<u>CHAMBER MEETING at 5 p.m.</u>
<u>Council Worksession Minutes</u>
TOWN OF FRONT ROYAL
TUESDAY, February 21, 2017

CHAMBER SUMMARY DISCUSSION:

- Community Development position, that it is a contract position, the Chamber feels positive with Ms. Hart overall, looking forward to working with her in the future;
- Town Manager outlook and what is expected from Council;
- Concerns with Tourism/Visitors Center; advertising is ineffective and management of the Department is not the best; Trolley is not tourism related noted the Chamber; Council noted that the opportunities are being missed and there are broader options out there to obtain beneficial solutions;
- Issues with derelict/dilapidated buildings around town, including the Simonpietri area;
- Shenandoah Spirits Trail – trail of wineries that Front Royal was left out of; Chamber would like to mend those fences and like to make an active step to mend that damage;
- Wine & Craft Festival and Brews & Blues Festival: notify new people in this area; the opportunities and suggestions for promotion of events; the kiosks are empty at the Town entrances.

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1. <u>Burton & Associates Cost of Service Presentation</u>
Summary: In 2016, the Town hired Burton's & Associates/Stantec to perform a cost of service rate study for the Energy Services department. A cost of service study is one of the most effective analytic tools that a utility can rely on for designing rates that equitably assign cost responsibility to each customer rate class, to the mutual benefit of both the Town and its customers.

Council is requested to consider recommendations on rate adjustments from the results of Cost of Service study.

Staff Evaluation: The Town has been working with Stantec over the past six months to accomplish the primary objective of a cost of service analysis to identify the cost of providing service to each rate class as a function of load and service characteristics.

Budget/Funding: Rate adjustments will be required for the upcoming budget year to achieve a balanced budget in the Energy Services department.

Staff Recommendations: Staff concurs with recommendations from Stantec on the results of the Cost of Service Study

ELECTRIC UTILITY RATE STUDY
SUMMARY OF RESULTS

Electric Enterprise fund is a rate payer supported operation,

- Rates revenues are generated from
- Month Fixed Charges
- Energy charges for the power consumed
- Rates were last adjusted in 2007

 Power Cost Adjustment factor (PCA)
 Established in 2012 and has not been changed

REVENUE REQUIREMENTS

- Operating Costs
- Purchased Power
- Capital Costs
- Reserves

Reserves spent down to target levels in FY 2018

 Expenditures for O&M, G&A and minor capital outlays are stable
 Key challenges: significant increases in purchased power & need for capital improvements

COST ALLOCATION

- Define Classes of Users
- Fair & Equitable
- Comparison to Current
- Revenue Recovery

RATE DESIGN

- Evaluate Objectives
- Local Practices
- Identify Structures

ANALYSIS OF RESULTS

- Customer Impacts
- Comparative Bill Surveys
- Misc. Fee & Policy Updates

Notes:
 Annual purchased power expected to increase by $3.2M or 25%
 Annual CIP spending of $1M over the next 5-years
 FY 2017 revenues equal $17.5M
 Last PCA and Energy rate adjustments in 2012 & 2007 respectively

FINANCIAL MANAGEMENT PLAN

- Recommend recovering distribution expense changes through energy rates and adjusting the PCA to recover purchased power increases
- Current PCA of $.00428 per kWh recovers $0.7M, FY 2018 PCA of $.01091 would recover $1.8M of $15.1M of purchased power expenses
- Adjust the PCA annually; consolidate periodically into energy charges
- Phase customer charges to cost of service over 3 years

Phasing of Customer Charges:

	Current	7/1/2017	7/1/2018	7/1/2019
RESIDENTIAL	$ 6.24	$ 7.00	$ 8.61	$ 10.21
COMMERCIAL	$ 6.40	$ 7.16	$ 10.81	$ 14.46
DEMAND	$ 6.40	$ 7.16	$ 21.76	$ 36.35
TEMPORARY	$ 6.40	$ 7.16	$ 12.73	$ 18.30
TOWN	$ -	$ 7.16	$ 10.73	$ 14.29

Proposed Rate Structure Modification

- Update fixed monthly charges over 3 years to more closely align with the Cost of Service and enhance the fixed cost recovery of the system/stabilize revenue stream
- Update demand charge (KW) mechanism to better align with industry best practices and enhance the ease of customer understanding and billing process
- Convert Town accounts from separate class to commercial non-demand

RESIDENTIAL CUSTOMERS IMPACTS

Monthly Use (KWH)	Agg. %	Current	Proposed	$ Chg.	% Chg.
0	5.4%	$6.24	$7.00	$0.76	12.2%
250	13.7%	$28.54	$30.95	$2.42	8.5%
500	24.6%	$50.83	$54.91	$4.08	8.0%
750	38.7%	$73.13	$78.86	$5.73	7.8%
1,000	52.6%	$95.42	$102.81	$7.39	7.7%
1,250	64.2%	$117.72	$126.76	$9.05	7.7%
1,750	80.4%	$162.31	$174.67	$12.36	7.6%
2,000	85.5%	$184.60	$198.62	$14.02	7.6%
3,000	95.6%	$273.78	$294.43	$20.65	7.5%
4,000	98.6%	$362.96	$390.24	$27.28	7.5%
5,000	99.5%	$452.14	$486.05	$33.91	7.5%

Council Discussion:

Council asked about typical bill adjustments; Council has not increased the base rate since 2007 and most other localities will be adjusting as well in the coming years as well. Town has to consider transmission and congestion charges as they go across the grid and those charges have to be dealt with. Council asked about Rappahanock Power comparison and how the adjustment would be in relation to REC in order to answer such constituent's questions. Burton representatives noted that Mr. Waltz is being proactive in negotiating contract costs, though there was only so much negotiating that can be done. Council reiterated that the administrative costs must be balanced and not in any way overcharge. Burton representatives noted that the Town must keep the system running for the customers and maintain the system with necessary costs.

Mr. Waltz stated that it was informational at this point and he would return with requests during the budget cycle.

2. <u>Local Government Challenge Grant Application for Front Royal Oratorio Society and Blue Ridge Arts Council (BRAC)</u> – *Town Manager*

The Front Royal Oratorio Society and the Blue Ridge Arts Council (BRAC) are seeking the Town's approval of an application for 2017-2018 Virginia Commission for the Arts Local (VCA) Government Challenge Grant in the amount of $5,000.00. The Front Royal Oratorio Society is seeking $500.00 and the Blue Ridge Arts Council is seeking $4,500. Approval of the application does not obligate the Town to the $5,000 match. Once the application is approved by the VCA the grant monies will not be released until VCA receives a written confirmation from the Town that the matching requirement has been fulfilled. Grant requests must be submitted before April 3, 2017.

Formal approval to submit the grant application and for the Town Manager to execute the necessary documents, will be added to an upcoming agenda.

Note: BRAC has been receiving this funding since 1988 FR Oratorio Society has been receiving this funding since 2014

Council is requested to consider approval for application submittal by staff.

Council Discussion:
Councilman Tewalt asked that the matter go onto the consent agenda. Mayor Tharpe noted that it would actually go on the regular agenda.

3. <u>Write Off for Bad Debt</u> – *Director of Finance*
Summary: Council is requested to approve the removal of seven years or older of outstanding accounts receivable (bad debts) on the Town's ledger in the amount of $203,808.95 from enterprise and general fund liability accounts. This value includes 404 utility accounts. All recourse of attempting to collect these amounts has been completed.

Staff Evaluation: The Town's bad debt write off policy was adopted in 2013 per request of the Town's auditors Mitchell & Company.

Staff has determined that the accounts presented meet the criteria for uncollectible as determined by the Town's bad debt write off policy:
1) No activity on closed account for at least 7 years
2) Account has entered a status of "bankruptcy" with no activity for 5 years
3) All other methods of collection have been exhausted

Budget/Funding: No funding is required, journal entry will be done effecting balance sheet only.
Legal Evaluation: Town Attorney will be present for questions.
Staff Recommendations: Staff recommends approving as presented.

Council Discussion:
Mayor Tharpe stated that the Finance Department is doing well getting a handle on the accounts with their new policies. Councilman Tewalt stated that he wished that the Department would get more aggressive. Councilman Meza suggested requiring cash or a cashier's check for those that continually pay in arrears. Council discussed that the policies have become a lot more aggressive with their new rules and they appreciate that.

Mayor Tharpe stated that it would be on a regular agenda for vote.

4. <u>Continued Budget Discussion for FY17-18 including Setting of Tax Rate</u> – *Town Mgr/Dir of Fin*

Summary: The Town Property Tax Rates are currently as follows:
Real Estate Property Tax $0.13 per $100 Assessed Value
Personal Property Tax $0.64 per $100 Assessed Value
Machinery & Tools Tax $0.64 per $100 Assessed Value
Emergency Services Property Tax $0.32 per $100 Assessed Value
Mobile Home Property Tax $0.13 per $100 Assessed Value
Personal Property Tax Relief Rate 67% of qualifying vehicles valued $1,001-$20,000
Leach Run Parkway (Dedicated Funding) - $0.0167 of RE Tax (Approx. $187,500)
Police Department Headquarter - $0.0167 of RE Tax (Approx. $187,500)
Main Street Extension - $0.0067 of RE Tax (Approx. $75,000)

Staff Evaluation: Staff anticipates additional funding of about $350,000-$400,000 to balance the general fund & street fund for the FY18 budget based on draft inclusion items. This funding would accommodate some departmental, accommodate council requests, and fund the primary paving project schedule without budgeting for possible revenue sharing from the Commonwealth of Virginia. These figures do not include funding for the secondary paving plan. The secondary paving plan for FY18 is $878,312. Funding from the Commonwealth of Virginia's Revenue Sharing Program for paving projects was not received for FY17. The Town should receive notification for possible FY18 funding approval in June 2017.

Budget/Funding: Items effecting the street fund for FY16-17 that will affect future budgets and/or projects include:
-The Town did not receive the anticipated revenue sharing from the Commonwealth of Virginia during FY17 for paving projects, which resulted in some paving projects not being completed.
-The Town elected to make payments of $100,000 each year from the street fund to repay the general fund for the Criser Road Trail in the amount of $400,000.

A list of general/street fund requests/highlights for the FY17-18 budget and paving plan are included with this cover sheet for reference.

Estimated Realized	Rate Value	Revenue based on 2016
Real Estate Tax	Increase of $0.01 per $100	$ 116,000.00
Personal Property Tax	Increase of $0.01 per $100	$ 11,000.00
Personal Property Tax Relief	Decrease of 1% on qualifying vehicles up to $20,000	$ 4,800.00

Council Discussion: Mr. Wilson explained that the adjustment equals itself out and they are on a calendar year, not a fiscal year. Mr. Waltz noted that the rate must go to the paper tomorrow for advertising. Council asked if the budget would need a penny in the budget or keep it at 13 cents. Mr. Waltz noted that the rate should be advertised higher, if needed.

Mr. Wilson recommended 15 cents, advertised rather than 13 cents, in order to have the ability to use the funds if needed. He stated that they are unsure of the revenue sharing program from VDOT and that driving factor needed to be considered, and he recommended 59% regarding the tax relief for advertising.

Council noted that

5. <u>Liaison Committee Meeting Items for March 16</u>
Summary: The next Liaison Committee Meeting is scheduled for March 16, 2017. The last Liaison Meeting was held November 2016. Due to transitions on Council and in the Town Manager's Office a meeting was not held in January 2017. The November 2016 agenda is attached. Council is requested to add and/or remove items for the March 16, 2017 Liaison Committee Agenda. Those items will be voted on at the February 27, 2017 Regular Council Meeting. Warren County Board of Supervisors requests that "Discussion regarding ordinances for exposure to extreme weather and tethering for dogs" be added to the March agenda.

Councilman Connolly is scheduled to attend.

Add to the Agenda:
<u>County request</u>: Discussion regarding ordinances for exposure to extreme weather and tethering for dogs;
<u>Town requests</u>: Tourism discussion

Last Liaison Agenda-November 2016:

- Leach Run Parkway
- Wastewater Treatment Plant/Septage Receiving Facility
- Building Inspections Software
- Development Review Committee
- McKay Property Update/ Acquisition of Trailer Park
- Warren County's In-Town Projects
- Avtex Property – Main Street Extension
- Utility Contribution Request from Warren Heritage Society
- Consideration of Joint Towing Board
- Electrical Outlets at County Soccer Facilities
- Consideration of Combining Town & County Law Enforcement and Fire & Rescue Dispatch Operations into Public Safety Building

6. Council Discussion/Goals

Mayor Tharpe noted that Mr. Waltz has taken the lead with the UPS matter and is in touch with the company regarding the noise issue.

7. CLOSED MEETING – Personnel Matters

Motion to Go Into Closed Meeting

Councilman Connolly moved, seconded by Councilman Egger that Town Council go into closed meeting for the purpose of discussion and consideration of prospective candidates for employment, assignment, appointment, promotion, performance, and salaries of specific public officers, appointees, or employees of any public body, pursuant to Section 2.2-3711.A.1 of the Code of Virginia.

Vote: Yes – Connolly, Egger, Meza, Morrison, Tewalt and Sealock
No – N/A
Abstain – N/A
Absent – N/A
(Mayor Tharpe did not vote as there was no tie to require his vote)

Motion to Certify Closed Meeting at its Conclusion

Councilman Connolly moved, seconded by Councilman Morrison that Council certify that to the best of each member's knowledge, as recognized by each Council member's affirmative vote, that only such public business matters lawfully exempted from Open Meeting requirements under the Virginia Freedom of Information Act as were identified in the motion by which the Closed Meeting was convened were heard, discussed or considered in the Closed Meeting by Council, and that the vote of each individual member of Council be taken by Roll Call and recorded in the minutes of the meeting.

Vote: Yes – Connolly, Egger, Meza, Morrison, Tewalt, Tharpe and Sealock
No – N/A
Abstain – N/A
Absent – N/A
(By Roll Call)

PRESENT: Mayor Tharpe, Councilman Connolly, Councilman Egger, Councilman Tewalt, Councilman Morrison, Councilman Meza, Councilman Sealock, Interim Town Manager Waltz, Town Attorney Napier, Clerk of Council Berry, Director of Planning Camp, Director of Finance Wilson, Police Captain Hite, Acting Director of Energy Services Jenkins, Director of Risk Management Scholtz, Director of IT Jones, members of the public and members of the press.