TOWN COUNCIL WORK SESSION
MINUTES
Monday, March 4, 2019 @ 7:00 p.m.
Town Hall Council Chambers

1. <u>Virginia Commission of the Arts Local Government Challenge Grant Application for the Front Royal Oratorio Society, Blue Ridge Arts Council and Blue Ridge Singers</u> – *Town Manager*
The Virginia Commission of the Arts (VCA) Creative Communities Partnership Grant is a grant to encourage local governments to support the arts. The Town has participated in the VCA Creative Communities Partnership Grant *(formerly Local Government Challenge Grant)* since 1988. At that time the grant from VCA was a maximum of $5,000 contingent upon a 50% match by the Town. The Blue Ridge Arts Council (BRAC) was the only organization that submitted a request and participated in the grant.

In 2014, the Front Royal Oratorio Society submitted a request of $500. At that time Council approved both requests with BRAC receiving $4,500 + 50% ($9,000) match and Front Royal Oratorios Society receiving $500 + 50% ($1,000) match.

In 2017, the maximum allowed from VCA, was reduced to $4,500.

This year Council has received three requests for the grant. They are from BRAC ($4,500), Front Royal Oratorio Society ($500) and Blue Ridge Singers ($500). The amount of assistance allowed by VCA is $4,500, subject to available funds; therefore, if Council approves the submission of the application, the application is approved by VCA and Council approves the match, the funds will be distributed as follows: BRAC ($7,000); Front Royal Oratorio Society ($1,000) and Blue Ridge Singers ($1,000). One application is filed by Town Staff. Deadline is April 1, 2019. Council is requested to authorize staff to submit the application through formal approval at their March 11, 2019 meeting.

Budget/Funding:
Expense is: 1205-46007 Office of Tourism – Cultural Activities
Revenue is: 1000-3310004 General Fund Revenue - Grants Commission for Arts

Council Discussion:
Mr. Waltz detailed the requests history, adding that the grant had been reduced to $4,500, down from $5,000. Mrs. Kym Crump, of Blue Ridge Arts Council, stated that the grants reduction has impacted them slightly, adding that a portion of BRAC's work is to support other agencies such as the Blue Ridge Singers and the Oratorio Society. Sue Arico, of the Blue Ridge Singers, responded to Council's question pertaining to whether the Singers were a Front Royal organization. Ms. Arico stated that their roots were here, though they do travel to Winchester and Millwood, etc., though they mainly go to Front Royal locations. Council chose to place it on the next agenda for formal vote.

2. <u>Request to Acquire Public Property by Vibe Properties</u> – *Director of Planning/Zoning*
SUMMARY: On June 12, 2017, Town Council approved an encroachment license for the benefit of Vibe Properties, LLC. This encroachment license authorized a portion of the proposed loading dock (including steps and a roof) to encroach within the Town's Peyton

Street Parking Lot. As with all private encroachments onto public property, they can't be issued indefinitely, and therefore, the encroachment license was authorized for 5 years. The loading dock is now constructed and is in use by a brewpub, Front Royal Brewing Company.

An encroachment license was pursued instead of selling the property because the encroachment license could be issued more expeditiously than the sale of the property. This was important to Vibe Properties, LLC at the time, because they were in the development process and had deadlines for completion to meet. However, during discussions between Vibe Properties and Town Council, it was agreed that the Town would consider the sale of the property in the future when a survey was completed, and the restoration project completed.

At this time, Vibe Properties desires to proceed with the sale of the property as previously discussed with Town Council. Vibe Properties submitted a survey, dated January 29, 2019, prepared by Joseph G. Brogan, Jr.. It illustrates a transfer of 179 square feet of the Town's Peyton Street Parking Lot to the property owned by Vibe Properties. This survey is attached for your information.

Chapter 1, Section 1, Subsection A, of the Town Code, specifies that "No real estate owned by the Town shall be sold unless the following requirements have been complied with:

1. The Town Council shall hold a public hearing upon the question of the sale after two (2) publications in a newspaper published or having general circulation in the Town.
2. The Town Council shall authorize by resolution the terms of the sale.
3. Bids shall be accepted by the Purchasing Agent on the date such property is advertised for sale.
4. The Town Council shall authorize the acceptance, or rejection, of the best bid at the first available regular Town Council meeting."

BUDGET/FUNDING: No impact to the budget. The assessed land value of the applicant's property is $11.93 per square foot ($198,100/16,602 SF). Based on this value per square foot, the 179-square foot tract is valued at $2,135.47. Direct expenses to the Town would include the cost of the legal advertisement. Direct expenses to the Applicant include the cost of the survey, recordation of the survey, and any attorney and/or legal fees associated with the process. The brewpub is currently in the exemption process for BPOL tax related to the Tourism Zone, but the use does pay the Town meals tax, personal property tax, sales tax (VA), and real estate tax.

STAFF RECOMMENDATION: The 179-square foot tract appears to have minimal public value. Staff recommends proceeding with the required advertising, public hearing and bidding of the 179 square feet. Town Council should evaluate the request and negotiate an expected sale price for the property.

Council Expenses:
Council noted that they were in support of the sale, adding that the buyer would cover all of the expenses.

3. <u>Write Off for Bad Debt and Update Policy</u> – *Director of Finance*

SUMMARY: Town Council is requested to approve a revision to the Bad Debt Policy, approve additional write-offs associated with the revision, and to review other possible alternatives for collection on bad debt.

The Town of Front Royal had a large dollar value of uncollectible "bad debt" recorded yearly on the Town's ledger, due to non-payment of utility bills which had not been addressed for over 30 years until 2012. The Town's auditing firm, Mitchell & Company, requested that Town Council approve a policy that would allow the Department of Finance to review outstanding uncollectable debt annually, and abate the bad debt from ledgers after all avenues for collection had been exhausted. Town Council adopted a bad debt policy on November 13, 2012 that deemed an uncollectible account as having no activity for a period of 7 years.

Code of Virginia § 8.01-246 allows action to be taken to collect on written contracts for a period of 5 (five) years. Written agreements are used for Town of Front Royal Utility Accounts. Based on the Code of Virginia, a Town of Front Royal Utility Account would be deemed uncollectible after there has been no activity from the account holder for a period of 5 (five) consecutive years.

Council is requested to approve the removal of 5 years or older of outstanding accounts receivable (bad debts) on the Town's ledger in the amount of $277,974.34 from enterprise and general fund liability accounts. This value includes 652 utility accounts. All recourse of attempting to collect these amounts has been completed and the accounts have no activity for at least 5 years.

Based on the utilities billed during FY2018, the Town of Front Royal Department of Finance currently collects approximately 99.5% of the amounts billed annually before an account is deemed uncollectible and written off. Town Council is requested to review the additional options for the collection of bad debt that follow this cover sheet and provide staff with direction if an option would like to be reviewed further.

BUDGET/FUNDING: No funding is required. Journal entry will be done effecting balance sheet only.
STAFF RECOMMENDATION: Staff recommends, to approve the revisions to the bad debt policy, approve the write-offs, and to review additional collection alternatives. 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 5 years
2) 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- approved for removal
Mar 2019 - $277,974.34 – requested to be approved

The FY19 budgeted revenue for the sales of electric, water, sewer, & refuse totals approximately $30.8 million. The amount of $277,974.34 represents approximately 0.9% of the budgeted sales and is approximately 2 years of bad debt.

ADDITIONAL OPTIONS FOR COLLECTION OF BAD DEBT

Based on the utilities billed during FY2018, the Town of Front Royal Department of Finance currently collects approximately 99.5% of the amounts billed annually before an account is deemed uncollectible and written off.

Current collection procedures include disconnect for non-payment, payment agreements, submission to the Commonwealth of Virginia debt set-off program, and applying deposits to final utility bills.

Some additional options for collection that could be considered are:

A. Personal Guarantor For Business Accounts– Legal Office is currently reviewing current ordinances that may need updated to implement the requirement of a personal guarantor on business accounts. (LLCs)

B. Raising the Amount of Deposit Required to Open a Utility Account – Statistics show that 96.8% of the utility accounts that are deemed uncollectible based on the revised policy were opened with deposits being required and 87.4% of those accounts had deposits remaining on the accounts when closed. Currently, about 29% of all Town utility accounts have deposits on them.

These statistics help justify the Town's procedures for the requirement of a deposit.

Currently, the Town requires one month deposit based on the highest bill for the previous twelve months for the particular account. If the Town were to consider raising the deposit amount to two months, the amount of bad debt write-off would decrease between 40%-50%.

C. Town Legal Department Seeking Judgement - The Town Legal Department could seek judgement on accounts over certain amounts (recommended over $1,000). If a judgment is entered the 5 year limitation would not apply and the judgment could eventually show up on a credit report.

D. Outside Collection Agency – An outside collection agency could be used to collect for a fee. This option is not recommended.

E. Place Lien On Property – Code of Virginia allows localities to place liens on property for unpaid utility bills. The Town would need to change some policies, procedures, and possibly ordinances to implement the placement of liens. This option is not recommended.

Council Discussion:

Councilman Thompson noted that she would be favorable towards options A and C; Mr. Sealock voiced support of option A. Councilman Tewalt asked if rental accounts were treated differently than owners; Mr. Wilson stated that was one option. Mr. Tewalt voiced support of that route since such a large percentage of the accounts in Town were rental accounts, though Mrs. Thompson expressed her concern with making it more difficult for renters. Councilman Holloway stated that most of the properties listed were rentals, and he voiced his support of A, which would include LLCs.

Councilman Sealock noted that garnishments were not covered. He described the garnishment process; Council noted that small amounts were not worth the garnishment process. Council voiced support of the garnishments over $1,000, moving forward with the LLC process, and to report back quarterly or every six months. Council agreed to move the minimum deposit on accounts to $150.

4. <u>Continued Budget Discussions</u> – *Town Manager*
SUMMARY: Staff presented and review the FY20 Proposed Budget revenues and general fund expenditures on February 4th, 2019. The FY20 Proposed Budget Enterprise Fund expenditures were reviewed on February 19th, 2019.

During the previous presentations Town Council requested to further review historic/current medical insurance and compensation expenses. Staff will provide the most current and available information relating to insurance and compensation expense for further discussion.

BUDGET/FUNDING: FY20 Proposed Budget
STAFF RECOMMENDATION: Staff recommends to discuss any questions or concerns regarding the FY20 budget and discuss any additional information council would like to be provided prior to voting for adoption of a FY20 budget that is currently scheduled for April 22, 2019.

Council Discussion: Mr. Waltz presented the proposed changes to the employee/employer Health Insurance recommendations. Mr. Meza and Ms. Bush discussed the differences between the 250/500 plan. Mr. Meza voiced his support of the 500 plan and to do away with the 250 plan. Mr. Waltz stated that Staff would like to keep the 250 and they are willing to pay their fair share. Councilman Tewalt voiced his agreement with Mr. Meza, noting that the Town cannot sustain the cost of insurance for the employees the way that they currently are. Mr. Waltz noted that he was recommending the second column as presented. Councilmen Meza and Tewalt voiced support of adjusting the insurance rates as presented, noting that they would like to adjust the percentages and health insurance as suggested by the Town Manager. Councilman Sealock stated that he would support year 2 as noted with 85/15%.

Councilman Meza stated that Council needed to consider that the tables as listed were a running total for the years. Vice Mayor Sealock noted that he felt that Mr. Meza's suggestion of a set amount and allowing Staff to choose their option is how things should be handled.

5. <u>Volunteers for the Town Scholarship Committee</u>
SUMMARY: In 2015, Council began the Town of Front Royal Scholarship Program in the amount of $1,000. Council is requested to have two councilmembers volunteer to review the applications and select two scholarship recipients ($500 each) who will be presented with their awards in the spring at a regular Council meeting.

Advertisement for the scholarship began February 5 and ends March 15. Both local high schools, R-MA and local private schools were notified of the scholarship.

BUDGET/FUNDING: 1101-45428 Town Council-Community Relations
STAFF RECOMMENDATION: Council to select two councilmembers to review applications once the deadline has passed.

Council Discussion: Councilmen Gillispie and Thompson volunteered for the Committee.

6. Council Discussion/Goals

Councilman Meza noted that he is an advocate for employees and a structure and plan for them is important. He stated that there is an issue with how the Police Department financing matter has been publicly presented and somehow it has been noted that the building would be partially free. He added that other rumors were out there about the bonds for the hospital and how they could have been handled. Mr. Meza noted that he would welcome any conversation about why the Department needed to construct the building that was constructed. Mayor Tharpe and Councilman Holloway expressed his agreement with Councilman Meza. Mr. Holloway noted that a building for the Department has *never* been built, they had instead been shuffled to an old Sheriff's Department, an old post office, an old grocery store, and this is the first ever building for the Department and it was well deserved and necessary; Council expressed their agreement.

Councilman Holloway asked about parking in a fire lane. Chief Magalis noted that they generally ticket those individuals.

Vice Mayor Sealock asked the Christian School on Lake Avenue and the issue with people driving around the area to avoid the intersection.

7. CLOSED MEETING – Disposition of Publicly Held Property/Consultation with Legal Counsel

Motion to Go Into Closed Meeting

Vice Mayor Sealock moved, seconded by Councilman Tewalt that Council convene and go into Closed Meeting to 1) discuss the disposition of publicly held real property, specifically, the sale or vacation of a Town right of way, approximately 165 feet long by 25 feet wide in size, located near West Duck Street, to Jerry Bell, Jr., as shown on a plat prepared by Joseph G. Brogan, Jr., Brogan Land Surveying, PLC, Land Surveyor, dated April 6, 2018, a copy of which is on file in the office of the Town Manager of the Town of Front Royal, Virginia, pursuant to Section 2.2-3711. A.3., where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of Town Council~~; and 2) for the purpose of consultation with legal counsel employed or retained by a public body regarding specific legal matters, specifically, legal mechanisms related to handling potential future debt service related to current and future budget years with respect to the former Afton Inn building, requiring the provision of legal advice by such counsel, pursuant to Section 2.2-3711. A. 8 of the Code of Virginia.~~

Vote: Yes – Gillispie, Holloway, Meza, Sealock, Tewalt and Thompson
No – N/A
Abstain – N/A
Absent – N/A
(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

Vice Mayor Sealock moved, seconded by Councilman 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 – Gillispie, Holloway, Meza, Sealock, Tharpe, Tewalt and Thompson
No – N/A
Abstain – N/A
Absent – N/A

(By Roll Call)

PRESENT: Mayor Tharpe, Vice Mayor Sealock, Councilman Gillispie, Councilman Holloway, Councilman Meza, Councilman Thompson, Councilman Tewalt, 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, Director of Environmental Services Boyer, Community Development Director Hart, Director of Human Resources Bush, Director of Risk Management McIntosh, IT Director Jones, members of the public and members of the press.