TOWN COUNCIL WORK SESSION
TUESDAY, January 16, 2018 @ 6:30pm
Town Hall Council Chambers

1. <u>CLOSED MEETING – Interview for Urban Forestry Advisory Commission (UFAC)</u>

Motion to Go Into Closed Meeting

Councilman Sealock moved, seconded by Vice Mayor Tewalt, that Town Council go into closed meeting for the following purposes of discussion and consideration of prospective candidates for the Urban Forestry Advisory Council, pursuant to Section 2.2-3711.A.1 of the Code of Virginia.

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

Motion to Certify Closed Meeting at its Conclusion

Councilman Sealock moved, seconded by Vice Mayor Tewalt 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 and included in the minutes of the meeting of Town Council.

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

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2. <u>Lease Renewal with McIlwee Showers, Inc., dba Front Royal's Fussell Florist</u>– *Town Atty*

SUMMARY: McIlwee Showers, Inc., dba Front Royal's Fussell Florist, operating from the building located at the corner of Commerce Avenue and East 2nd Street (the Florist), has leased from the Town a parcel owned by the Town adjacent to 2nd Street and the Florist and containing approximately 22 parking spaces (the Premises) and used as a parking area by the Florist due to lack of on-site parking at the premises of the Florist. The Premises has been property otherwise unused by the Town. The consideration of the lease has been $12.00 per annum. This lease expires on February 23, 2018. The Florist wishes to re-lease the Premises from the Town. Due to legal constraints imposed by the Virginia Constitution, it is not convenient for the lease to be for a period longer than a five (5) year term. Therefore, the Florist would like the lease term to be renewed from February 24, 2018, to February 23, 2023, for a consideration of $12.00 per annum.

BUDGET/FUNDING: There are no adverse budget or funding constraints imposed upon the Town by this lease.

STAFF RECOMMENDATION: Given that Front Royal's Fussell Florist is a productive Town commercial enterprise, and given that this is property which is not being used by the Town at this time, staff recommends that this lease be renewed.

Council Discussion: Council choice to move this matter to the overview of the Town Manager and Town Attorney from this point forward, and future reoccurrences would not need to return to Council at worksession, just regular meetings for vote.

3. <u>Rescind Ordinance for Policy Statements (180-182)</u> – *Town Manager* (10 minutes)
SUMMARY: Staff is requesting that Town Code §180-182 POLICY STATEMENTS be removed from the Town Code due to the policies listed are no longer in existence as written.
Electrical Department General Practices – Policies – Procedures was adopted June 28, 1971. In1971 it focused on utility deposits for service, electrical wiring procedures, temporary electrical service and setting a dusk-to-dawn light all of which are currently written elsewhere in the Town Code.

Procedures for Process Parking Tickets was adopted December 1, 1977. It was written at a time when tickets were written in a ledger and parking meters were installed along our streets. Parking tickets are currently processed in a different way.
Wrecking Service Policy and the Towing Services were adopted June 12, 1978 and April 23, 1979 respectfully to set guidelines. Council recently approved an Ordinance that creates a Joint Towing Board with the County of Warren that considers applications of towing recovery businesses to be added to a towing list that has specific requirements and agreements. All policies are attached. If so desired, Council is requested to direct staff to advertise for a public hearing to remove this section from the Town Code.

Council Discussion: Matter is housekeeping to remove from the Code; no discussion.

4. <u>Continued Discussion on Healthcare</u> – *Town Manager* (20 minutes)
SUMMARY: Staff continues to evaluate options with our healthcare provider, The Local Choice network, to control cost. Staff has developed two options for cost control and savings next year. To achieve these savings and cost controls, we will need to adjust employee contributions along with plan layout. Staff will discuss in further detail at work session.

Mr. Waltz noted that the Town would be saving money by changing the employees contribution portion to the Key Advantage 250 program. Ms. Bush noted that changing percentages has no impact on the plan itself, just impacts matters internally for the Town. To answer Council questions, Mr. Waltz noted that the Town can save about $100,000 by going with Option 1 shown. He noted that the Staff would like a decision within two weeks at the minimum, if not sooner.

To answer Mr. Meza's questions, Ms. Bush stated that the big difference was not just the $250 deductible, for the Key 250 and the KA500, but also co-pays on matters for emergency room visits, prescriptions, etc. Mr. Meza asked for a run down on the cost structure of the 250 and the 500 plans for comparison. He noted that reviewing sustainability for matters, the Town is getting to a point where health benefits on average were about $140,000-150,000 annually. Councilman Meza stated that the restructuring of the health insurance plan was not punitive but rather to sustain the cost increases and to continue to provide exceptional benefits for employees of the Town.

Councilman Sealock noted that it is always mentioned that the amounts for fund percentages for overhead amounts is transferred to the General Fund to cover costs; Mr. Wilson stated that the transfers are accurately done each year, yes. Mr. Sealock noted that the Town has an obligation to our employees for health insurance and he is concerned that all is taken care of.

Councilman Connolly noted that he would be in favor of a formal vote on the matter. Mr. Napier noted that a vote is not necessary, but most certainly can be done.

Mr. Waltz stated that a full run down on the account comparison can be done and it can be discussed at the worksession. Councilman Morrison stated that there were cheaper options on the market out there and Mayor Tharpe noted that those amounts can balloon drastically. Councilman Sealock stated that he did not want to get into the weeds with Staff regarding the details. He noted that the Town has been told that they have to stay with The Local Choice.

Council chose to have the health insurance return worksession with more information.

5. Continued Discussion on Solid Waste Review – *Director of Public Works* (30 minutes)
SUMMARY: Follow up discussion of single stream recycling. Discuss pros and cons of outsourcing or keeping Town Provided Refuse Services.

Robbie Boyer of Public Works explained that no bids were received for the single stream recycling option, and there have been some issues with staffing in the refuse division. He presented the following to Council:

Solid Waste Review

STEPS TAKEN

- RFP resubmitted for single stream recycling
    - 0 bids received for 2nd time
- Department has filled 3 full time positions, only 2 vacant positions remaining
- Met with American Disposal, Commercial Sales Manager, from Manassas to discuss Single Stream
    - ***Stated single stream losing money due to not being able to sell their recycling***
    - ***He stated they will be raising customer rates to offset loss of $400,000-$500,000 a month at their facility***

LABOR & STAFFING ISSUES

- Solid Waste Department consists of 13 Full Time and 2 Part Time Employees.
- Department currently has 11 Full Time Employees and 2 Part Time Employees.
- Department has not been fully staffed since January 2017.
- The remaining 2 positions are currently being filled through People Ready, Temporary Staffing Agency until filled.
- **We have been receiving applications, but due to driving records and background issues, they have been difficult to fill.**

PROS OF OUTSOURCING

- Selected contractor would only have trucks in Town 1 day a week instead of 5
- Vendors offer services for Trash Collection, Recycle, Yard Waste, Large Item Collection and Pitching Cans
- Vendors could use Town issued cans already provided by Town
- Vendors offer Trash Boxes for Special Events

- Parades, Festival of Leaves, etc.
- Would reduce work load from Town's Vehicle Maintenance Department
- Town would save money on costs of fuel, maintenance, equipment and labor

- Other Local Municipalities that have Outsourced
    - Town of Woodstock
    - Town of Strasburg
    - Town of Stephens City
    - Town of Purcellville
    - Town of New Market
    - Town of Mount Jackson
    - City of Manassas

CONS OF OUTSOURCING

- Solid Waste Department currently has 13 full time positions and 2 part time positions
- Town purchased brand new Rear Load Trash Truck in 2017
- Town would have to begin paying tipping fees on Residential trash collected (Currently only paying Commercial)
    - ***$69 a ton=$411,033 yearly Residential***
    - ***Total Residential and Commercial=$441,186***
- If Town switches to private collection and things don't work out will leave Town in a bad situation
- Town would still need to keep 2 part time Guard Shack Attendees and 1 Equipment Operator for Farm Operations
- Town would still be responsible for 4 Community Dumpsters-Peyton St and Jackson St and assist with Special Events
- Currently Town dumps pitching cans several times a week, if outsourced, contractor only dumps once.
- Residents monthly rates will increase to $17.40 a month for trash and recycling services
  Current Monthly Rate $14.10
    - Plus $6.59 if tipping fees are passed on to residents
        - ***Total $23.99 month;*** Plus $1.90 yard waste, per unit
- Refuse Services would be provided for residents 1 day a week only
- Estimated collection cost for Contractor
    - ***$1,171,402.20 yearly***
- **Outsourcing would cost Town $635,000 more a year than current operations.**

MANASSAS AVE DISPOSAL SITE

- Hours of Operation:
    - 9-5 Monday-Friday, Closed Wednesday and Sunday,   9-1 Saturday
- 2 part-time employees cover Guard Shack duties (20 hours a week each)
- Full Time Solid Waste Senior Equipment Operator
    - Keeps brush area and dump site clean
    - Loads metal into containers
    - Hauls roll off containers to Recycling Facility
    - Keeps site area mowed and clean
- Used by Town and County residents to dispose of brush and metal goods
    - ***2017 Town Participation- 3,765***
    - ***2017 County Participation- 2,249***
- Cost of Operation:
    - **Equipment Maintenance Cost-$ 10,120.16***(includes Track loader, Backhoe, Tub Grinder and Pickup Truck)*
    - **Labor Cost-$78,463** *(includes salaries, taxes and benefits)*
    - **Total Operation Cost-$83,365.39**

PROS OF TOWN PROVIDED SOLID WASTE SERVICE

- Town wouldn't have to pay tipping fees on the residential trash, moving forward to phase out Commercial accounts
- Town would have better control over day to day operations
- Solid Waste Division helps with special events throughout the year as needed
- Would continue to provide work to the 15 employees in the department
- Would save the Town roughly $635,000 a year
- Town would continue to make $20,000 annually on conventional recycling
- Town could utilize newly purchased Rear Load Trash Truck

CONS OF TOWN PROVIDED SOLID WASTE SERVICE

- Would have to upgrade at least two garbage trucks
- Labor Cost $681,060.00
- Cost of fuel and maintenance to the trucks and equipment
- If the department doesn't convert to single stream the roll of bins would need replaced and a recycle trailer over the next year or two
- Staffing issues in the department with not being able to fill positions
- Most of the departments dumpsters and roll off containers are in rough shape and would need upgrade at some point

RECOMMENDATIONS

- Recommend not outsourcing and continue Town provided services
- Recommend continuing with Conventional Recycling
- We hope to maintain level rates for the next 3 years
- Town will need to replace Recycle Trailers #695 and #693
    - #695-1992 Kahn Trailer
    - #693-2007 Wilkins Trailer
- Town would continue to make $20,000 from Conventional Recycling
- Town to continue to provide Solid Waste Services and save $635,000 annually
- Town could save cost of 1 new trash truck for Refuse Department by using new truck
    - Truck #664 could replace oldest trash truck #683

Council Discussion: Mayor Tharpe noted that the Town has a bargain with the program currently provided by Town Staff to the residents of Front Royal. Councilman Connolly asked about the future budget items (new trucks, for example). Mr. Wilson noted that generally they were about $50,000 each year per truck. Councilman Meza asked about the data giving out to Council in May 2017, noting that the budget total was $982,000 for 2016; as he asked that the amount is different than shown now. Mr. Boyer stated that the discrepancy does not include the $400,000 in County tipping fees that have to be paid. Finance Director, Mr. Wilson noted that the Town Farm would need to be kept up and running, and there were other costs to be maintained as well.

Councilman Meza asked about the single stream recycling as it was proposed to Council in order to help efficiency and cost matters, and also to please our residents. He noted that apparently that is not going forward at this point. Mr. Meza noted that other issues related to the items promised were not responded to in the report just given. To answer Councilman Meza's questions, Mr. Hannigan stated that single stream process is not feasible. Mr. Hannigan explained that the Town is not taking any additional commercial accounts, and Mr. Wilson added that the Town was eventually hoping to exit the commercial business entirely. Mr. Hannigan noted that updated trucks would help to standardize the fleet.

Vice Mayor Tewalt asked about the trucks. Mr. Hannigan stated that two trucks this year purchased would bring the fleet up to date for at least five years. He added that with three new trucks would bring matters up to date for many years.

Council discussed continuing with the current refuse program as it is presently.

6. Revenue Forecasting FY 18-21 – *Director of Finance* (30 minutes)
SUMMARY: Staff will provide council with a presentation showing some historical/projected revenues for the Town and discuss possible budgetary impacts. These revenue forecasts will likely be incorporated into the proposed FY2019 budget.

Mr. Wilson presented the following to Council:

REVENUE FORECAST
FY18-FY21

Forecasting Factors, Risks, and Assumptions
The Town of Front Royal's revenue is the income needed to pay for all of the services the Town provides. Major sources of revenue include taxes, aid from the Commonwealth of Virginia, sale of services, and intergovernmental transfers. The growth of revenue is necessary to maintain services to an increasing population, demand for service, funding of capital projects, and for the Town to adhere to state/federal mandates.

Revenue forecasting is not a precise science, but is a useful tool for identifying potential problems and the need for future action. The forecasts in this document are a baseline using past trends, current policies, current rates, institutional knowledge, and assumptions about future conditions based on reasonable expectations. Accounting methods have changed over the years, so the figures used in this document have been assimilated accordingly for proper comparison. The revenues forecasted are those revenues in which the Town receives from an outside source, therefore intergovernmental transfers are not forecasted in this document.

The Town's revenues are affected by a number of different variables including, but not limited to, weather conditions, federal/state mandates, and economic conditions at the national, state, and local levels. The following summarizations provide an overview of the current economic condition and outlook as of January 2018.

State of Virginia
The Commonwealth of Virginia's general fund revenue rose 3.6% in FY2017. Only two major sources exceeded expectations; payroll withholdings and corporate income taxes; other major sources such as non-withholding and sales tax ended the year below expectations.

The Commonwealth of Virginia's general fund revenue forecast for FY2018-FY2020 indicates below-trend growth for Virginia's economy. In the official forecast, economic growth in the Commonwealth was projected to moderately slow in FY2018. The Commonwealth continues to replenish it's revenue stabilization fund (aka Rainy Day Fund) from the withdraws taken in FY2017 and again in FY2018.

At this time the impact of the Federal Tax reform on the Commonwealth of Virginia is unknown. The Commonwealth has issued an emergency request for proposal to have a study performed regarding the impact.

Town of Front Royal
The November 2017 future development data and estimates provided by the Town of Front Royal's Department of Planning and Zoning, estimates 51 new residential dwelling units to be developed within the next year, with another 33 the following year, and 69 dwelling units the third year.
- -I/T Federal is expected to build on the Avtex Superfund Site
- -A new sewer pumping station is expected to be built

- -Construction of the Police Headquarters has began
- -Waste Water Treatment Plant upgrade is nearing completion
- -New businesses are being constructed in the 522 Corridor
- -Construction of new workforce housing is expected
- -Construction has been completed for the Leach Run Parkway, South Fork Bridge, and the new middle school

Unemployment Rates
The national unemployment rate is at a 17-year low of 4.1% which could raise pressure for higher wages, and make the Federal Reserve inclined to become more aggressive in its efforts to raise interest rates.

The Commonwealth of Virginia's unemployment rate remains lower than the national average. Virginia's industry continues to provide a boost in employment, but not necessarily to wages. Unemployment claims are at a 44 year low. The unemployment rate for Town is not separated from Warren County by Virginia Labor Market Information. The unemployment rate for the Town of Front Royal and Warren County was the same as the Commonwealth of Virginia for 2017 and below the national average.

Real Estate Property Tax
The Town receives assessments from the Warren County Commissioner of Revenue's Office. The Warren County Commissioner of the Revenue's Office conducts a general reassessment of real estate property values on a four-year cycle. The next assessment will be effective January 1, 2019. Prior real estate property reassessments were effective as of January 2003, January 2007, January 2011, and January 2015.

The real estate tax increase voted on by Town Council in 2014 was to allocate $0.02 of the tax rate revenue to capital projects. The $0.005 real estate tax increase approved for 2017 was allocated to the construction expense associated with the Police Headquarters. The real estate shall be decreased upon completion of payment for the debt service of the Police Department Headquarters and Leach Run Parkway.

Based on the Weldon Cooper Center, "Virginia Local Tax Rates" the median real estate tax rate for Virginia Towns is 0.18 per $100. The Town of Front Royal's Real Estate Tax Rate for 2017 was $0.135 per $100. The Town of Front Royal's 2017 Real Estate Tax Rate was $0.045 below the median for Towns in Virginia.

Total Town of Front Royal real estate property values have remained fairly level in the past few years. Property value increase does not necessarily equate to additional real estate tax revenue due to possible exemptions of real estate tax for land use, tax exempt organizations, veteran exemptions, and the elderly/disabled program.

Based on the history of property values, the anticipated development, and history of real estate tax revenue collected; the above values for 2018-2021 have been projected based on the current real estate tax rate of $0.135 per $100 of assessed value.

Personal Property Tax
Revenue generated from personal property relates to three separate budget line items; Personal Property Taxes, Annual License Fee, and Personal Property Tax Relief.
The Town of Front Royal receives the assessed value of personal property from the Warren County Commissioner of Revenue's Office annually.
The annual license fee (a.k.a. decal fee) can vary based upon the type of vehicle, but the majority of license fees paid are $25.00.

The personal property tax rate and personal property tax relief rate are set yearly by the Town Council. The 2016 personal property tax rate was $0.64 per $100. The Town of Front Royal Personal Property Tax Relief for 2016 was 67% for qualifying personal use vehicles. Although the amount of tax relief allocated to tax payers by the Town of Front Royal varies year to year due to changes in property values, the Commonwealth of Virginia has reimbursed the same amount to the Town since 2005.

The 2005 General Assembly capped the total cost of car tax relief for the Commonwealth of Virginia at $950 million which remains in effect. Each locality's share of the $950 million is based upon car tax relief reimbursements from the Commonwealth to the locality for tax year 2004. The Town of Front Royal has received $287,000 from the Commonwealth of Virginia for tax relief since 2005. For this reason, the Town should periodically update the amount of tax relief given to tax payers.

The total assessed value of personal property in the Town of Front Royal has continually increased since 2011. An increase in total value does not necessarily equate to an increase in tax revenue due to tax relief, proration of taxes, and exonerations. Effective January 1, 2017 the Commonwealth of Virginia changed the qualifications of personal property tax relief for certain pickups and panel trucks which will allow some vehicles tax relief that were previously ineligible. This caused a reduction in personal property tax revenue to the Town for 2017, but was offset from the equalization of the PPTRA.

Business Professional Occupational Licensing (BPOL)

Business Professional Occupational Licensing (BPOL) is tax imposed on businesses operating in the Town of Front Royal. The rate schedule varies based upon the type of business conducted. Some rates are a flat fee, while others are based upon gross receipts of the business.

History shows a slight decrease in BPOL revenue during 2012, which is partly due to closing of some businesses that were located in Town. The increased revenue for 2016 was due to the collection of a substantial amount of delinquent BPOL. The spike in 2016 is associated with an effort made by the Department of Finance and Planning and Zoning to collect on delinquent business licenses and businesses that had not obtained proper licensing. This effort continues, but is unlikely to produce results seen in 2016.

BPOL revenue received during FY2017 shows a decrease when compared to FY2016, but would reveal an increase if the collection of delinquent license fees were to be removed from FY2016's figure. Overall revenue received from BPOL is forecasted to increase at a moderate pace as seen in the past few years; with the exception of FY2016's delinquent collection.

Meals and Lodging Tax

Businesses that sell prepared foods meant for immediate consumption are required to collect meals tax based upon gross sales. Businesses that rent rooms to transients are required to collect lodging tax based upon gross sales. Meals and Lodging Tax must be submitted and paid to the Town by the 20th of each month for gross sales during the prior month. Discussions with some of the lodging businesses in Town indicate that the increase in sales during 2013-2014 was partially attributed to a major construction project in the corridor. The total number of meals tax accounts for 2013 had also decreased during this period.

Lodging tax revenue for the first half of FY18 is showing approximately a 7% decrease when compared to the same time period in FY17 and a 3% decrease when compared to the same time period in FY16. The decrease in lodging revenue seems partially due to renovations being performed at a couple businesses and work being completed or near completion on major construction projects in the area such as the new bridge, Leach Run Parkway, the new middle school, and near completion of the Town's Waste Water Treatment Plant. Other factors effecting lodging tax revenues are motels renting to persons that are not considered to be a transient, the impact of Air BnB, and additional lodging facilities located outside of Town.

Lodging tax revenue has been forecasted to remain fairly level due to contributing factors previously mentioned and taking into account some major projects that are in the beginning phases around the area.

Meals tax revenue has increased year over year for the last 7 years; on average approximately 5% increase year over year, but meals tax revenue growth has slowed during the first half of FY18 to less than 1% growth. This trend seems to coincide with the trend seen in lodging tax relating to the completion, or near completion, of major projects around the area. Meals tax revenue is forecasted to continue to increase at a moderate level due to the beginning of major projects in the area as well as additional homes being built in the Town.

Payment In Lieu Of Tax (PILOT)

Commercial businesses located in the 522 corridor north outside of Front Royal's municipal limits pay the Town a payment in lieu of tax (PILOT) that is included on their monthly utility bill. Current PILOT billed to commercial utility account holders in the corridor includes applicable amounts for BPOL, Real Estate Tax, Personal Property Tax, and Franchise Tax.

PILOT on utility bills is recalculated yearly in February, which is used to help the Town more accurately forecast PILOT revenues for July-January of the following fiscal year. PILOT revenue collected from utility bills decreased in 2015 partially due to businesses closing in the corridor and lower gross sales reported by some businesses. Revenues from FY2016 to FY2017 showed a very slight decrease. The first 6 months of FY2018 have shown a 3.8% increase when compared to the same time period in FY2017.

Warren County pays the Town of Front Royal a portion of Warren County's Meals and Lodging Tax collected from the 522 Corridor. This is based on the August 2015 Memorandum of Understanding signed by both Warren County and Town of Front Royal. Warren County has agreed to pay 30% of the meals tax collected in the corridor and 5% of the lodging tax collected for the prior fiscal year. Warren County's lodging tax rates were raised from 2% to 5% of gross sales effective July 1, 2017. Bi-annual payments are due to the Town of Front Royal by December 31th and June 30th each year.

Revenue projections for FY19 PILOT include an overall increase that accounts for a decrease in revenue due to businesses closing in the corridor and a partial year increase based on construction of new businesses in the corridor; FY20/thereafter include the full year of estimated revenue from the new businesses.

State Aid for Police Department (HB-599 of 1979)

Commonwealth of Virginia distributes aid to localities based on House Bill 599 from 1979. The distribution amount varies based on general fund revenue received by the Commonwealth.

The amount of $338,350 received by the Town remained unchanged from 2012-2016. There was a 3.2% increase received for FY17 and has remained the same for FY18. Based on a presentation given at the January 2018 VML Finance Forum, the Commonwealth of Virginia anticipates a 6.6% increase in state aid for FY19 and FY20.

Communication Tax

Under legislation enacted by the 2006 General Assembly, House Bill 568, the Virginia Communications Sales and Use tax, also referred to as the Communications Sales Tax, replaced most of the previous state and local taxes and fees on communications services, effective on January 1, 2007.

The communications sales tax, which is imposed on the charge for sale of communications services at the rate of 5%, is generally collected from consumers by their service providers and remitted to the Virginia Department of Taxation each month. The Department of Taxation then distributes the tax proportionally to localities. The use of prepaid calling cards continues to decrease revenue received from communications sales and use tax because the service provider is not the entity conducting the sale of the prepaid card; therefore is unable to collect the communication sales and use tax. The Commonwealth of Virginia is reviewing options for modernizing the local communications sales tax for audio and video streaming services and prepaid calling services. Communication tax revenue is forecasted to decrease based upon FY18 payments received, the information received from the VML Finance Forum, and the trend of decreasing revenue.

Bank Stock Tax (aka Bank Franchise Tax)

Bank Stock Tax represents approximately 2% of the Town's budgeted general fund revenue or 0.2% of the total budget. The Town of Front Royal imposes a tax of $0.80 per $100 of the taxable value of the shares of stock in any bank located in the Town. The reduction in bank stock tax revenue during fiscal years 2012, 2013, and 2016 is partially attributed to banks closing branch offices that were located in the Town of Front Royal and/or relocating outside of the Town. Bank Stock Tax is difficult to predict because a small number of bank accounts may reflect a substantial amount of the bank's shares of stock used when calculating bank stock tax. Slight growth is forecasted for bank stock tax revenue.

Sales and Use Tax

Virginia levies multiple sales and use taxes on businesses and individuals within the Commonwealth, as well as out-of-state entities engaging in business in the Commonwealth. The Virginia Department of Taxation collects most of the Commonwealth's sales and use taxes, including the state and local portions of the retail sales and use tax.
The allocation of sales and use tax is set forth in the Code of Virginia. The Virginia Department of Taxation distributes one percent to the locality (Warren County) where the consumer purchased or used the tangible personal property. Warren County then remits a portion to the Town of Front Royal based upon the school enrollment.
The Town of Front Royal's revenue from sales tax revenue collections increased significantly in 2013 which collates to a major construction project in the area. The project purchased goods and services in the area, as well as brought in some additional 1,300 employees. Some of the additional employees lived in the area until the project was completed and many of these employees rented and/or purchased goods/services from local vendors. Once the project was complete the sales tax revenue then returned to normal level.
As of December 2017 the Town of Front Royal has received $461,460 in sales tax revenue. This represents a decrease of 1.2% when compared to sales tax revenue received as of December 2016.
The Town is projecting a slight decrease in sales tax revenue for FY18 and a slight increase for FY19-21 based on the Commonwealth of Virginia's forecasted increase of sales revenue of 2.8%.

Revenue Sharing Projects
The Town anticipates obtaining funds from the Virginia Department of Transportation's Revenue Sharing Program in the amount of $161,266 to cover approximately 50% of the expense for the FY19 Primary Paving Plan. The Town has also applied for the Commonwealth of Virginia Primary Extension Program which could allow additional funding for paving projects. If the Town is able to obtain more funding for the primary paving projects the additional funds could then be allocated toward the secondary paving projects as has been done in previous years.

Electric Current Sales
Sales of electric current is difficult to forecast due to how drastically the weather can impact electric sales. When the Town of Front Royal experiences a cold winter, the electric sales revenue increases due to the higher demand for electric for heating systems. Revenues for electric sales decrease if the Town experiences a mild/warmer winter. Similar trends can be seen during the summer with hot weather and the use of air conditioners.

A.M.P. has a team of members that helps forecast power needs to ensure long-term sustainability and to meet the needs of its customers. The forecast supplied by A.M.P. usually corresponds to the Town's usage history and has been incorporated in the revenue projections for electric current sales.
The projection by A.M.P., the anticipated construction of new properties, normal weather conditions, and the suggested approval of the electric rate increases and power cost adjustments rates proposed by Hawksley and Associates have been incorporated into the revenue projections for electric current sales.

Sale of Water and Sewer
The Town implemented rate increases from July 2010 until July 2014 for both water and sewer rates. These rate increases were implemented to help pay for necessary upgrades at the water and waste water treatment plants.
The sewer rate was then decreased in July 2015 based on the Town receiving a loan for the waste water treatment plant upgrades that would incur no interest expense.
The rate increases implemented from 2010-2011 seems to partially have attributed to less water use from 2011-2012.
In 2013-2014 there were some major construction projects in progress that consumed large amounts of water. The projects were then completed by 2015/2016 which resulted in a decrease in the number of gallons sold for 2016 and 2017.

As with electric current sales, the weather has an effect on water usage. Consumers will water lawn and gardens more when the Town does not receive rain. Some commercial water customers will use more water for cooling systems when the ambient temperature rises.

As with electric current sales, the weather has an effect on water usage. Consumers will water lawn and gardens more when the Town does not receive rain. Some commercial water customers will use more water for cooling systems when the ambient temperature rises.
Revenue projections for water and sewer are expected to increase due to both residential and commercial growth in and around Town. Changes in amounts for major commercial users have been taken into account; which will be partially effective during FY2020 and fully implemented for FY2021.
The Town plans to have an updated study of water/sewer rates performed once additional information is obtained regarding some large capital improvement projects for water/sewer.

Solid Waste Sales of Service
Rates for refuse service are flat rates based upon the type of container and/or type of service received, commercial or residential. The Warren County Tipping Fees were added to utility bills with commercial refuse service in 2010. Solid waste rates were increased July 1, 2014 and July 1, 2016. The number of commercial refuse customers decreased from 2011-2012 causing a decrease in revenue. Solid waste sales of service revenue increased for FY2017 due to the increase in refuse rates effective July 1, 2016. The solid waste sale of service revenue for 2018-2021 is projected to slightly decrease due to a decrease in commercial customers.

Council Discussion: Vice Mayor Tewalt asked about tap fees for water and sewer. Mr. Wilson noted that he has budgeted conservatively for those amounts. Mr. Meza asked about the total amount increase projected for revenue; Mr. Wilson stated it was about a 1.5% increase, though the electric fund skews that number. He noted that he can break it down to just the General Fund amount in order to assist Council in their review. Councilman Meza thanked Mr. Wilson for his work, noting that tying it back to State information was very helpful. Mayor Tharpe thanked Mr. Wilson for his work as well.

7. Volunteers for the Town Scholarship Committee
SUMMARY: In 2015 Council approved $1,000 for the implementation of the *"Town of Front Royal Scholarship Program"*. Each year, Council is requested to have two councilmembers volunteer to review the applications and select two scholarship recipients ($500.00 each) who will be presented with their awards in the spring at a regular Council meeting. Advertisement for the scholarships began in late December 2017 and ends in late February. Both local high schools, R-MA and local private schools were notified of the scholarship.

Council Discussion: Councilmen Connolly and Gillispie volunteered for the review of the committee applications.

8. BZA Recommendation
SUMMARY: On April 27, 2015 Robert Helms was recommended by Council to the Judge of the Warren County Circuit Court for re-appointment to the Front Royal Board of Zoning Appeals (BZA) to fill a five-year term ending May 1, 2020. BZA terms are for 5 years. On January 9, 2018, Staff received Mr. Helms' resignation effective January 31, 2018 as he will be moving out of Front Royal. This makes two (2) vacancies on the BZA.

Council Discussion: Council noted that advertising for the two vacancies is best at this point.

9. Revise Resolution for Policy re: Voluntary Assessments for Local Improvements – *Tewalt*
SUMMARY: On September 13, 2004, the Town Council approved a resolution that revised the *"Policy for Assessment for the Installation of Local Improvements"* to set the rates for voluntary participation at $3.00 per foot of walkway improvements and $12.00 per lineal foot of curb and gutter

improvements once voluntary agreements were being accepted again or until the policy was amended at a later date. Vice Mayor Tewalt has suggested to revise the policy to share one half of the total cost per square foot of walkway improved and one half of the total cost per linear foot of curb and gutter improved with the landowner effective upon approval of the resolution. Council discussed this at the November 20, 2017 Work Session.

Council is requested to consider the revision (as presented) with the formal vote to occur at an upcoming formal agenda.

Council Discussion: Council discussed the impact of some of the neighbors choosing the curb and gutter and others not moving forward with the improvements. They also discussed including the cost of asphalt matters related to the installation. After brief discussion it was noted that the Town will cover the asphalt expense; the property owner would cover the apron installation and cost. Town Staff noted that it would be quite an impact to the budget. Council stated that it was just voluntary assessments at this point, no involuntary assessments.

Vice Mayor Tewalt noted that the Town should be a finished with street asphalt before the curb and gutter is installed.

10. Council Discussion/Goals

None

PRESENT: Mayor Tharpe, Vice Mayor Tewalt, Councilman Connolly, Councilman Gillispie, Councilman Morrison, Councilman Meza (arrived at 6:40 p.m.), Councilman Sealock, Town Manager Waltz, Town Attorney Napier, Clerk of Council Berry, Director of Planning Camp, Director of Finance Wilson, Director of Energy Services Jenkins, Police Captain Nicewarner, Director of Environmental Services Hannigan, Public Works Supervisor Boyer, Human Resources Director Bush, members of the public and members of the press.