues of financing the Wastewater Treatment Plant, as it was a required upgrade, whereas the solar farm was a luxury.

Mayor Tewalt stated that the Finance Committee should have a meeting soon, not necessarily on the 18th, but a meeting should be held to review the bond issue, while using the solar project as an example of how it could financially work.

Councilman Sayre noted that although Mr. Conkey has noted that the risk is low, the field was ever changing and the technology changed drastically from month to month.

Mr. Graham stated that there was not a “solar update,” but rather he was advising that the Town’s consultants were about to come out with an RFP.

Mayor Tewalt noted that the meeting should take place and asked Council their opinion.

Councilman Holloway asked about the land available, as he had been told that enough land may not be in place for the entire 100 megawatts. Mr. Graham stated that the site plan was being prepared and they would still have to go through the EDA. He noted that the site would continue in the Happy Creek area, and the EDA and the Planning Commission would also have to approve the site.

Vice Mayor Hrbek asked if the Town and the County would have to approve the matter, as there are stakeholders of the Royal Phoenix site. Mr. Graham noted that they would have to go through the whole process.

Mr. Graham and Mayor Tewalt asked again if the Finance Committee meeting should be held. Councilman Conkey noted that he, Councilman Sayre and Mayor Tewalt could meet with Mrs. Breeden and then report back to the Council.

Councilman Parker asked if minutes would be taken of the meeting. Councilman Sayre noted that they would. Mr. Graham stated that the public would invited to such meetings, and the press as well. He commented that it would be handled in full disclosure, as there was nothing that would be hidden at all.

Councilman Parker asked if the entire Council should hold a worksession, rather than just the Finance Committee participating. Mayor Tewalt stated that the full Council did not have time to meet as the agendas were full. He voiced support of meeting individually with two or so Council members at a time with Mrs. Breeden.

Councilman Holloway voiced agreement with Mr. Parker, adding that the entire Council should be meeting on such an important issue for the Town. Mayor Tewalt noted that if the full Council was going to meet then it would be held sometime after January 1st, as some members of Council could not attend the financial meeting.

Mayor Tewalt instructed Mr. Graham to schedule the public meeting with the three members of the Finance Committee meeting and Mrs. Breeden.

2. **Economy and Effect on the Town’s Revenue Projections**
3. **Councils Goals and Objectives for Fiscal year 2011**
4. **Capital Improvement Projects 2011 and Beyond**

Mr. Graham explained the very difficult times the Town was facing. He noted that the revenue coming in was vastly different than prior years. He noted that the Council was challenged with

situations other Council's had not faced. He added that Mrs. Breeden would present the matter for Council's review.

Mrs. Breeden explained that water and sewer rates would probably go up in the coming year, though electric rates would most likely not rise. She stated that the Town's largest challenge was among the General Fund, adding that it was about 10% less from one year earlier.

Mr. Graham stated that if five of the 522 Corridor restaurants go under than the Town would be struggling even more. He noted that in-town restaurants were struggling, though they were in the Corridor as well.

Mrs. Breeden noted that the Police Funding 599 State monies will most likely not be in place in the coming year. She added that they may receive something in January perhaps, though most likely the Town will not receive any such funding.

Mrs. Breeden and Mr. Graham emphasized the importance of raising personal property taxes from 60 cents to 73 cents, noting that the Warren County real estate rate went up last year by one cent. Vice Mayor Hrbek asked that Staff determine the County's plan for real estate rates in the coming year.

Mrs. Breeden noted that in the General Fund, the Town will be over \$1 million short in next years budget to begin with based on her assumptions. She reviewed five pages of forecasted expenses for fiscal year 2011. She added that the amounts for postage, fuel costs and insurance coverage costs would be significantly increased most likely.

Vice Mayor Hrbek asked about opting out of the Virginia Retirement System (VRS). Mrs. Breeden noted that it was not an option. He then asked about reviewing a higher deductible program. Mrs. Breeden reminded Council that localities have to participate in VRS, though Human Resources was looking into deductible insurance changes.

Councilman Sayre noted that he heard many comments about the employees not receiving raises. Mrs. Breeden noted that they would prefer a COLA as it would be fair and across the board for all employees.

Mrs. Breeden gave a synopsis of what has happened in the past three years. Mr. Graham stated that in the coming year, there would be no vehicle purchases, adding that the Town may need to look at some Police vehicles which may need to be purchased in the future. He stated that many vehicles are older and are in need of replacement.

Councilman Sayre voiced support of a new Town Police Department. Mr. Graham noted that the Police Chief has been asked to review the needs of the Police Department. He added that there may a better alternative if the Town could place some of the investigators in the old electric department building.

Mr. Graham and Mrs. Breeden explained that the large 31% increase in the fiscal year 2007 was due to change in the electric rates. They noted that the General Fund amount was \$24 million, though Council needed to consider that the Town needed to maintain three months reserve in place at all times. Mrs. Breeden stated that the Town has \$3 million owed due to the Water Treatment Plant expansion, and other outstanding obligations are over \$2 million.

Mr. Burke explained the VDOT process for funding Town projects. Mrs. Breeden noted the current debt limit for the Town. Council discussed future proffers, bonds, A rating of the Town, paying down debt, etc., in order to fully grasp the Town's financial position. Mrs. Breeden clarified that the Town could not base the budget on proffers they do not have.

Mr. Graham and Mrs. Breeden noted that, in order to break even on the revenue side, the Council needed to take \$500,000 out of the General Fund, consider the windfall from two times the tax billing, or raise taxes to balance matters.

Councilman Sayre noted that he would be fighting for a Public Safety Building and COLA increases for employees.

Vice Mayor Hrbek stated that people would be willing to pay more and prepare for the future, even if it means raising taxes. He noted that he does not have trouble with raising taxes at this time. Mr. Graham stated that it was Council's issue, if they decide they need the tax revenue.

Councilman Conkey stated that it was good to move forward with planning for connector roads and the Leach Run Parkway. He noted that matters before the Planning Commission currently, would be greatly affected by the future transportation needs of the community.

After much discussion, Mayor Tewalt stated that Council needed to give Mrs. Breeden some insight of how to cover the first million the Town was short, and then some decisions would need to be made at that time. He stated that the Council needed to either raise taxes or develop new revenue in another form. Mayor Tewalt reminded Council that they needed to take money out of the General Fund, use the windfall of \$500,000 or increase taxes.

Councilman Lauder stated that a 1% COLA would be \$108,000, adding that he would rather keep employees at all costs.

Mayor Tewalt explained that there were several phases to consider and taxes would need to be raised between 3-5%, based on the information presented to Council.

Vice Mayor Hrbek stated that raising taxes could be difficult, though if the public could see a tangible item (roads, etc.) then it was a much easier sell to the community. He noted that it was important to position the Town in preparation for when the economy rebounds, adding that they needed to be ready to support the future growth.

Council recessed for dinner.

Council discussed several projects, including the East West Connector ¼ mile Section, the potential for three new police cruisers, the Criser Road Bridge replacement, and the Prospect Street Bridge replacement. Mr. Burke clarified that the Criser Road Bridge was the priority, though replacing both bridges would be preferred. He noted that the Prospect Bridge could just have the timbers replaced at this point, if need be. He reminded Council that the reports have shown that the Criser Road Bridge needs to be replaced at the earliest convenience.

Council discussed various methods of increasing revenue, including a tobacco tax. Councilman Parker debated the principles for and against the cigarette tax with Vice Mayor Hrbek.

Mr. Graham stated that many projects need to be funded. He stated that a 25 cent increase for items in the Refuse Fund for residential collection would assist with the truck purchase.

Mr. Graham noted that the real estate increase could fund the Criser Road Bridge design amount of \$50,000, three police cruisers for \$90,000, the repairs for the Prospect Bridge at \$25,000, the 6th Street sidewalk at \$50,000, for example. He noted that they were tangible items the whole community could see. Mr. Graham added that the cruisers should be part of operations side, not a new project.

Mr. Graham suggested bonding the Criser Bridge design and construction amount, as well as the design and construction of the East West Connector Road construction. Mrs. Breeden noted that the Town could do a short term borrow, and pay that one year payment from a fund balance and then roll everything into next year's amount. Mr. Burke reminded Council that the amount to design could not be rolled into the bonded amount.

Vice Mayor Hrbek suggested removing Leach Run Parkway out of the future plans, while moving forward with a Public Safety Building and the two bridges. Mayor Tewalt voiced support of the East West Connector Road design.

Vice Mayor Hrbek began discussing ways to have residents move towards greener billing, which may save the Town several thousand dollars. Mayor Tewalt asked Council not to nickel and dime the budget.

Councilman Holloway asked again about number for the Cigarette Tax proposal, noting that a 25 cent tax may be his preference.

Mrs. Breeden noted that the Town was looking at the budget in different way this year, and that Council had given her good guidelines in order to prepare the budget from this point forward. She stated that some of the projects requested were actually operational items, rather than projects, such as the police cruisers for example.

Present: Mayor Eugene R. Tewalt, Vice Mayor Bret W. Hrbek, Councilman Thomas H. Sayre, Councilman Chris W. Holloway, Councilman Carson L. Lauder, Jr., Councilman N. Shae Parker, Town Manager J. Michael Graham, Clerk of Council Jennifer E. Berry, Director of Finance Kim Gilkey-Breeden, Director of Environmental Services Steven M. Burke, P.E., Director of Public Works Terry Seal, Chief of Police Richard Furr, members public and of the press.

Jennifer E. Berry
Clerk of Council