TOWN COUNCIL WORK SESSION

Monday, October 15, 2018, 7 p.m.
Town Hall Council Chambers

1. <u>522 North Corridor Reliability Feasibility Study from CHA</u>

SUMMARY: The Town and Dominion Power, through the execution of a service agreement would like to increase the reliability of the water supply in the Corridor. Dominion has committed to contribute financially to the project. Based on previous council discussion, the storage tank option has been eliminated, now two general categories of reliability upgrades remain: a waterline "loop" and a parallel waterline.

CHA will provide the feasibility analysis by delivering to the Town a series of Technical Memorandums(TM) for review. The project delivery will be separated into phases to allow for proper decision making as the project progresses.

Phase 1 will include the following Memorandums:
Technical Memorandum #1-Route Options Identification-This memorandum will identify the two best general waterline route options available (likely a parallel line and an eastern or "loop" option) to best serve future development and annexed land, reduce easement acquisition and permitting costs, facilitate construction under the river, and maximize hydraulic capacity

Technical Memorandum #2-Permitting and Constructability- With two basic routes identified, the constructability of each option will be investigated. The three major concerns for constructability are: River Crossing(s), road crossings, permitting and easement acquisition. Phase 1 will conclude with presentation to Council summarizing information and recommendations developed during execution of TMs 1 and 2. CHA can provide rough budget estimates for each route option after Phase I.

Upon successful selection of a route and approval from the Town, CHA will continue with the following Phase 2 services to progress the project up to the design phase to include detailed cost estimate, layout, recommendations, financing and implementation. Phase 2 will be discussed in further detail after the completion of phase 1.

BUDGET/FUNDING:
Project Costs
TM1-Route Options Identification $ 8,100
TM2-Permitting & Constructability $26,300
Phase 1 Final Feasibility Memorandum $ 6,300
Phase 1 Presentation to Council $ 3,200
Total Phase 1 Project Costs $43,900
(funds from Water Debt Services, 9672-4005)

STAFF RECOMMENDATION: Recommend moving forward with Feasibility Study

CHA Presented the following to Council:
Route 522 Corridor Water Reliability Study

- **Agreement with Dominion Power**
  - **Both parties agree it would be beneficial for system**
  - **Dominion can review/comment on plans**
  - **Dominion to pay 75% of costs up to $3.5 million**
  - **Town can decide not to construct project**
  - **Dominion Power's comments on storage tank design requires a waterline project (parallel or looped)**

- **Need for the Project**
  - **2014 water projection indicates that approximately half of ultimate future water demand will be from the Corridor**
  - **Watermain break could be very costly to industry**
  - **Additional waterline will increase redundancy and capacity**
- **Costs**
  - **Construction costs are rising quickly**
  - **Available funding from Dominion has a set dollar maximum**

- **Proposed Plan –** ***Phase 1 – Feasibility Study***
  - **TM1 - Identify two best route & connection points to Town**
    - **Utilize existing Town-wide model**
  - **TM2 – Investigate constructability suitability of both routes**
    - **VDOT, DEQ, VDH, Railroad permitting**
    - **River and Road Crossing options**
    - **Easement acquisition**
  - **Presentation to Council for Review/Approval of Options**
    - **Include Budget costs**

- **Proposed Plan –** ***Phase 2 – VDH Report***
  - **TM3 – Cost Estimate**
  - **TM4 – Preliminary Design**
    - **Includes calibrated water model with proposed improvements**
  - **Presentation to Council**
  - **Final Report & Model to VDH**

- **Design/Construction begin**

Council Discussion:
Vice Mayor Tewalt asked for a full print out of the line size map. Council discussed the possible locations for future lines in order to obtain redundancy. Mr. Steele pointed out the power corridor where the line could run.

Mr. Steele noted that the turnaround time for the feasibility study would be perhaps spring 2019. Ray Sommerfeld of Dominion noted that they were on a single source of water currently and Dominion would be without power at the power station and the concept of a redundant power line was introduced. He stated that the funds keep pushing forward the project and the longer that the Town waits then the more expensive the project becomes. Mr. Sommerfeld stressed the importance

of the project an urged Council to move forward as soon as possible. Vice Mayor Tewalt asked about possibly increasing the amount Dominion contributes to the project. Mr. Sommerfeld noted that they would certainly discuss that possibility with the Town.

Council chose to move the item to the agenda on Monday.

#2 removed from the agenda until there is a full Council present.
~~**2. Ordinance Amendment Request from David Downes to Exempt 14 and 16 Chester Street from the off-street parking requirements of the Town Code –** *Director of Planning/Zoning*~~

3. FY19 Write Off for Bad Debt – *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 $166,191 from enterprise and general fund liability accounts. This value includes 358 utility accounts. All recourse of attempting to collect these amounts has been completed.

BUDGET/FUNDING: No funding is required, journal entry will be done effecting balance sheet only.

STAFF RECOMMENDATION: 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

The amount of bad debt approved to be removed by Council continues to decrease:
Dec 2013 - $848,191 – approved for removal
Dec 2014 - $144,049 – approved for removal
Feb 2016 - $225,318 – approved for removal
Feb 2017 - $203,808 – approved for removal
Nov 2017 - $175,999 – approved for removal
Oct 2018 - $166,191- requesting approval to be removed

The FY19 budgeted revenue for the sales of electric, water, sewer, & refuse totals approximately $30.8 million. The amount of $166,191 represents approximately 0.5% of the budgeted sales.

Council Discussion:
Vice Mayor Tewalt asked about the large accounts, one being over $5,000 - 144 Chester Street. Mr. Wilson noted that some become high in just one month from a water leak and the Town at times cannot turn off the account due to medical issues. He noted that the Town can collect due to State income returns and lottery winnings as well.

4. <u>FY19 Budget Amendment - Outstanding Purchase Orders</u> – *Director of Finance*
SUMMARY: Council is requested to approve a budget amendment to carry forward unpaid balances on purchase orders not completed at the end of June 2018 for fiscal year 2019.

BUDGET/FUNDING: Funding will be offset from the appropriate fund balance reserves for each fund indicated, the revenue for these projects have been connected in previous budget cycle.

General Fund $ 447,908.78
Special Projects 1,384,772.81
Electric Fund 539,112.61
Sewer Fund 7,247,675.70
Water Fund 3,147,458.28
Solid Waste Fund 28,907.79
Street Fund 1,858,490.99
TOTAL $14,654,326.96

STAFF RECOMMENDATION: Staff recommends Council move forward with a public hearing on this item, an increase of greater than 1% of the original budget requires a public hearing. Staff furthers would recommendation of approval of these funds as this is a yearly housekeeping item.

Council Discussion:
Vice Mayor Tewalt asked about Portsmouth Road project; Mr. Wilson and Mr. Waltz noted that it was behind UPS where the drainage issue existed and the trees needed to be replaced. Mr. Tewalt also asked about the aerial map cost; Mr. Camp stated that it was about every three years and the State had not billed recently. Mr. Tewalt asked about $456,000 for asphalt; Mr. Wilson stated that it was the paving projects under the primary paving plan and some of the paving has occurred during July and August. Mr. Wilson noted that he would let Council know which streets were paved, certainly.

6. <u>Fund Balance Discussion</u> – *Director of Finance*
SUMMARY: Council had previously requested options for financing of the police radio system and the possibility of entering into an internal loan from an enterprise fund balance. The Town recently received the necessary actuarial reports in order to calculate the projected fund balances. A breakdown of unassigned fund balances are shown on the pages following this cover sheet.

There are two separate fund balances shown for the general fund. One shows the unassigned General Fund balance after the Other Post-Employment Benefits Liability has been deducted, which shows the balance below the 3-month reserve level. The other balance shows the General Fund balance without deducting the OPEB Liability.

The OPEB liability has been discussed over the years and has been shown in the annual budget for the last several years (page 71 of the FY19 Budget), which is why the Town elected to change health and dental coverages to retirees effective July 1, 2015. The change in coverages for retirees will help decrease the Town's future OPEB liability.

OPEB liability for the Governmental Funds is much more than the OPEB liability for the enterprise funds due to the Governmental Funds having more employees and having the additional liability for the Line of Duty Act relating to the Police Department. Accounting for the Governmental Funds related to the OPEB liability is also different from the accounting in the enterprise funds. Whereas accounting entries are processed for the full OPEB Liability on the Enterprise Funds, but the Governmental Fund only requires notes in the financial reports for the OPEB liability.

The Governmental Accounting Standards Board Pronouncement 45 does not require the Town's Governmental Fund to actually fund the OPEB liability, but the liability is reported on the Town's Comprehensive Annual Financial Report.

BUDGET/FUNDING:
N/A

STAFF RECOMMENDATION:
Staff recommends not to use General Fund Balance to fund projects until the Town's OPEB Liability decreases.

Town of Front Royal, Virginia
Summary of General Fund Unassigned Fund Balance
06.30.2018

General Fund Unassigned Fund Balance FYE 06.30.18		**9,544,892**
Obligations to reflect for GASB 34 conversion		
Less:	VA Retirement System	(4,382,656)
	VA Group Life Ins.	(402,323)
	VA LODA	(511,000)
	Retirement Employee Health Ins.	(2,337,621)
Projected General Fund Unassigned Fund Balance FYE 06.30.18		**1,911,292**
3 Month Reserve		(3,470,068)
Carry-over Purchase Orders		(1,832,682)
Projected General Fund Unassigned Fund Balance Below Fund Reserve taking OPEB Libaility into account		**(3,391,457)**

General Fund Unassigned Fund Balance FYE 06.30.18	**9,544,892**
3 Month Reserve	(3,470,068)
Carry-over Purchase Orders	(1,832,682)
Projected General Fund Unassigned Fund Balance Above Fudn Reserve without OPEB Liability	**4,242,143**

Town of Front Royal, Virginia
Summary of Electric Fund Unrestricted Fund Balance
06.30.2018

Projected Electric Fund Unrestricted Fund Balance FYE 06.30.18	**3,851,179**
3 Month Reserve	(5,009,110)
Carry-over Purchase Orders	(539,113)
Projected Electric Amount Below Fund Reserve Balance	**(1,697,044)**

Town of Front Royal, Virginia
Summary of Water Fund Unresticted Fund Balance
06.30.2018

Projected Water Fund Unrestricted Fund Balance FYE 06.30.18	**9,754,614**
3 Month Reserve	(1,276,546)
Carry-over Purchase Orders	(3,147,458)
Projected Water Amount Above Fund Reserve Balance	**5,330,609**

Town of Front Royal, Virginia
Summary of Sewer Fund Unrestricted Fund Balance
06.30.2018

Projected Sewer Fund Unrestricted Fund Balance FYE 06.30.18	**15,777,250**
3 Month Reserve	(1,470,748)
Carry-over Purchase Orders	(7,247,676)
Projected Sewer Amount Above Fund Reserve Balance	**7,058,827**

Town of Front Royal, Virginia
Summary of Solid Waste Fund Unrestricted Fund Balance
06.30.2018

Projected Refuse Fund Unrestricted Fund Balance FYE 06.30.18	**(99,963)**
3 Month Reserve	(275,118)
Carry-over Purchase Orders	(28,908)
Projected Solid Waste Amount Above Fund Reserve Balance	**(403,988)**
Projected Total All Funds Above 3 Month Reserve including OPEB Liability	**6,896,947**

Council Discussion:
Mr. Wilson gave a summary, noted above. Vice Mayor Tewalt stated that recently in the paper it was noted that the Town has $28 million in reserve and the Town has nothing close to that amount. He stated that the funds the Town has, has been allocated already. Mr. Wilson agreed, stating that the Town is $2 million in the red for the Town's required three-month reserve. Mr. Tewalt asked about the Town's bond rating; Mr. Wilson noted that it would drop the Town's bond rating/credit rating when the Town's fund reserves drop.

To answer Council's questions, Mr. Wilson noted that the debt service on Wastewater Treatment Plant was $38.4 million and $2.14 million. Mr. Sealock asked about the rate of recovery; Mr. Wilson stated it could be 3-4 years, maybe 5 years.

Mr. Wilson asked about direction for major projects from Council. He noted that funding was set aside for the rate study because the rates may be more in the future.

5. <u>Continued Discussion of Police Radio Financing</u> – *Director of Finance*
SUMMARY: On September 10th, 2018 Town Council approved the purchase of a new radio system for the Police Department in the amount of $545,000. The funding was taken from the General Fund Balance with the intention that future discussion would take place regarding options of financing or loans from fund balance.

The Town has been made aware of additional funding that will be needed in order to provide appropriate network connectivity for the radio system. Following this cover sheet you will find various options provided by the Town's Information Technology Department. Two of the three options may require the Town to obtain additional financing, the third option from Shentel would not require additional financing, but would require future annual budget allocations should the Town choose to move forward with the third option.

Council is requested to review the following options with the assumption that the cost for the radio system remains $545,000 and the network connectivity will be absorbed in the annual budgets moving forward:

> **Option A**
> Make no changes and allow general fund balance to pay for the full radio system
> **Option B**
> Finance the full balance of $545,000 using an option through VML/VACO with an annual interest rate of 3.389% over a 10 year period with annual payments totaling $65,305.46. Total interest paid over the ten year period would be approximately $106,650.
> **Option C**
> Pursue financing half of the purchase price ($272,500) and taking half of the purchase price from fund balance. Financing for a term of 5 years with payments of approximately $62,000 or financing for a term of 10 years with payments of approximately $33,000.
> **Option D**
> Making an internal loan from water or sewer fund balance for the full amount of $545,000 with no interest over a 10 year period; annual payment of $54,500.

BUDGET/FUNDING:
Budgeting is dependent on option chosen.

STAFF RECOMMENDATION:
Staff recommends to move forward Option B, financing the full amount of $545,000 with VML/VACO and making payments of $65,305.46 for a period of 10 years. Staff does not recommend to use funds from the water fund or sewer fund until additional information is known regarding major projects such as the water looping project or the possible further expansion of the waste water treatment plant.

Council Discussion:
Council noted that the Town Staff supports Option B as VML bid the item out and it would keep the Town from tying up funds that may use up funds for water and sewer. Mr. Sealock asked if cost perhaps $3,000 to have VML bid the item out; Mr. Wilson stated that it was perhaps $500. Vice Mayor Tewalt noted that it should be on the regular agenda, rather than consent.

#7 removed as Council's questions have been answered at this time

~~**7. Continued Discussion of Ordinance Amendment to Repeal Chapter 9 and Re-Enact in its Place Buildings and Maintenance Code** *(Mayor Tharpe)*~~

8. Council Discussion/Goals

Mr. Waltz noted that Criser Road bridge was coming along.

PRESENT: Mayor Tharpe, Vice Mayor Tewalt, Councilman Gillispie, Councilman Morrison, 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 Chief Magalis, Interim Director of Environmental Services Boyer, Community Development Director Hart, IT Director Jones, members of the public and members of the press.

ABSENT: Councilman Meza and Councilman Connolly