

**TOWN COUNCIL SPECIAL BUDGET WORK SESSION**

Monday, April 9, 2020 at 7:00 P.M.

Online via WebEx

- 1. Resolution to Delay Charges for Real Estate and Personal Property Tax Penalties and Interest –**  
Due to current COVID-19 Pandemic circumstances, Interim Town Manager Tederick noted the importance of doing everything possible for the public. He asked Finance Director, BJ Wilson, to explain to council the current options available in delaying penalties and interest charges on Real Estate and Personal Property Taxes. Mr. Wilson opened by saying he has been in contact with the Commissioner of Revenues Office, to get a better understanding of how Warren County plans to move forward. He recommended council approve the resolution to delay penalties and interest for 30 days. Council could extend for up to 90 days if they choose.

Councilman Meza asked Mr. Wilson if there is a payment plan option available for citizens who may be currently experiencing financial hardship. Mr. Wilson explained that the Commonwealth of Virginia presented a maximum of 90 days for delay of penalties and interest charges. Councilman Meza then asked if there is any nuance in a payment plan verses a complete deferment. Mr. Wilson explained that the only complete deferment program allowed is for elderly and handicapped citizens. Councilman Meza requested that Town Staff investigate deferment options or payment plan options for mass unemployment. Mr. Tederick proposed that Town Staff contact VML for advice and the Governor's Office and General Assembly to see about tax amendment options.

Vice Mayor Sealock suggested implementing a quarterly tax schedule. Mr. Wilson explained that allowing quarterly payments would create double taxation within the same fiscal year. Vice Mayor Sealock suggested using 'creative accounting' to aid unemployed citizens and local businesses. Councilman Gillispie agreed with Vice Mayor Sealock and added that many small businesses might not be able to stay open.

Councilman Thompson suggested council go ahead and extend penalties and interest for the allowed 90 days. Council agreed. Mr. Wilson said he would write up the ordinance. Mr. Tederick said Town Staff would contact VML and the Town's auditor to find out what other extension options are available as well as adding the 90-day extension to the resolution for approval at the next regular Town Council Meeting.

---

**RESOLUTION**

**Regarding the extension of due date for real estate & personal property taxes**

**WHEREAS**, the Town of Front Royal Municipal Code Section 75-44 (B) declares a penalty of 10% of the tax past due or ten dollars (\$10.00), whichever is greater, shall be added to any tax not paid by the aforesaid due date, provided that in no case may the penalty exceed the amount of the tax assessed. In addition, interest shall be added to any delinquent taxes and penalties at the rate of 10% per year, with interest commencing on the first day of the month following the date on which any such taxes became due and payable.

**WHEREAS**, the Town intends to extend the date in which penalties and interest shall commence for the 2020 Real Estate Taxes and Personal Property Taxes for a period of 90 days from the date on which any such taxes become due and payable.

**NOW THEREFORE, BE IT HEREBY RESOLVED** by the Town Council of the Town of Front Royal, Virginia, that Town Council approves this resolution regarding the extension of penalty & interest for 2020 Real Estate Taxes and Personal Property Taxes, as presented.

- 
- 2. **FY20 Budget Review for Potential Shortfalls** – Mr. Tederick explained that he and Mr. Wilson came up with a presentation that covers 3 different potential shortfall scenarios. Scenario 1 represents a \$3.4 Million shortfall, Scenario 2 represents a \$2.7 Million shortfall, and Scenario 3 represents a \$2 Million shortfall. Town Staff believes Scenario 3, which includes a 6% increase in utility bad debts and only 30% of Meals and Lodging taxes paid, is the most likely scenario. The presentation includes estimated COVID-19 expenses, a list of items that were identified by Town Department Heads that could be transferred to contingency and a list of open purchase orders.

Councilman Meza asked if utility utilization has dropped. Mr. Wilson explained that the closure of Warren County Public Schools represents a significant decrease in utilization, however more citizens are home which may help counteract that decrease. Councilman Meza also asked if the different scenarios represented a balanced budget. Mr. Tederick clarified that, yes, the report represents 3 different scenarios, including worst case, and how Town Staff recommends achieving a balanced budget. The report was intended to give Council options as they get closer to the end of the fiscal year. Vice Mayor Sealock suggested Council review the budget on a monthly basis moving forward.

Councilman Cockrell asked about the funds set aside for the EDA case and when it was scheduled to go to court. Town Attorney Napier stated that he received a letter from the court with a scheduled date of July 27<sup>th</sup> at 2 P.M. Councilman Cockrell noted that since the case is postponed no one will be working on it during the current fiscal year. Mr. Tederick stated that Town Staff had originally thought the case would start in May or June, but now that the court date has been set for July, the funds can be shifted.

Councilman Meza noted that the report includes revenue and bad debt shortfalls but questioned if it includes any financial relief for citizens. Mr. Wilson reminded Council that as far as relief goes the Town is currently waiving utility late fees, credit card fees and has now decided to extend

Mayor Initial SN

penalties and interest for taxes. Mr. Tederick noted that the Town can not legally waive meals tax. Mr. Meza suggested the Town set itself up before the beginning of the 2021 budget year to be able to be more 'aggressive' in its relief efforts. He used lowering utility rates as an example.

Vice Mayor Sealock mentioned that he had previously spoken with Town Staff to find out what the Town could do for the citizens. He learned that the Town can't 'give anything away.' Mr. Napier added that there is a provision in the Virginia State Constitution which states that local and state governments cannot give gifts or grants, which explains why taxes cannot be completely forgiven.

Mr. Tederick presented the example that the Town could adjust the business license fee rate to \$0 for the next fiscal year, however that would require a \$760,000 cut from the budget. He stated that Town Staff needs guidance from the elected body on how to proceed. Mr. Wilson asked which items Town Staff should focus on. (i.e. personal property taxes, business licenses, utility rates) Mr. Tederick also stated that changing personal property and real estate tax rates could present a challenge since the second reading was already scheduled for the next Council meeting. He suggested that Town Staff contact the Warren County Commissioner of Revenues Office to find out exactly when tax rates need to be set. He also suggested that the second reading be removed from the Council Meeting agenda to create more time for Council to review the budget and decide. Council would then need to schedule a special meeting.

Mr. Wilson continued to review the budget report, highlighting the electric, water and sewer funds. He pointed out several open purchase orders that Town Staff recommended to be used for revenue shortfalls. Mr. Tederick suggested Council take some time to look through the list of purchase orders and send questions to Town Staff. Councilman Cockrell noted the importance of getting input and insight from department heads about open purchase orders. Councilman Meza suggested in lieu of Council sending individual questions about purchase orders, they give Town Staff a community relief goal (for example reducing water rates by 10%) and let them make recommendations for the next fiscal year. Mr. Tederick agreed that would be a more efficient approach.

Councilman Meza reiterated that in addition to a plan for the current fiscal year shortfalls he would like to see an economic recovery plan put in place. Mr. Tederick pointed out that utility rates can be lowered at any time. He suggested Council either analyze the budget each month and make adjustments closer to the end of the calendar year or make the assumption that next year will be 'abysmal' and go ahead and put the economic recovery plan in place. Mr. Wilson noted that the inevitable bad debt increase will still need to be considered. Mr. Tederick stated the importance of Town Staff receiving the intent of Town Council in order to find the best solution.

Vice Mayor Sealock noted his appreciation of Town Staff and the budget shortfall document that was presented. Councilman Meza agreed and requested a recommendation from Town Staff that includes the budget shortfall suggestions along with an economic recovery plan.

Mayor adjourned the meeting at 8:39 p.m.

Mayor Initial 

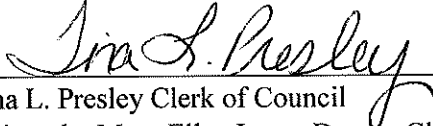
**PRESENT:** Mayor Tewalt, Councilman Meza, Councilman Thompson, Councilman Gillispie, Councilman Holloway, Vice Mayor Sealock, Councilman Cockrell, Interim Town Manager Tederick, Town Attorney Napier, Acting Deputy Clerk of Council Lynn, Director of Finance Wilson, and those members of the public and press who were listening online.



APPROVED:

  
Eugene R. Tewalt, Mayor

ATTEST:

  
Tina L. Presley Clerk of Council  
Written by Mary Ellen Lynn, Deputy Clerk of Council

Councilman Holloway moved, seconded by Councilman Meza approved the Work Session Meeting minutes of April 9, 2020 on April 27, 2020.

Mayor Initial ERT