



TOWN COUNCIL WORK SESSION
Monday, April 20, 2020 @ 7:00pm
via WebEx at www.frontroyalva.com/meeting

1. Options for Local Economic Recovery
2. Continued Discussion of Setting Fiscal Year 2020-2021 Tax Rates
3. FY2020-2021 Budget Discussion
4. Open Discussion

TOWN COUNCIL SPECIAL MEETING
immediately following Work Session

1. ROLL CALL
2. COUNCIL APPROVAL - Setting Fiscal Year 2020-2021 Tax Rate/Amend Chapter 75-44 (2nd R)
3. CLOSED MEETING – FDR Services, Annexation Issues and Connection/Tap Fees

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Work Session Agenda Form

Item # 1

DATE: 4/20/20

AGENDA ITEM: Options for Local Economic Recovery

SUMMARY: Review potential options the Town may provide citizens and businesses related to local economic recovery related to COVID-19.

BUDGET/FUNDING: Budget/funding to be addressed based on economic recovery effort.

STAFF RECOMMENDATION: Staff recommends for Council to discuss options and direct staff to develop options for implementation.

Work Session

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The central area is white, providing a clean space for the text.

OPTIONS FOR LOCAL ECONOMIC RECOVERY

INTENT OF LOCAL ECONOMIC RECOVERY

- ▶ During the Thursday, April 9, 2020 work session Town Council requested staff to provide options for local economic recovery.
- ▶ Staff's understanding was that the economic recovery should:
 - ▶ Benefit local residents & businesses effected by COVID-19
 - ▶ Provide immediate & substantive relief to residents & businesses
 - ▶ Be discussed prior to adopting the current Personal Property & Real Estate Tax Rates
 - ▶ Lead into discussions regarding the FY21 Proposed Budget

Recap Of Assistance/Relief As Of Today

- ▶ Credit Card Convenience Fees are currently being absorbed by the Town until June 30, 2020
 - ▶ Estimated \$60,000 Absorbed thru 6/30/20 (\$240,000 estimated annually)
- ▶ Penalties & Late Fees related to past due utility bills are being waived until the Town is able to resume normal operations
 - ▶ Estimated \$70,275 Absorbed thru 6/30/20
- ▶ Utility service will not be disconnected due to non-payment of past due utility bills until the Town is able to resume normal operations
 - ▶ Estimated \$27,720 Absorbed thru 6/30/20 for reconnection fees
- ▶ Penalty & Interest on Personal Property & Real Estate Taxes have been postponed for a period of 90 days
 - ▶ Estimated \$18,500 Absorbed

▶ **ESTIMATED TOTAL ABSORBED = \$176,495**

Recommended Options for Local Economic Recovery

- ▶ Provide up to \$1.5 million from the Town's General Fund Unrestricted Fund Reserves to be distributed to local citizens & businesses for relief
 - ▶ Excluding the OPEB Liability, as of June 30, 2019 the Town's unrestricted general fund balance ABOVE 3-month reserve & outstanding encumbrances was \$2,023,459
 - ▶ A budget amendment would need to be approved by Town Council & if the amount exceeds 1% of FY20 Budget (\$476,055.60) a public hearing would need to be held
 - ▶ Criteria could be developed for relief
- ▶ Delaying 2% Water Rate Increase for period of 1 year
- ▶ Reducing water/sewer connection fees effective July 1, 2020
- ▶ Continue with Real Estate Tax Rate reduction to coincide with the FY21 Proposed Budget

Options for Economic Recovery with Potential Significant Negative Impacts

▶ Reduction of Electric Rates & Garbage Rates

- ▶ The Electric & Refuse Fund Reserve Balances are currently below 3-month reserve levels; revenue shortfalls related to COVID-19 may require substantial decreases in expenditures with current rates

▶ Reduction of Water/Sewer Rates

- ▶ The Town's revenue bonds for the Water Treatment Plant & Waste Water Treatment Plant require the Town to maintain debt to service coverage ratios based on water/sewer rates. Non-compliance could jeopardize the 0% financing revenue bond on the Town's waste water treatment plant & potential future bonds needed related to the Town's I&I Abatement Program/DEQ Consent Order
- ▶ Water rates may remain the same for one additional year based upon update from Stantec
- ▶ Per Stantec's recommendation, sewer rates should be increased 3.5%; as previously recommended to maintain compliance for revenue bonds, future projects, and avoid larger future increases

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Work Session Agenda Form

Item # 2

DATE: 4/20/20

AGENDA ITEM: Personal Property Tax Rate & Real Estate Tax Rate

SUMMARY: Council requested to review options for Local Economic Recovery before approving the 2020 Calendar Year/FY21 Real Estate and Personal Property Tax Rates.

The FY21 Proposed Budget currently incorporates the following:

- Real Estate Tax Rate - \$0.13 per \$100 of assessed value (\$0.005 reduction from 2019)
- Personal Property Tax Rate - \$0.64 per \$100 of assessed value (same as 2019)
- Personal Property Tax Relief - 53% for qualifying vehicles up to \$20,000 (decrease of 3% from 2019)

The FY21 Proposed Budget incorporates a \$0.005 per \$100 of assessed value reduction in real estate tax rate when compared to the 2019 real estate tax rate.

The following revenue values are realized per \$0.01 of the tax rates based on 2019 assessments:

\$0.01 of Real Estate Tax Rate	=	\$129,257 Revenue
\$0.01 of Personal Property Tax Rate	=	\$9,342 Revenue

BUDGET/FUNDING: FY21 Proposed Budget incorporates tax rates listed above.

STAFF RECOMMENDATION: Staff recommends approving tax rates for FY21 Proposed Budget Tax Rates as presented.

Work Session

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Work Session Agenda Form

Item # 3

DATE: 4/20/20

AGENDA ITEM: FY21 Proposed Budget Discussion

SUMMARY: The impacts to the FY21 Proposed Budget related to the COVID-19 pandemic are currently unknown. Following this coversheet are documents that show trends from 2006-2010 related to the Town's revenues and applied to the FY21 Proposed Budget which represents an approximate 6% reduction in the FY21 Proposed Budget. Some other localities in the Commonwealth of Virginia are currently forecasting an overall 5% reduction in revenues for FY21; which is relative to the decreases seen during the 2006 – 2010 recession.

Staff has identified items in the FY21 Proposed Budget shown in the following documents that could be used to help mitigate potential revenue reductions and minimize impact to Town operations.

Forecasting potential impacts for the Town is very difficult because of all of the unknown factors. Town revenues are constantly reviewed by staff and will be reviewed with Town Council monthly, at a minimum, during this Pandemic and throughout the year.

As a reminder, the FY21 Proposed Budget does not need to be formally adopted until June 2020. There is time to consider all options.

BUDGET/FUNDING: See supporting documents

STAFF RECOMMENDATION:

1. Adopting an alternative FY21 Proposed Budget or allowing staff to draft an amendment to the FY21 Budget reflecting all items listed to be transferred to contingency line items.
2. Continuing to monitor revenues
 - A. If revenues appear to return to adequate levels; a COLA raise for employees could be implemented at a later time.
 - B. If revenues decrease more than allocated to contingency; the Town may need to consider further budget reductions including, but not limited to; furloughs, wage reduction, and/or reducing staff.
3. Provide staff with direction related to items that Council would like to see included/excluded from the FY21 Proposed Budget, so that staff may provide options.

As a reminder, if Town Council approves significant items in the FY21 Proposed Budget, items procured exceeding \$25,000 will return to Town Council for formal approval prior to purchase being made.

Work Session

FY21 Budget Potential Shortfalls

Estimated \$ Value Budget Shortfall	General Fund	\$ (1,370,603.00)
	Street Fund	\$ (204,145.00)
	Electric Fund	\$ (720,845.00)
	Water Fund	\$ (415,210.00)
	Sewer Fund	\$ (391,530.00)
	Refuse Fund	\$ (35,028.05)
	TOTAL	\$ (3,137,361.05)

FY21 GENERAL FUND

FY21 Potential Shortfalls	17% Reduction of Meals Tax	\$ (338,980.00)
	24% Reduction of Lodging Tax	\$ (75,840.00)
	15% Reduction of Sales Tax	\$ (162,651.00)
	18% Reduction of BPOL	\$ (137,178.00)
	23% Reduction of Bank Stock Tax	\$ (67,367.00)
	Reduction of Penalty on PP & RE Taxes	\$ (17,000.00)
	Reduction of Interest on PP & RE Taxes	\$ (20,000.00)
	Credit Card Fees	\$ (57,200.00)
	25% Reductin of PILOT	\$ (132,620.00)
	25% Reduction of PILOT from Warren County	\$ (67,050.00)
	30% Reduction Vehicle Tax	\$ (29,700.00)
	Reduction of rent for 15 N Royal Ave	\$ (12,000.00)
	Printing of quarterly newsletter	\$ (6,000.00)
	Interfund Transfers from Enterprise Funds to General Fund	\$ (232,017.00)
	HRA Administration Fee	\$ (15,000.00)
FY21 Potential Budget Shortfall		\$ (1,370,603.00)
FY21 Items to Transfer to Contingency	Insurance Savings Including Funding HRA	\$ 188,980.00
	Merit Pay Increase	\$ 107,591.00
	Compensation Study Year 3	\$ 109,360.00
	Assistant Town Manager	\$ 124,600.00
	Interfund Transfer to Street Fund	\$ 145,005.00
	1201-43002 Town Manager - Professional Services	\$ 38,805.00
	1203-45408 Fleet Maintenance - POL	\$ 4,000.00
	1203-45504 Fleet Maintenance - Travel & Education	\$ 1,000.00
	1203-47001 Fleet Maintenance - Machinery & Equipment (Parts Cleaner)	\$ 10,000.00
	1203-47009 Fleet Maintenance - Debt Service Rehabilitation Building	\$ 111,865.00
	1204-43002 I/T - Professional Services	\$ 5,000.00
	1204-43005 I/T - Maintenance Service Contract	\$ 10,000.00
	1204-43039 I/T - Web Page Maintenance	\$ 18,050.00
	1204-45421 I/T - Hardware/Software	\$ 5,000.00
	1204-45421 I/T - Travel & Education	\$ 3,000.00
	1204-47007 I/T - Computer Equipment (Recording Servers)	\$ 22,000.00
	1205-45447 Tourism - Downtown Events (Gazebo Flicks)	\$ 4,000.00
	1205-47012 Tourism - Extended Trolley Hours	\$ 8,836.00
	1205-43002 Tourism - Blighted Buildings	\$ 46,000.00
	2201-43002 Tourism - Town Attorney EDA Attorney Fees	\$ 63,139.00
3101-45504 Police Admin - Travel & Education	\$ 2,000.00	
3102-41002 Police Patrol - Overtime	\$ 10,810.00	
3102-45408 Police Patrol - POL	\$ 8,000.00	

3102-45504	Police Patrol - Travel & Education	\$	5,000.00
3102-47001	Police Patrol - Replace Body Worn Cameras	\$	20,000.00
3103-41002	Police Investigations - Overtime	\$	8,000.00
3107-47005	Police Task Force - Vehicle Replacement	\$	35,000.00
8101-43002	Planning & Zoning - Property Maintenance	\$	40,000.00
4302-47009	General Properties - Building & Structures (Auxillary Building)	\$	125,000.00
4305-43002	Horticulture - Professional Services	\$	20,000.00
TOTAL LINE ITEMS TO TRANSFER TO CONTINGENCY		\$	1,300,041.00
SHORTAGE AFTER CONTINGENCY TRANSFERS		\$	(70,562.00)

FY21 STREETS FUND

FY21 Potential Shortfalls	3% Reduction VDOT Funding	\$ (59,140.00)
	Interfund Transfer from General Fund	\$ (145,005.00)
	FY21 Potential Budget Shortfall	\$ (204,145.00)
FY21 Items to Transfer to Contingency	Insurance Savings Including Funding HRA	\$ 38,865.00
	Merit Pay Increase	\$ 16,780.00
	4500-45407 Highway Maintenance - Repairs & Maintenance Supplies	\$ 25,000.00
	4500-45477 Highway Maintenance - Curb & Gutter Reconstruction	\$ 40,000.00
	4500-45478 Highway Maintenance - Snow Removal	\$ 25,000.00
4500-47001 Highway Maintenance - Machinery & Equipment (Tire Loader)	\$ 58,500.00	
	TOTAL LINE ITEMS TO TRANSFER TO CONTINGENCY	\$ 204,145.00
	BALANCE AFTER TRANSFERS	\$ -

FY21 ELECTRIC FUND

FY21 Potential Shortfalls	3% Reduction Sales/Bad Debt	\$ (574,645.00)
	75% Reduction Connection Fees	\$ (45,000.00)
	Credit Card Fees	\$ (101,200.00)
	FY21 Potential Budget Shortfall/Overage	\$ (720,845.00)
FY21 Budget Items to Transfer to Contingency	Insurance Savings Including Funding HRA	\$ 44,450.00
	Merit Pay Increase	\$ 21,725.00
	Compensation Study Year 3	\$ 9,470.00
	9401-43004 Electric - Repairs & Maintenance	\$ 98,000.00
	9401-45407 Electric - Repair & Maintenance Supplies	\$ 20,000.00
	9401-47502 Electric - Line Extensions	\$ 50,000.00
	9401-47512 Electric Fiber Network	\$ 33,334.00
	9401-47001 Electric - Machinery & Equipment (Wire Trailer)	\$ 10,000.00
	9401-47009 Electric - Building & Structures (Generator & Paving)	\$ 128,000.00
	9401-47937 Electric - Manassas Substation Transformer Replacement	\$ 135,000.00
9401-47957 Electric - Leach Run Parkway Line Extensions	\$ 125,000.00	
	TOTAL LINE ITEMS TO TRANSFER TO CONTINGENCY	\$ 674,979.00
	SHORTAGE AFTER CONTINGENCY TRANSFERS	\$ (45,866.00)

FY21 WATER FUND

FY21 Potential Shortfalls	3% Reduction Sales/Bad Debt	\$ (151,925.00)
	Allowing water rates to remain same as 2019	\$ (101,285.00)
	Reduction of Connection Fee Rates	\$ (62,400.00)
	75% Reduction in Number of Connection Fees Paid	\$ (73,200.00)
	Credit Card Fees	\$ (26,400.00)
	FY21 Potential Budget Shortfall	\$ (415,210.00)
FY21 Budget Items to Transfer to Contingency	Insurance Savings Including Funding HRA	\$ 62,925.00
	Merit Pay Increase	\$ 20,140.00
	Compensation Study Year 3	\$ 14,110.00
	9672-49004 Water Interfund Transfer to General Fund	\$ 42,150.00
	9501-45504 Water Admin - Travel & Education	\$ 1,000.00
	9602-47513 Water Line Maintenance - Waterline Upgrades	\$ 249,000.00
	9602-47530 Water Line Maintenance - Capital Inventory	\$ 55,000.00
	9602-47001 Water Line Maintenance - Machinery & Equipment (Messag Board & Street Broom)	\$ 14,000.00
	TOTAL LINE ITEMS TO TRANSFER TO CONTINGENCY	\$ 458,325.00
	OVERAGE AFTER CONTINGENCY TRANSFERS	\$ 43,115.00

FY21 SEWER FUND

FY21 Potential Shortfalls	3% Reduction Sales/Bad Debt	\$ (181,725.00)
	Difference in 2% Proposed Rates vs 3.5% Increase	\$ 90,860.00
	Reduction of Connection Fee Rates	\$ (83,035.00)
	75% Reduction in Number of Connection Fees Paid	\$ (186,830.00)
	Credit Card Fees	\$ (30,800.00)
	FY21 Potential Budget Shortfall	\$ (391,530.00)
FY21 Budget Items to Transfer to Contingency	Insurance Savings Including Funding HRA	\$ 39,340.00
	Merit Pay Increase	\$ 13,755.00
	Compensation Study Year 3	\$ 6,760.00
	9872-49004 Sewer Interfund Transfer to General Fund	\$ 13,670.00
	9502-45504 Sewer Admin - Travel & Education	\$ 1,000.00
	9801-43002 Waste Water Plant - Professional Services (Chemical Study)	\$ 55,000.00
	9872-40001 Sewer Debt Service - Principal	\$ 145,000.00
	9872-40005 Sewer Debt Service - Interest on Debt	\$ 85,000.00
	Total Line Items Transfer To Contingency	\$ 286,000.00
	SHORTAGE AFTER CONTINGENCY TRANSFERS	\$ (105,530.00)

FY21 REFUSE FUND

FY21 Potential Shortfalls	3% Reduction of Sales/Bad Debt	\$ (30,628.05)
	Credit Card Fees	\$ (4,400.00)
	FY21 Potential Budget Shortfall	\$ (35,028.05)
FY21 Budget Items to Transfer to Contingency	Insurance Savings Including Funding HRA	\$ 27,175.00
	Merit Pay Increase	\$ 11,290.00
	Total Line Items Transfer To Contingency	\$ 38,465.00
	OVERAGE AFTER CONTINGENCY TRANSFERS	\$ 3,436.95

SPECIAL

MEETING

SP2



Town of Front Royal, Virginia
Special Council Agenda Statement

Item # 2

Meeting Date: April 20, 2020

Agenda Item: COUNCIL APPROVAL – Setting Fiscal Year 2020-2021 Tax Rates and Ordinance Amendment to Chapter 75-44 (2nd Reading)

Summary: Council is requested to adopt a real property tax rate at \$0.13 per \$100 assessed value which represents a decrease of \$0.0005 from the current year’s tax rate and the personal property tax rate at \$0.64 per \$100 assessed value, which represents no increase over the current year’s rates; and to decrease the personal property tax relief rate from 56% to 53% of value on the first \$20,000 of assessed value for qualifying vehicles with an assessed value greater than \$1,000; and a personal property tax relief rate of 100% for qualifying vehicles with an assessed value of \$1,000 or less, pursuant to Virginia Code §58.1-3524, and all owners of qualified vehicles will be notified on their Town of Front Royal personal property tax bill. Council is further requested to adopt on its second and final reading and ordinance amendment to Chapter 75-44.C. to reflect such change, as presented.

Note: During the first reading the personal property tax relief rate (PPTR) for qualifying was to be set by Town Council at future time pursuant to Virginia Code §58.1-3524.

Budget/Funding: None

Attachments: Ordinance

Meetings: Work Session held February 19, 2020 and April 20, 2020. Public Hearing held March 9, 2020

Staff

Recommendation: Approval_____ Denial_____

Proposed Motion: I move that Council adopt a real property tax rate at \$0.13 per \$100 assessed value which represents a decrease of \$0.0005 from the current year’s tax rate and the personal property tax rate at \$0.64 per \$100 assessed value, which represents no increase over the current year’s rates; and to decrease the personal property tax relief rate (PPTR) from 56% to 53% of value on the first \$20,000 of assessed value for qualifying vehicles with an assessed value greater than \$1,000; and a personal property tax relief rate of 100% for qualifying vehicles with an assessed value of \$1,000 or less, pursuant to Virginia Code §58.1-3524. I further move that Council adopt on its second and final reading an ordinance amendment to Chapter 75-44.C. to reflect the adopted real and personal property tax rates, as presented.

*Note: Motions are the formal & final proposal of Council, proposed motions are offered by Staff for guidance

*To be clear and concise, motions should be made in the positive

Approved By: MT

AN ORDINANCE TO AMEND SECTION 75-44 (C) OF THE FRONT ROYAL TOWN CODE PERTAINING TO REAL ESTATE AND PERSONAL PROPERTY TAX RATES

75-44 MAILING OF BILLS; DUE DATES, PENALTY AND INTEREST; IMPOSITION OF THE TAXES AND RATES

C. There is hereby imposed upon all real property within the limits of the Town of Front Royal, Virginia, an effective tax rate in the amount of thirteen ~~and one half~~ cents (\$0.135) per one hundred dollars (\$100.00) of assessed valuation ~~with the increase being designated to the construction of the new Police Department and associated debt service~~, and a tax upon all tangible personal property located within the limits of the Town of Front Royal, Virginia, in the amount of sixty-four cents (\$0.64) per one hundred dollars (\$100.00) of assessed valuation. The tax on all personal property shall include all Machinery and Tools. The tax on all real property shall include all mobile homes. ~~The tax imposed upon real property within the limits of the Town of Front Royal, Virginia, shall be decreased upon completion of payment of debt service of the new Police Department Headquarters to the tax rate before the increase in 2019.~~

This ordinance shall become effective upon passage.

APPROVED:

Eugene R. Tewalt Mayor

ATTEST:

Tina L. Presley, Acting Clerk of Council

THIS ORDINANCE was approved at the Regular Meeting of the Town of Front Royal, Virginia on its second reading, conducted April 13, 2020, upon the following recorded vote:

William A. Sealock	<input type="checkbox"/> Yes <input type="checkbox"/> No	Chris W. Holloway	<input type="checkbox"/> Yes <input type="checkbox"/> No
Lori A. Cockrell	<input type="checkbox"/> Yes <input type="checkbox"/> No	Jacob L. Meza	<input type="checkbox"/> Yes <input type="checkbox"/> No
Gary L. Gillispie	<input type="checkbox"/> Yes <input type="checkbox"/> No	Letasha T. Thompson	<input type="checkbox"/> Yes <input type="checkbox"/> No

A public hearing on the above was held on March 9, 2020, having been advertised in the Northern Virginia Daily on February 22, 2020 and February 29, 2020.

Approved as to form and legality:

Douglas W. Napier, Town Attorney

Date: ____/____/____

CLOSED MEETING

