TOWN COUNCIL WORK SESSION

Monday, March 30, 2020 @ 7:00pm
via Teleconference

This meeting may be viewed at frontroyalva.com/meeting

1. Executive Brief from Gallagher (Health Insurance)

2. CDBG General Discussion
   a. Amend Resolutions
   b. Pavilion Construction

3. Credit Card Convenience Fees

4. General Budget Discussion

5. Open Discussion

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FRONT ROYAL VIRGINIA 1788

Work Session Agenda Form — Item # 1

DATE: March 30, 2020

Work Session

AGENDA ITEM: Gallagher Health Insurance Presentation

SUMMARY: Gallagher will present to Council this evening their analysis of our current health insurance and make recommendations for FY21.

STAFF RECOMMENDATION: Council takes desired action.

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Town of Front Royal Medical Plan Review

Gallagher analyzed the TLC renewal as well as explored the different options that exist in the market to develop a plan that would both save The Town of Front Royal costs as well as meet the interest of the employees. The analysis used the following information in developing the strategy set forth for the Town of Front Royal:

- Claims data that was given
- Market search
- Benchmarking of surrounding jurisdiction and national trends
- Input from benefits team on feedback from employees and staff
- Known pressures facing public entities in attracting and retaining talent

With this input an innovative solution was developed that would both save The Town of Front Royal costs, continue to make benefits attractive and allow for budgeting of the Adverse Experience Adjustment needed to terminate any contract with The Local Choice in future years.

The Adverse Experience Adjustment (AEA) is a payment that is adjusted each year that is payable to The Total Choice at time of termination. The best practice for this type of liability would be to account for the AEA in future potential liabilities. By doing this, the Town of Front Royal would be in a better situation if termination of the contract is needed. For the upcoming plan year the estimated amount is $199,771. Gallagher is able to compute this each year for future liability tracking.

The solution developed would be for the Town of Front Royal to offer the $500 Deductible plan ($500 Ded) and the High Deductible Health Plan (HDHP) currently to active employees. In addition the Town would set up a Health Reimbursement Arrangement (HRA) for employees on the plans as follows:

- $500 Ded - $0 for single / $500 for all others
- HDHP- $1500 for single / $2000 for all others

This funding would offset the deductible in both plans and each year the funding will be determined by the council. The amounts above would be available to use beginning on the July 1, 2020 plan year. An HRA plan is a “promise-to-pay” arrangement where The Town of Front Royal would hold onto money until utilized by members of the plan. There would be a funding request on a regular basis but not to exceed the cumulative amounts reserved. The money that is not used by members would stay with the Town and be able to be used to offset future year reserves. The average utilization nationally of HRA is 60%. There is no funding on the $500 Ded plan for singles as the employee has the option to enroll in the HDHP at no employee contribution cost to themselves.

By just offering the two plans with the HRA and assuming no migration the Town could expect $375,969 in savings relative to current year spend. This would include $45,500 in HRA liability that if not used could result in higher savings to the Town. With a 75% migration of employees to the HDHP plan and no migration on family coverage, the savings is estimated to be $311,457 with a funding of $141,500 in HRA liability. Keep in mind that if the national average of 60% HRA utilization is realized, the Town would see savings of $394,169 with no migration to $368,057 with the above mentioned migration respectively.

Both outcomes above would allow for $100,000 this current plan year to be set aside for the AEA that can be built in future years to the level needed for estimated liabilities.

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Two additional potential advantages exist with this plan design approach. First, the claims will be known based on the expenses that are reimbursed through the HRA which solves some of the unknown that is inherent with lack of claims reporting through The Local Choice. The second advantage could be a reduction in the renewal for the following plan years as the Town's claims would be reduced by the increased deductibles and the fact that the Town is recognizing and paying for their own claims on a first dollar basis.

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The Town of Front Royal Council Meeting

March 16, 2020

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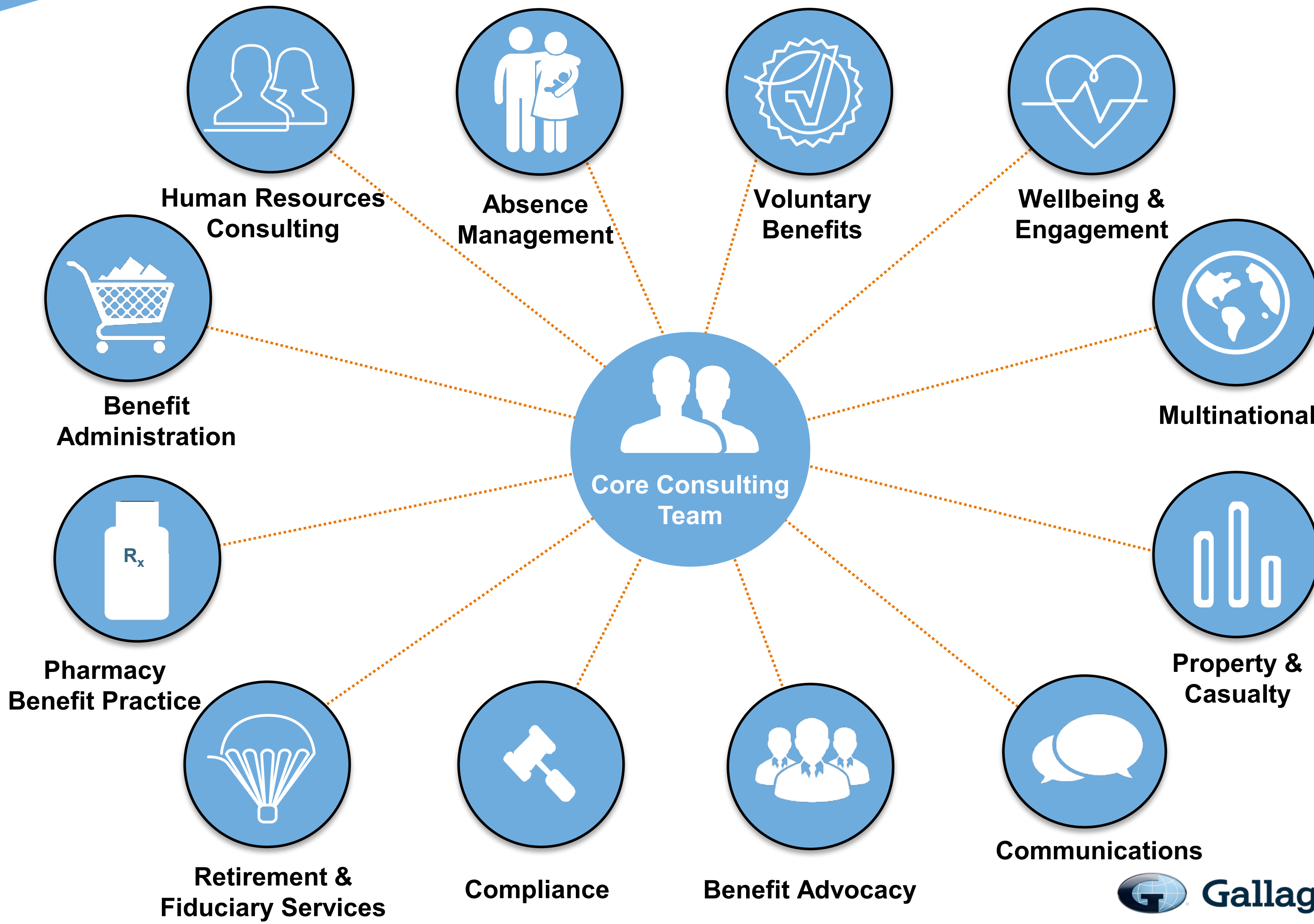

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2020 Renewal Analysis

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Analysis

- Gallagher analyzed the TLC renewal, the market and the different options to develop a plan that would both save The Town of Front Royal costs as well as meet the interest of the employees.
- Analysis included:
  - Benchmark of surrounding municipalities and counties (19 near the town) as well as national benchmarks on public entities (500+)
  - Claims data that was given
  - Market search
  - Input from benefits team on feedback from employees and staff
  - Pressures facing public entities in attracting and retaining talent
- Developed a creative solution that would both save The Town of Front Royal costs, continue to make benefits attractive and allow for budgeting of the Adverse Experience Adjustment needed.
- Develop a three year strategy to help mitigate excessive cost increases

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Adverse Experience Adjustment- IBNR

- 90 day termination notice needed to leave TLC contract (April 1)
- Adverse Experience Adjustment is the cost it would be to terminate the contract with TLC. This is considered the expense to exit the contract and helps to pay run-out
- The expense should be carried as a lability since this would be due at any point if the contract was to term for any reason
    - Cease offering health insurance
    - Terminate to go to other plan
    - Etc.
- Payable in 12 equal monthly installments
- **Estimated penalty to terminate $199,771**
    - Adjusted each year

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Marketing Results

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July 1, 2020 Recommendation

- Removed $250 plan (except for retirees already in the plan; plan will be frozen)

- Offer the $500 and the HDHP plan

- Set up Health Reimbursement Plan with following funding
  - $500 plan: $0 for single / $500 for all others
  - HDHP plan: $1500 for single / $2000 for all others
  - Funding helps offset the deductible in both plans
  - No funding on single option since the HDHP plan is available at no cost for single employees
  - Each year funding would be set at acceptable levels
  - Administrator costs built into models

- Money <u>not</u> used would remains with The Town of Front Royal
    - No carryover year to year
    - Administrator only asks for what is spent
    - Town holds money until used
    - Average national utilization is 60% of funds
    - Following year would only have to reserve up to liability

- Minor increase to employer contribution on dependent coverage for $500 plan

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What is an HRA (Health Reimbursement Arrangement)?

What is a Health Reimbursement Arrangement?

Health Reimbursement Arrangement ("HRA") is an employer-sponsored account that reimburses an employees for certain substantiated healthcare expenses up to the employee's account balance. Expenses can be incurred by the employee and the employee's spouse and/or child.

HRA reimbursements for qualified medical expenses are excluded from employees' taxable income and therefore not subject to federal income taxes or employment taxes.

To receive reimbursement, the individual must have HRA coverage in effect at the time the expense is incurred. HRAs may not be offered through a cafeteria plan either directly or indirectly.

Amounts not utilized by participant are employer assets.

It is a promise to pay account and The Town would hold onto money until requested by administrator.

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Costs for Recommended Program

- No migration assumed with increased contributions on family for $500 plan

	2019-20 Premium
Total Premium	$2,746,788
HRA Funding	$0
Total Plan Cost	$2,746,788
Employer Contributions	$2,059,320
Employee Contributions	$687,468
EE Cost Share	25.0%

	2020-21 Premium	% Change from 2019-20	$ Change from 2019-20
Total Premium	$2,275,164	-17.2%	-$471,624
HRA Funding	$45,500		
Total Plan Cost	$2,320,664	-15.5%	-$426,124
Employer Contributions	$1,683,351	-18.3%	-$375,969
Employee Contributions	$637,313	-7.3%	-$50,155
EE Cost Share	27.5%		

Key Advantage 500	Coverage Tier	Current Premium	Renewal Premium	ToFR Contribution	ToFR % Cost Share	Employee Contribution
	Employee	$713.00	$650.00	$570.00	88%	$80.00
	Employee + Dep	$1,319.00	$1,202.00	$781.30	65%	$420.70
	Family	$1,925.00	$1,754.00	$1,140.10	65%	$613.90

HDHP	Coverage Tier	Current Premium	Renewal Premium	ToFR Contribution	ToFR % Cost Share	Employee Contribution
	Employee	$581.00	$529.00	$529.00	100%	$0.00
	Employee + Dep	$1,075.00	$980.00	$715.40	73%	$264.60
	Family	$1,569.00	$1,430.00	$1,043.90	73%	$386.10

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Costs for Recommended Program

- Migration of 75% single to HDHP plan and no migration for families

	2019-20 Premium
Total Premium	$2,746,788
HRA Funding	$0
Total Plan Cost	$2,746,788
Employer Contributions	$2,059,320
Employee Contributions	$687,468
EE Cost Share	25.0%

	2020-21 Premium	% Change from 2019-20	$ Change from 2019-20
Total Premium	$2,182,236	-20.6%	-$564,552
HRA Funding	$141,500		
Total Plan Cost	$2,323,736	-15.4%	-$423,052
Employer Contributions	$1,747,863	-15.1%	-$311,457
Employee Contributions	$575,873	-16.2%	-$111,595
EE Cost Share	24.8%		

	Coverage Tier	Current Premium	Renewal Premium	ToFR Contribution	ToFR % Cost Share	Employee Contribution
Key Advantage 500	Employee	$713.00	$650.00	$570.00	88%	$80.00
	Employee + Dep	$1,319.00	$1,202.00	$781.30	65%	$420.70
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Other Recommendations

- Adverse Experience Adjustment
  - Set aside $100k of the savings to allow for budget line item this year
  - Build onto this each year until full satisfied fiduciary liability

- Wellness
  - Reviewed all aspects of wellness programs
  - Time constraints prevent an effective wellness program from being implemented for 2020 plan year
    - Compliance needs to review
    - Legal issues need to review
    - Employees would be blindsided by having requirements

  - Recommendation:
    - Start with education campaign over the next plan year with materials that are of no cost to The Town of Front Royal
    - Develop a plan that can be implemented for July 1, 2021
    - Procure wellness vendor that would meet the goals of the Town

  - EDUCATE & COMMUNICATE

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Appendix

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Benchmarking

	Town of Front Royal			Gallagher 2019 Benchmark Results		
In-Network Benefits	Key Advantage 250	Key Advantage 500	Key Advantage HDHP	Southeast Region – Mode	100-499 FTEs – Mode	Public Entity – Mode
Deductible (EE/FAM)	$250 / $500	$500 / $1,000	$2,800 / $5,600	$1,000 / $3,000	$1,000 / $3,000	$500 / $1,500
OOP Max (EE/FAM)	$3,000 / $6,000	$4,000 / $8,000	$5,000 / $10,000	$3,000 / $6,000	$3,000 / $6,000	$3,000 / $6,000
Co-Insurance	80%	80%	80%	80%	80%	80%
PCP Co-Pay	$20	$25	20%	$25	$25	$20
Specialist Co-Pay	$35	$40	20%	$50	$50	$50
Urgent Care Co-Pay	$35	$40	20%	$50	$50	$50
ER Co-Pay	$350	20%	20%	$250	$150	$100
Generic Prescription Co-Pay (30-day Supply)	$10	$10	20%	$10	$10	$10
Preferred Brand Prescription Co-Pay (30-day Supply)	$30	$30	20%	$35	$30	$30
Non-Preferred Brand Prescription Co-Pay (30-day Supply)	$45	$45	20%	$60	$60	$50
Employee Premium Contribution for Individual Coverage	10%	5%	0%	20%	20%	10%
Employee Premium Contribution for Family Coverage	32%	29%	25%	100%	100%	20%

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Benchmarking

	Town of Front Royal			County Benchmark Data*			
In-Network Benefits	Key Advantage 250	Key Advantage 500	Key Advantage HDHP	# of Plans benchmarked	Traditional Plans – Mode	# of Plans benchmarked	HDHP Plans– Mode
Deductible (EE/FAM)	$250 / $500	$500 / $1,000	$2,800 / $5,600	19	$0 / $0	6	$1,500 / $3,000
OOP Max (EE/FAM)	$3,000 / $6,000	$4,000 / $8,000	$5,000 / $10,000	19	$4,000 / $8,000	6	$6,450 / $12,900
Co-Insurance	80%	80%	80%	19	1000%	6	80%
PCP Co-Pay	$20	$25	20%	19	$20	6	20%
Specialist Co-Pay	$35	$40	20%	19	$40	6	20%
Urgent Care Co-Pay	$35	$40	20%	18	$40	5	20%
ER Co-Pay	$350	20%	20%	19	$100	6	20%
Generic Prescription Co-Pay (30-day Supply)	$10	$10	20%	19	$10	6	10%
Preferred Brand Prescription Co-Pay (30-day Supply)	$30	$30	20%	19	$30	6	20%
Non-Preferred Brand Prescription Co-Pay (30-day Supply)	$45	$45	20%	19	$50	6	40%
Employee Premium Contribution for Individual Coverage	10%	5%	0%	13	20%	Data Not Available	
Employee Premium Contribution for Family Coverage	32%	29%	25%	12	25%	Data Not Available	

*Counties Included: Arlington, Culpepper, Faquier, Loudon, Madison, Page, Prince William, Stafford

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July 1, 2020 Renewal

I. Income at Current Rates (1)	$2,746,788
II. Projected Medical Claims Related Charges (2)	
A. Paid Claims for 12/1/2018 through 11/30/2019	$1,188,550
B. Claims in excess of the $100,000 pooling limit	($5,368)
C. Subtotal	$1,183,182
D. Change in Incurred But Not Reported Claims	$11,832
E. Benefit Adjustment	$0
F. Enrollment Adjustment	$0
G. Trend	$125,476
H. Impact of blending	$94,361
I. Total Medical Projected Incurred claims	$1,414,851
III. Projected Reinsurance Charges	$262,313
IV. Projected Medical Administrative Charges, Network Access Fees, and Affordable Care Act(3)	$103,551
V. Projected Dental Capitation	$104,769
VI. Projected Drug Capitation	$544,752
VII. TLC Contingency Reserve or Risk Fee(4)	$72,907
VIII. Total Income Requirements (II. + III. + IV. + V. + VI. + VII.)	$2,503,143
Percentage Adjustment	-8.9%

** 6.5% trend over 19 months or 10.5%*

- *Risk Fee- Margin*
- *Previous Years did not release as much info on calculation of renewal*

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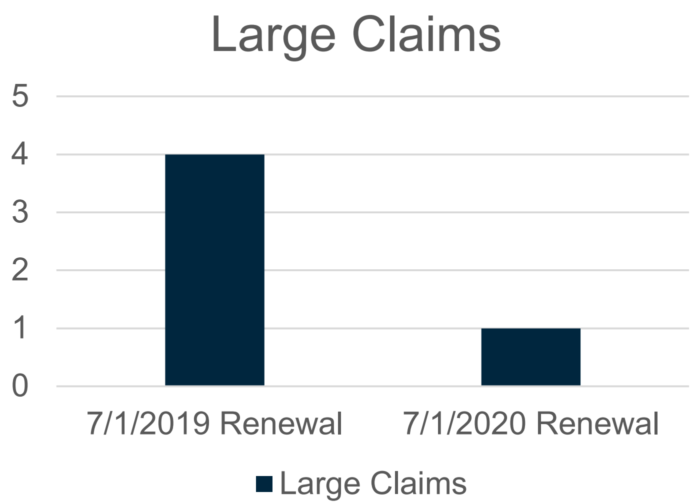
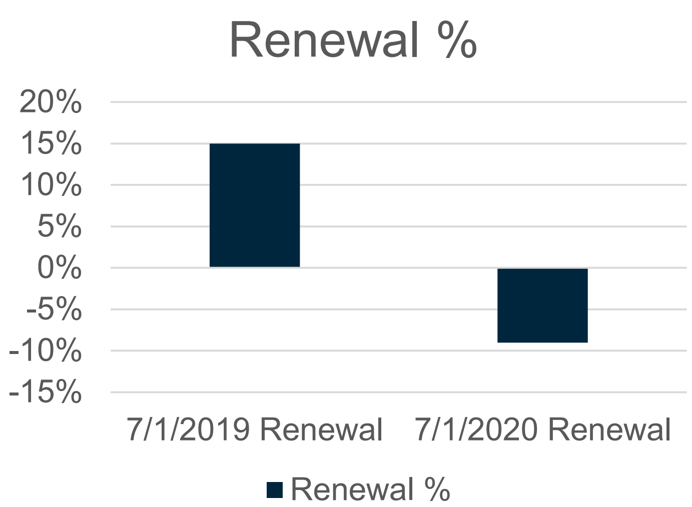
Large Claims





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Marketing- Renewal Illustration

	Anthem BCBS / The Local Choice					
Plan Name	Key Advantage 250		Key Advantage 500		Key Advantage HDHP	
	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network
Deductible Type (embedded/aggregate)	Embedded	Embedded	Embedded	Embedded	Embedded	Embedded
Individual / Family	$250 / $500	$500 / $1,000	$500 / $1,000	$1,000 / $2,000	$2,800 / $5,600	Combined with In-Network
Out of Pocket Max Type (embedded/aggregate)	Embedded	Embedded	Embedded	Embedded	Embedded	Embedded
Individual / Family	$3,000 / $6,000	$5,000 / $10,000	$4,000 / $8,000	$7,000 / $14,000	$5,000 / $10,000	$10,000 / $20,000
Coinsurance (member pays after deductible)	20%	30%	20%	30%	20%	40%
Preventive Care	Covered In Full	30% after deductible	Covered In Full	30% after deductible	Covered In Full	40% after deductible
Primary Care Visit	$20	30% after deductible	$25	30% after deductible	20% after deductible	40% after deductible
Specialist Visit	$35	30% after deductible	$40	30% after deductible	20% after deductible	40% after deductible
Urgent Care	$35	30% after deductible	$40	30% after deductible	20% after deductible	40% after deductible
Emergency Room Facility (waived if admitted)	$350	Covered as INN	20% after deductible	Covered as INN	20% after deductible	Covered as INN
Inpatient Hospital (per occurrence)	$400	30% after deductible	20% after deductible	30% after deductible	20% after deductible	40% after deductible
Outpatient Surgery (hospital setting)	$150	30% after deductible	20% after deductible	30% after deductible	20% after deductible	40% after deductible
Diagnostic Test (X-ray, blood work)	20% after deductible	30% after deductible	20% after deductible	30% after deductible	20% after deductible	40% after deductible
Prescription Drug Benefit - In-Network						
Rx Deductible (Individual / Family)	N/A		N/A		Medical Plan Dedictble - $2,800 / $5,600	
Retail (Up to 30-day supply) Tier 1 / Tier 2 / Tier 3 / Tier 4	$10 / $30 / $45 / $55		$10 / $30 / $45 / $55		After the deductible has been satisfied: 20% / 20% / 20% / 20%	
Mail Order (Up to 90-day supply) Tier 1 / Tier 2 / Tier 3 / Tier 4	$20 / $60 / $90 / $110		$20 / $60 / $90 / $110		After the deductible has been satisfied: 20% / 20% / 20% / 20%	

COST ANALYSIS

	Key Advantage 250			Key Advantage 500			Key Advantage HDHP		
PEPM Rates		Current	Renewal		Current	Renewal		Current	Renewal
Employee Only	74	$782.00	$710.00	12	$697.00	$633.00	1	$565.00	$512.00
Employee + 1	27	$1,447.00	$1,314.00	2	$1,289.00	$1,171.00	1	$1,045.00	$947.00
Employee + Family	49	$2,111.00	$1,917.00	6	$1,882.00	$1,709.00	0	$1,526.00	$1,382.00
Plan Monthly Premium		$200,376.00	$181,951.00		$22,234.00	$20,192.00		$1,610.00	$1,459.00
Plan Annual Premium		$2,404,512.00	$2,183,412.00		$266,808.00	$242,304.00		$19,320.00	$17,508.00

Total Combined Costs	Current	Renewal
Total Combined Annual Premium	$2,690,640.00	$2,443,224.00
Annual Difference Compared to Current		-$247,416.00
Annual % Difference Compared to Current		-9.2%

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Self Funded Feasibility & Marketing

- Use 80% current year and 20% prior year to help smooth out fluctuation
- Take out Risk Fee all together
- Adverse Experience Adjustment (AEA): $199,771 is estimated penalty to terminate
- Without AEA the self funded proposal shows 8.7% decrease in current rates using 12/12 contract with TLO
- With AEA the self funded feasibility shows 5.4% decrease in current rates using 12/12 contract with TLO
- Advantages to moving to own contract
  - Flexibility on plan designs
  - Impact by bad manual claims
  - Can use lower or higher stoploss
- Disadvantages to moving to own contract
  - One time hit of AEA
  - Impact by good manual claims
  - Lasers

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Town of Front Royal

GBS Self Funded Feasibility

Experience Period #1	12/1/2018	to	12/1/2019	
Experience Period #2	12/1/2017	to	12/1/2018	
Projection Period	7/1/2020	to	7/1/2021	
Months of Experience	24			

Subscriber Months in Period #1	2,064
Subscriber Months in Period #2	2,028
Average Monthly Members in Period #1	172
Average Monthly Members in Period #2	169

Current Employees	172
Current Members	N/A
Pooling Level	$100,000
Detrended Pooling Level | Period 1	$90,498
Detrended Pooling Level | Period 2	$83,485

		Anthem Projection				GBS Projection (Self Funded)			
		12/01/18 - 12/01/19				12/01/18 - 12/01/19		12/01/17 - 12/01/18	
		Annual	PEPM			Annual	PEPM	Annual	PEPM
1	Total Paid Claims	$1,188,550	$575.85			$1,188,550	$575.85	$1,777,626	$876.54
2	Reserve Adjustment for IBNR	0.99				0.99		1.00	
3	Adjusted Total Incurred Claims	$1,200,382	$581.58			$1,200,382	$581.58	$1,777,626	$876.54
4	Less Total Claims over Pooling Level	$5,368	$2.60			$105,368	$51.05	$723,845	$356.93
	Claimants in Period 1: 1								
	Claimants in Period 2: 4								
5	Total Net Incurred Claims	$1,195,014	$578.98			$1,095,014	$530.53	$1,053,781	$519.62
6	Annualize	1.00				1.00		1.00	
7	Annualized Net Incurred Claims	$1,195,014	$578.98			$1,095,014	$530.53	$1,053,781	$519.62
8	Adjustment for Change in Size	1.000				1.000		1.018	
9	Adjustment for Change in Benefits	1.000				1.000		1.000	
10	Adjustment for Change in Location / Network	1.000				1.000		1.000	
11	Adjustment for Change in Demographics	1.000				1.000		1.000	
12	Adjusted Net Incurred Claims	$1,195,014	$578.98			$1,095,014	$530.53	$1,072,487	$519.62
13	Annual Trend	6.5%				6.5%		6.5%	
14	Midpoint Months	19.0				19.0		31.0	
15	Projected Trend	10.5%				10.5%		17.7%	
16	Projected Net Incurred Claims	$1,320,490	$639.77			$1,209,990	$586.24	$1,262,237	$611.55
17	Large Claims up to Pooling Level	$0	$0.00			$100,000	$48.45	$400,000	$193.80
18	Projected Net Incurred Claims Under Pooling Level	$1,320,490	$639.77			$1,309,990	$634.69	$1,662,237	$805.35
19	Weight Per Experience Period	100.00%				80.00%		20.00%	

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GBS Self Funded Feasibility

Experience Period #1	12/1/2018	to	12/1/2019	Subscriber Months in Period #1	2,064	Current Employees	172
Experience Period #2	12/1/2017	to	12/1/2018	Subscriber Months in Period #2	2,028	Current Members	N/A
Projection Period	7/1/2020	to	7/1/2021	Average Monthly Members in Period #1	172	Pooling Level	$100,000
Months of Experience	24			Average Monthly Members in Period #2	169	Detrended Pooling Level | Period 1	$90,498
						Detrended Pooling Level | Period 2	$83,485

#		Anthem Projection				GBS Projection (Self Funded)			
20	Weighted Projected Net Incurred Claims Under Pooling Level	$1,320,490	$639.77	-19.8%	of manual	$1,380,439	$668.82	-16.1%	of manual
21	Manual Net Incurred Claims Under Pooling Level	$1,645,873	$797.42			$1,645,873	$797.42		
22	Credibility	71.0%		7.1%	Impact of Manual	100.0%		0.0%	Impact of Manual
23	Blended Net Incurred Claims Under Pooling Level	$1,414,851	$685.49	56.5%		$1,380,439	$668.82	61.2%	
24	Pooling Charges	$262,313	$127.09	10.5%		$379,879	$184.05	10.5%	
25	Administration, Network Access, PPACA Charges	$103,551	$50.17	4.1%		$56,409	$27.33	4.1%	
26	Projected Dental Capitation	$104,769	$50.76	4.2%		$93,689	$45.39	3.9%	
27	Projected Drug Capitation	$544,752	$263.93	21.8%		$487,141	$236.02	20.3%	
28	TLC Contingency / Risk Fee	$72,907	$35.32	2.9%		$0	$0.00	0.0%	
29	Total Required Annual Premium (Formula)	$2,503,143	$1,212.76	100.0%		$2,397,558	$1,161.61	100.0%	
30	Underwriting Discretion	$0	$0	0.0%		$0	$0	0.0%	
31	Adverse Experience Adjustment	$0	$0	0.0%		$199,771	$96.79	7.7%	
32	Total Annual Costs	$2,503,143	$1,212.76			$2,597,329	$1,258.40		
33	Current Annual Premium	$2,746,788	$1,330.81			$2,746,788	$1,330.81		
34	Required Increase	-8.9%	-8.9%			-5.4%	-5.4%		

Notes:
1. Detrended Pooling Level represents the level in which claims will hit the current pooling level after trend is applied.
2. Adverse Experience Adjustment calculated using renewal enrollment, assumed total pool enrollment C/Us of 17,480, and category loss of $1,000,000.

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Current Contributions

	2019-20 Premium
Total Premium	$2,746,788
Employer Contributions	$2,059,320
Employee Contributions	$687,468
EE Cost Share	25.0%

	2020-21 Premium	% Change from 2019-20
Total Premium	$2,503,032	-8.9%
Employer Contributions	$1,815,564	-11.8%
Employee Contributions	$687,468	0.0%
EE Cost Share		

Key Advantage 250 Coverage Tier	Current Premium	Renewal Premium	ToFR Contribution	ToFR % Cost Share	Employee Contribution	Employee % Cost Share	EE Bi Weekly Contribution	COBRA Rate	Annual Employee Cost of Coverage*	Annual Employer Cost of Coverage*
Employee	$798.00	$727.00	$647.00	89%	$80.00	11%	$36.92	$741.54	$960	$7,764
Employee + Dep	$1,476.00	$1,345.00	$873.00	65%	$472.00	35%	$217.85	$1,371.90	$5,664	$10,476
Family	$2,155.00	$1,964.00	$1,274.00	65%	$690.00	35%	$318.46	$2,003.28	$8,280	$15,288

Key Advantage 500 Coverage Tier	Current Premium	Renewal Premium	ToFR Contribution	ToFR % Cost Share	Employee Contribution	Employee % Cost Share	EE Bi Weekly Contribution	COBRA Rate	Annual Employee Cost of Coverage*	Annual Employer Cost of Coverage*
Employee	$713.00	$650.00	$614.00	94%	$36.00	6%	$16.62	$663.00	$432	$7,368
Employee + Dep	$1,319.00	$1,202.00	$819.00	68%	$383.00	32%	$176.77	$1,226.04	$4,596	$9,828
Family	$1,925.00	$1,754.00	$1,196.00	68%	$558.00	32%	$257.54	$1,789.08	$6,696	$14,352

HDHP Coverage Tier	Current Premium	Renewal Premium	ToFR Contribution	ToFR % Cost Share	Employee Contribution	Employee % Cost Share	EE Bi Weekly Contribution	COBRA Rate	Annual Employee Cost of Coverage*	Annual Employer Cost of Coverage*
Employee	$581.00	$529.00	$529.00	100%	$0.00	0%	$0.00	$539.58	$0	$6,348
Employee + Dep	$1,075.00	$980.00	$711.00	73%	$269.00	27%	$124.15	$999.60	$3,228	$8,532
Family	$1,569.00	$1,430.00	$1,038.00	73%	$392.00	27%	$180.92	$1,458.60	$4,704	$12,456

- No incentive to choose the HDHP over the $500 or the $250 plan
- Slight incentive to choose $500 plan over $250 plan
- Restructure to create incentive
  - Anthem requires 80% minimum on single, waive family requirement since more than 75% of employees covered
- Deductible not accounted for in EE costs.

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Full Contribution on Recommendation – No migration

	2019-20 Premium
Total Premium	$2,746,788
HRA Funding	$0
Total Plan Cost	$2,746,788
Employer Contributions	$2,059,320
Employee Contributions	$687,468
EE Cost Share	25.0%

	2020-21 Premium	% Change from 2019-20	$ Change from 2019-20
Total Premium	$2,275,164	-17.2%	-$471,624
HRA Funding	$45,500		
Total Plan Cost	$2,320,664	-15.5%	-$426,124
Employer Contributions	$1,683,351	-18.3%	-$375,969
Employee Contributions	$637,313	-7.3%	-$50,155
EE Cost Share	27.5%		

Key Advantage 500	Coverage Tier	Current Premium	Renewal Premium	ToFR Contribution	ToFR % Cost Share	Employee Contribution	Employee % Cost Share	EE Bi Weekly Contribution	COBRA Rate	Annual Employee Cost of Coverage*	Annual Employer Cost of Coverage*
	Employee	$713.00	$650.00	$570.00	88%	$80.00	12%	$36.92	$663.00	$960	$6,840
	Employee + Dep	$1,319.00	$1,202.00	$781.30	65%	$420.70	35%	$194.17	$1,226.04	$5,048	$9,376
	Family	$1,925.00	$1,754.00	$1,140.10	65%	$613.90	35%	$283.34	$1,789.08	$7,367	$13,681

HDHP	Coverage Tier	Current Premium	Renewal Premium	ToFR Contribution	ToFR % Cost Share	Employee Contribution	Employee % Cost Share	EE Bi Weekly Contribution	COBRA Rate	Annual Employee Cost of Coverage*	Annual Employer Cost of Coverage*
	Employee	$581.00	$529.00	$529.00	100%	$0.00	0%	$0.00	$539.58	$0	$6,348
	Employee + Dep	$1,075.00	$980.00	$715.40	73%	$264.60	27%	$122.12	$999.60	$3,175	$8,585
	Family	$1,569.00	$1,430.00	$1,043.90	73%	$386.10	27%	$178.20	$1,458.60	$4,633	$12,527

*** Annual Employee Cost of Coverage is equal to 12 months of employee contributions (column H). Employer cost of coverage is 12 months of Town of Front Royal Contribution (column F).**

Enrollment	KA 500	HDHP
% Enrollment Increase/Decrease	0%	0%
Employee Only	86	1
Employee + Dep	29	1
Family	55	0
Totals	170	2
Migration from KA 500 → HDHP		0%

HRA Funding	EE	FAM
KA 500	$0	$500
HDHP	$1,500	$2,000
Estimated Utilization		100%
Annual HRA Responsibility		$45,500

Plan Options Box

** A fully insured contract typically reworks rates if the plan options are changed. In this instance, removing Key Advantage 250 would probably lead to an increase in Key Advantage 500 rates to account for adverse selection. That is not accounted for in this model.*

$5.00	HRA Fee PEPM

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Full Contribution on Recommendation- With migration

	2019-20 Premium
Total Premium	$2,746,788
HRA Funding	$0
Total Plan Cost	$2,746,788
Employer Contributions	$2,059,320
Employee Contributions	$687,468
EE Cost Share	25.0%

	2020-21 Premium	% Change from 2019-20	$ Change from 2019-20
Total Premium	$2,182,236	-20.6%	-$564,552
HRA Funding	$141,500		
Total Plan Cost	$2,323,736	-15.4%	-$423,052
Employer Contributions	$1,747,863	-15.1%	-$311,457
Employee Contributions	$575,873	-16.2%	-$111,595
EE Cost Share	24.8%		

	Coverage Tier	Current Premium	Renewal Premium	ToFR Contribution	ToFR % Cost Share	Employee Contribution	Employee % Cost Share	EE Bi Weekly Contribution	COBRA Rate	Annual Employee Cost of Coverage*	Annual Employer Cost of Coverage*
Key Advantage 500	Employee	$713.00	$650.00	$570.00	88%	$80.00	12%	$36.92	$663.00	$960	$6,840
	Employee + Dep	$1,319.00	$1,202.00	$781.30	65%	$420.70	35%	$194.17	$1,226.04	$5,048	$9,376
	Family	$1,925.00	$1,754.00	$1,140.10	65%	$613.90	35%	$283.34	$1,789.08	$7,367	$13,681

	Coverage Tier	Current Premium	Renewal Premium	ToFR Contribution	ToFR % Cost Share	Employee Contribution	Employee % Cost Share	EE Bi Weekly Contribution	COBRA Rate	Annual Employee Cost of Coverage*	Annual Employer Cost of Coverage*
HDHP	Employee	$581.00	$529.00	$529.00	100%	$0.00	0%	$0.00	$539.58	$0	$6,348
	Employee + Dep	$1,075.00	$980.00	$715.40	73%	$264.60	27%	$122.12	$999.60	$3,175	$8,585
	Family	$1,569.00	$1,430.00	$1,043.90	73%	$386.10	27%	$178.20	$1,458.60	$4,633	$12,527

*** Annual Employee Cost of Coverage is equal to 12 months of employee contributions (column H). Employer cost of coverage is 12 months of Town of Front Royal Contribution (column F).**

Enrollment		
	KA 500	**HDHP**
% Enrollment Increase/Decrease	0%	0%
Employee Only	22	65
Employee + Dep	29	1
Family	55	0
Totals	106	66
Migration from KA 500 → HDHP		0%

HRA Funding	EE	FAM
KA 500	$0	$500
HDHP	$1,500	$2,000
Estimated Utilization		100%
Annual HRA Responsibility		$141,500

Plan Options Box

** A fully insured contract typically reworks rates if the plan options are changed. In this instance, removing Key Advantage 250 would probably lead to an increase in Key Advantage 500 rates to account for adverse selection. That is not accounted for in this model.*

$5.00	HRA Fee PEPM

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General Disclaimers

Coverage Disclaimer

This proposal is an outline of the coverages proposed by the carrier(s) based upon the information provided by your company. It does not include all the terms, coverages, exclusions, limitations, and conditions of the actual contract language. See the policies and contracts for actual language. This proposal is not a contract and offers no contractual obligation on behalf of GBS. Policy forms for your reference will be made available upon request.

Renewal / Financial Disclaimer

This analysis is for illustrative purposes only, and is not a proposal for coverage or a guarantee of future expenses, claims costs, managed care savings, etc. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts. See your policy or contact us for specific information or further details in this regard.

Legal

The intent of this analysis is to provide you with general information regarding the status of, and/or potential concerns related to, your current employee benefits environment. It should not be construed as, nor is it intended to provide, legal advice. Laws may be complex and subject to change. This information is based on current interpretation of the law and is not guaranteed. Questions regarding specific issues should be addressed by legal counsel who specializes in this practice area.

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Thank you!

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Work Session

Work Session Agenda Form Item # 2

DATE: March 30, 2020

AGENDA ITEM: CDBG General Discussion

SUMMARY: Council is requested to have a general discussion pertaining to the Community Development Block Grant (CDBG). Two specific areas to be a part of this discussion is:

a. **<u>Amendments to the “Bylaws & Members of Façade Advisory Board” and “Façade Improvements Program Design”</u>** – The amendment would update the members list currently approved by Town Council in 2018 and to amend the Façade Improvement Program Design to include “materials only” projects. Both documents are attached with areas highlighted that are to be amended.

b. **<u>Additional Funding for Pavilion</u>** – The lowest base bid received was $244,186.00. Additional work totaling $39,863.00 listed as alternate 3 in the bid document included adding fieldstone to center gable and fieldstone accents to pavilion column bases and the restroom building. The base bid including alternate#3 work totals $283,349.00. The CDBG budget includes $130,000 for the construction of the pavilion and $13,000 that should be able to be transferred from the CDBG permitting line item; providing a total of $143,000 that can be used from the CDBG budget. Additional funding totaling $140,349 would be needed if the Town chooses to move forward with the purchase of the pavilion. The Town could request a CDBG budget amendment which could allow a 50/50 split between Town Funds and CDBG funds. Summit Design who is assisting the Town with the CDBG recommends that the Town agree to provide Town funding of $75,000 and to request the CDBG budget amendment to cover $75,000 which would allow a contingency amount of $9,651 for the project.

BUDGET/FUNDING: Potential FY20 Funding Sources for $75,000 from Town FY20 Budget

		As of 3/10/20
Community Development Department Remaining Budget		$ 19,631.93
Council Funds Carried Forward for Community Development		$ 19,446.96
Clerk of Council Department Remaining Budget		$ 32,735.00
Town Engineer Department Remaining Budget		$ 25,144.25
Horticulturist Remaining Budgeted Salary		$ 29,891.00
Community Resource Officer Remaining Salary		$ 24,228.00
Tourism Operating Budget (Excluding Salaries/Benefits)		$ 50,561.58
	Total	$ 201,638.72

STAFF RECOMMENDATION: **<u>For the April 13, 2020 Regular Meeting</u>:** a. Council approve the documents as amended and b. If Council chooses to move forward with the Pavilion Project, staff recommends a CDBG budget amendment and to allocate $75,000 of Town funds using:

Community Development Department		$19,631.93
Council Funds Carried Forward for Community Development		$19,446.96
Clerk of Council Department Remaining Budget		$25,000.00
Horticulturist Remaining Budgeted Salary		$10,921.11
	Total	$75,000.00

FRONT ROYAL DOWNTOWN REVITALIZATION PROJECT CIG #17-23

BYLAWS AND MEMBERS OF THE
FAÇADE ADVISORY BOARD
TOWN OF FRONT ROYAL, VIRGINIA

ADOPTED BY TOWN COUNCIL
ON JUNE 25, 2018

AMENDED APRIL 2020

ASSISTANCE PROVIDED BY:
SUMMIT DESIGN AND ENGINEERING SERVICES

BYLAWS OF THE FAÇADE ADVISORY BOARD
FRONT ROYAL DOWNTOWN REVITALIZATION PROJECT

ARTICLE I – THE BOARD

SECTION 1. **Name of the Board.** The full name of the Board shall be the "Front Royal Downtown Revitalization Project Façade Advisory Board (FAB).

SECTION 2. **Purpose of the Board.**

1. The Board shall recommend policies and procedures that govern all improvements implemented under the Front Royal Downtown Revitalization Project's Façade Improvement Program.
2. The Board shall monitor staff, consultant, and contractor work progress in accordance with the Façade Improvement Program Design.
3. The Board shall have the authority to approve pre-qualified contractors to perform work related to the project for all contracts.
4. The Board shall approve applicants seeking program assistance.
5. The Board shall review bids and make contract awards for all Façade Improvement Program activities in consultation with Town staff, the Project Management Team, the Management Consultant, and the Consulting Architect.
6. The Board shall address and take action on written complaints or disputes that may arise in the course of the grant implementation. The Board shall respond in writing to all written appeals within 30 days of receipt and shall act to resolve the appeal within the subsequent 30 days.
7. The Board shall take other action, as permitted by the Town Council of Front Royal, Virginia, and as necessary to the Façade Improvement Program of the Front Royal Downtown Revitalization Project.

SECTION 3. **Office of the Board.** The office of the Façade Advisory Board shall be in the Town of Front Royal, Commonwealth of Virginia. The Board will hold its meetings in the Front Royal Town Office or at such place and time as it may designate.

SECTION 4. **Board Members.** The Façade Advisory Board shall consist of a minimum of seven (7) voting members, and shall be designated by the Grant Administrator, including:

- ~~The Town Manager serving as~~ Grant Administrator
- ~~The Director of Planning & Zoning serving as~~ Project Manager
- ~~The Director of Tourism & Community Development serving as~~ Assistant Project Manager
- A Town Council Liaison
- A Board of Architectural Review Liaison
- Two (2) Non-Benefiting Downtown Business Representative

__Non-Voting Consulting Members__. The Board may allow non-voting members to serve in an advisory capacity as deemed necessary. At a minimum these shall include the Management Consultant.

ARTICLE II – OFFICERS

SECTION 1. **__Officers__.** The officers of the Façade Advisory Board shall be a Chairperson, Vice-Chairperson, and Secretary.

SECTION 2. **__Chairperson__.** The Chairperson shall preside at all meetings of the Façade Advisory Board.

SECTION 3. **__Vice Chairperson__.** The Vice Chairperson shall perform the duties of the Chairperson in the absence or incapacity of the Chairperson; and in case of the resignation or death of the Chairperson, the Vice-Chairperson shall perform such duties as are imposed on the Chairperson until such time as the Façade Advisory Board shall select a new Chairperson.

SECTION 4. **__Secretary__.** The Secretary shall have the responsibility for keeping the minutes of the meetings, recording all votes of the Board, and keeping a record of the correspondence and proceedings of the Board. The records and minutes of the Board will be available for public review in the offices of the Town Manager or his/her designee.

SECTION 5. **__Election or Appointment__.** The Chairperson, Vice-Chairperson, and Secretary shall be elected by the members of the Façade Advisory Board with a simple majority and shall hold office for the term of the project, or until their successors are elected and qualified.

SECTION 6. **__Vacancies__.** Should any of the offices become vacant, the Façade Advisory Board shall elect a successor from its membership at the next regular meeting.

ARTICLE III – MEETINGS

SECTION 1. **__Regular Meetings__.** Regular meetings of the Façade Advisory Board shall be held as necessary to progress project Downtown; but will meet at least once per year. The Chairperson of the FAB will call the meetings. All meetings will take place at the Front Royal Town Office or at such place and time as it may designate by the Project Manager.

SECTION 2. **__Special Meetings__.** The Chairperson of the Façade Advisory Board may, when deemed expedient, call a special meeting of the Board.

SECTION 3. **__Interim Applicant Approvals/Denials & Contract Awards__.** The Chairperson of the Advisory Board may, when deemed expedient, conduct a poll of the members regarding specific applicant approvals/denials and Façade Improvement contract awards by e-mail or telephone, as long as the appropriate data and information have been made available to the members in a timely manner. A record of such interim decisions should be maintained in the Board's records and affirmed upon the first subsequent regular or special meeting of the Board.

SECTION 3. **Quorum.** The powers of the Façade Advisory Board shall be vested in the members. Four (4) voting members shall constitute a quorum of the Board for the purpose of conducting and exercising its powers and for all other purposes, but a smaller number may adjourn until a quorum is obtained. When a quorum is in attendance, action may be taken by the FAB upon a vote of a simple majority. Each member, including the Chairperson, shall have one vote.

SECTION 4. **Attendance.** Members are expected to attend all meetings and should notify the Secretary of any absence in advance.

ARTICLE IV – AMENDMENTS TO THE BYLAWS.

The Bylaws of the Façade Advisory Board shall be amended only with the approval of at least four (4) of the voting members of the Board at a regular or a special meeting, but no such amendment shall be adopted unless at least five (5) days written notice thereof has been previously given to all of the members of the FAB.

ARTICLE V – PARLIAMENTARY PROCEDURE

Robert's Rules of Order Newly Revised, 11th Edition shall govern the conduct and procedures at all meetings of the Façade Advisory Board.

~~INITIAL~~ MEMBERS DESIGNATED BY THE GRANT ADMINISTRATOR:

1. ~~Mr. Joe Waltz,~~ Town Manager serving as Grant Administrator
2. ~~Jeremy Camp~~, **Chris Brock Acting** Director of Planning & Zoning serving as Project Manager
3. ~~Felicia Hart, Director of Tourism & Community Development~~ BJ Wilson, Director of Finance serving as Assistant Project Manager
4. Bill Sealock, Town Council Liaison
5. Angela Toler, Board of Architectural Review Liaison
6. Ed Daley, A Non-Benefiting Downtown Business Representative
7. Herb Melrath, A Non-Benefiting Downtown Business Representative

Approval

Reviewed and adopted by the Front Royal Town Council in session on June 25, 2018

Amended by Front Royal Town Council in session on April 2020

____ ________________________

Matthew A Tederick, Interim Town Manager & Certifying Officer Date
Town of Front Royal

FRONT ROYAL DOWNTOWN REVITALIZATION PROJECT CIG #17-23

FAÇADE IMPROVEMENT
PROGRAM DESIGN
TOWN OF FRONT ROYAL, VIRGINIA

ADOPTED BY TOWN COUNCIL
ON JUNE 25, 2018
AMENDED APRIL 2020

ASSISTANCE PROVIDED BY:
SUMMIT DESIGN AND ENGINEERING SERVICES

TABLE OF CONTENTS

SECTION 1: PROGRAM ADMINISTRATION

PROGRAM OBJECTIVES

The Town of Front Royal is committed to providing financial incentives to private property owners for the rehabilitation of exteriors of the commercial structures within the project boundaries of the Front Royal Downtown Revitalization Project Area identified for funding through the Virginia Community Development Block Grant (CDBG) Program. The designated project area is shown on the map attached to this program design. The Town is prepared to offer both financial assistance and technical design assistance to property owners in order to improve the appearance and economic viability of the businesses and to eliminate blight and blighting influences in the identified project area. Front Royal has established the Front Royal Downtown Facade Improvement Program to:

1. Promote a diverse and economically viable downtown business district;
2. Contribute to eliminating blight, blighting influences, and other visual clutter detrimental to a downtown business district;
3. Promote economic development by providing an incentive for property owners to renovate their buildings for the expansion of the current use, for accommodation of a higher use, and to increase the occupancy level of vacant or underutilized buildings.

PROGRAM DESCRIPTION

The Town of Front Royal has budgeted $350,000 in CDBG funds provided by the Virginia Department of Housing and Community Development (DHCD) to provide matching deferred loans to property owners within the Front Royal Downtown Revitalization Project Area for commercial property facade improvements. The matching deferred loan must be applied to physical construction. The Town has also budgeted $35,000 in CDBG funds for architectural design assistance for the businesses.

The CDBG matching deferred loan is strictly for improvements to the exteriors of buildings visible from a public right-of-way. This generally excludes repairs to a building's roof, unless such improvements clearly contribute to enhancing the visual environment. The matching deferred loan may be applied to the primary façade, the exposed side(s) of a building, and the rear of a building (under certain circumstances). Exceptions to this guideline may be granted by the Front Royal Downtown Revitalization Facade Advisory Board based on the level of improvements needed on each face of the building.

A property owner must match the deferred loan amount with other exterior or interior improvements to the building. The matching deferred loan program will be administered by the Town of Front Royal Director of Planning and Zoning serving as Project Manager or his designated representative and will be available from June 2018 until funds are exhausted or close-out of the Front Royal Downtown Revitalization Project, whichever comes first. The program may be extended if new sources of funds become available to the Town of Front Royal. Recipients of matching deferred loans will be required to execute a legally binding agreement with the Town.

IMPROVEMENT STANDARDS

The Town will establish a Front Royal Downtown Revitalization Project Management Team of local citizens and public officials to provide overall coordination of the Front Royal Downtown Revitalization Project. A Front Royal Downtown Revitalization Facade Advisory Board will be appointed by Town Council to review and approve all commercial improvements proposed for funding under this program. The Advisory Board will work closely with each applicant and any consulting parties to devise appropriate designs/work write-ups and implement repairs and improvements that are in compliance with this Program Design. All exposed facades of existing buildings should present a finished appearance in character comparable to the remainder of the building. Economy of maintenance is important as well as producing a harmonious relationship with neighboring buildings and therefore exterior finishes should be of reasonably permanent and durable materials.

Because the Front Royal Downtown Revitalization Project Area is within the state and federally recognized Front Royal Historic District, façade improvement designs and exterior finishes are subject to review and approval by the Board of Architectural Review (BAR) and where necessary, the Planning Commission of the Town of Front Royal according to the Front Royal Historic Overlay District Guidelines and the Town of Front Royal Municipal Code (including Chapter 175 – Zoning) and subject to review and approval by the Virginia Department of Historic Resources (DHR) regarding their appropriateness for the building and location within the Historic District and the period of construction. Additionally, Preservation Virginia has requested to be a consulting party on all project reviews provided to the BAR and DHR.

SECTION 2: ELIGIBILITY CRITERIA

ELIGIBILITY REQUIREMENTS

All non-government-owned commercial buildings (income producing) within the project area are eligible for assistance through this program. However, buildings identified as deteriorating or are dilapidated in the Town's CDBG application area are targeted for funding.* Early in the program, the Façade Advisory Board and the Town will contact the owners of these buildings individually to urge them to participate. At its discretion, the Board may reduce CDBG funding levels for lower-priority buildings in order to conserve adequate funding to address the targeted buildings. In this event, the Board will use a point system to rank each facade improvement project pending approval. The project receiving the most cumulative points will be funded first, and so on until funds are exhausted. The points assigned will be as follows:

Building Condition Rating: *	Points	Weight
Sound	1	3
Deteriorating	2	
Dilapidated	3	

Cash Contribution to Work:	Points	Weight
100% match	1	2
101-150% match	2	
151-200% match	3	
201%+ match	4	

Leveraged Match/Investment:	Points	Weight
100% match	1	1
101-200% match	2	
201-300% match	3	
301%+ match	4	

* See Front Royal Building Conditions Map in the CIG application.

The total point score for each proposed project will be calculated by multiplying the point total for each criterion by the weight assigned to that criterion, and then adding the three (3) products.

Application Process / Technical Assistance

The Town of Front Royal will accept applications from identified commercial property owners in a sequence that takes into account the extent of need, proximity of location, and similarity of work so as to benefit from any economies of scale that might be realized through the contracting process and the points awarded per above as necessary. As a first step, the owner should fill out an application for assistance. The application should identify the building and its owner, provide a preliminary overview of the work to be performed, and include a brief summary of the proposed matching investment. Such application may be made on a form provided by the Town, and must be signed by all owners.

After receiving the application, the Project Manager/Assistant Project Manager will review the application, meet with the applicant, and do a preliminary site inspection in order to confirm eligibility for the Facade Improvement Program; to clarify and provide additional detail as needed to the owner's preliminary overview of the work to be performed; and to review the intended work for compliance with the property maintenance code, zoning ordinance, Historic Preservation regulations, and this Program Design. The Project Manager/Assistant Project Manager will forward the application and all additional details developed in these initial conversations to the Consulting Architect contracted to provide architectural design assistance.

The Consulting Architect will subsequently conduct a inspection of the subject building's exterior and consult with the owner in preparing improvement design sketches (by means of elevations, photographs with call-outs, or renderings indicating particular design elements and treatments) with a more detailed work write-up and preliminary cost estimate so as to assist contractors in preparing accurate bids and performing the required work. The Town, utilizing CDBG funds, will cover the cost of designs and work write-up ups, up to an amount equal to 10% of the CDBG funds invested in each Façade Improvement project (this percentage formula having been set by the Virginia Department of Housing and Community Development and agreed to by contract with the Consulting Architect). Any additional design assistance provided at the owner's request beyond that associated with the agreed upon Façade Improvement will be at the owner's expense per a separate agreement with the Consulting Architect or any other architect chosen by the owner.

The Town will refer each application, design sketches, work write-up, and cost estimate for approval to the Advisory Board. The Advisory Board is responsible for approving the work to be done as defined by design sketches and work write-ups, the intended matching investment amount, and readiness for bid. After Approval by the Advisory Board, the design sketches and work write-up for each project will be forwarded to the Town of Front Royal Board of Architectural Review for approval or advice and to Preservation Virginia for consultation. Once BAR approval and Preservation Virginia input are received and addressed appropriately, the Project Management Consultant will prepare for each Façade Improvement project a "Work Write-Up and Standards Check List" form provided by the Virginia Department of Historic Resources. This DHR form along with the design sketches and work write-up will be forwarded to DHR for its review and approval. The final work write-up, after any required adjustments or edits, will serve as the agreed upon scope of work for obtaining quotes or competitive sealed bids from contractors (see bidding procedure described below).

The Town will compile a list of pre-qualified licensed contractors to notify regarding bidding opportunities and will submit the list to the Advisory Board for its approval at the beginning of the program. The Town will place each approved job out for bid upon approval of the application by the Advisory Board, in accordance with the *Virginia Public Procurement Act* and Federal Labor Standards. Once received, the Board will also review all bids and approve all contract awards in consultation with Project Manager/Assistant Project Manager.

Once a project is ready to get underway, the Town will set up a contract/loan closing with the property owner and contractor to answer any final questions, discuss logistics and timing of construction activities, and sign the construction contract and deed of trust/deed of trust note associated with the deferred loan (explained more fully below). If the cost of the planned and agreed upon improvements exceed the maximum eligible amount available through the Façade Improvement Program, the property owner is expected to pay the additional costs at closing.

SECTION 3: MATCH REQUIREMENTS

PRIVATE INVESTMENT MATCH REQUIREMENTS

Building owners must pay all costs above $20,000 and match the CDBG funds committed to the Façade Improvement projects dollar for dollar. An owner can meet the match requirement in three ways:

1. The basis for the match can be qualifying improvements to the building the owner has completed or will have completed at the time of the contracted Façade Improvement work. Matching qualifying improvements include any permanent improvements, interior or exterior, made to the building such as improvements to the plumbing, electrical, or mechanical systems of the structure, a new roof, new doors or windows, etc. Furnishings, shelving, appliances, moveable kitchen equipment, and other unattached improvements are not considered qualifying improvements. The cost of the previous or concurrent improvements must equal dollar for dollar the CDBG funds committed to the project. Example: With $20,000 in improvements funded by $20,000 in CDBG funds, the property

owner would need $20,000 in previous or concurrent improvements as a matching investment.

2. If the property owner does not have any qualifying matching investment, the owner can opt to finance 50 percent of the total dollar value of the improvements through an actual cash contribution or a loan from a lending institution. Example: With $20,000 in façade improvements shared equally by the property owner and the Façade Improvement Program, each would make a $10,000 payment.

3. If the owner wishes to invest via both of the above because of a limited amount of previous or concurrent qualifying improvements, the total amount invested must still equal the CDBG investment. Example: With $20,000 in improvements and only $10,000 in previous or concurrent improvements as a matching investment, the CDBG funds committed to the project could only be $15,000. The property owner's dollar for dollar match would equal the $10,000 in previous or concurrent improvements plus an additional $5,000 in cash toward the cost of façade improvements under this program for a total of $15,000.

All match amounts will be based on the final contractor quote or bid price accepted by the owner, Advisory Board, and Town. Private investment that has been made since September 1, 2015 may be counted toward the required match. The owner must present invoices or other appropriate information to document the matching investment.

For building owners who opt to use their own time and labor as match, standard wage rates by job types and building owner skills will be utilized to calculate the match. DHCD will provide wage information based on federal wage rates for various job types.

Prior to approving an application for assistance, the Advisory Board must have adequate assurance that the owner has clear title to the property, that the property is properly insured, and that the property owner has provided verification of his/her financial match or has on hand the financial resources needed to meet the approved match amount. If the approved matching amount includes a cash contribution toward the cost of the contracted façade improvements, the owner must agree to pay the matching funds to the Town at contract signing/loan closing so that the Town can pay contractor invoices in a timely fashion.

CONDITIONS OF THE MATCHING DEFERRED LOAN

The Town of Front Royal will make matching deferred loans to qualified applicants for the repair and improvement of the primary façade and exposed side(s) of the building, if visible from a public right-of-way including all vertical surfaces, gutters, downspouts, doors, windows, attached signs, exterior lighting, canopies, awnings, masonry cleaning & repair, and painting. Ineligible work includes any repairs/improvements to the interior, electrical, plumbing & mechanical systems, roofs, structural elements, non-permanent fixtures, and new construction.

Loan amounts available are:

1. Up to $15,000 for the cost of improvements to a primary building façade;

2. Up to an additional $2,500 per bay on a primary façade with multiple businesses (maximum of two additional bays);

3. Up to $5,000 for non-primary facades as long as the primary façade meets program standards or is also being improved under the Façade Improvement Program;

4. No more than $20,000 provided per separately parceled commercial property, regardless the number of facades or bays.

Owners will be expected to also cover all costs over the maximum eligible amount calculated for their buildings. Costs above the CDBG funds to be invested into each project must be paid at contract signing/deferred loan closing.

The matching deferred loan will be made for a five (5)-year term at zero percent (0%) interest. The deferred loan will be entirely forgiven at the end of the five-year period and the property lien removed if the applicant has met the following conditions:

1. The property owner has completed the facade improvements in accordance with the CDBG program guidelines and has done so within six (6) months of bid acceptance, unless the Advisory Board grants a request for extension of time. All buildings receiving CDBG funds must be free of exterior blight once the construction is complete.

2. The property owner has continued to maintain the improvements in a satisfactory condition.

3. The building to be improved must have a current tenant operating a business or must be occupied by a tenant operating a business within one year after the improvements are completed, unless the Advisory Board grants a request for extension of time. Rental apartments are considered a business, as long as the apartments meet all applicable property maintenance code and zoning ordinance requirements. If the owner is unsuccessful in securing a tenant within this timeframe, only 10% of the deferred loan will be forgiven during the first year and no amount of the deferred loan will be forgiven in subsequent years of vacancy.

4. Once rented, short vacancies of four (4) months or less will not be added to the term of the deferred loan. Longer term vacancies of five (5) months or more and frequent and repeated vacancies of any duration will be added onto the term of the deferred loan. Exceptions to this provision are at the discretion of the Advisory Board or any successor organization created by the Town of Front Royal to oversee the Façade Improvement Program.

5. The owner of the building at the time of the loan approval has retained ownership of the improved property during the five-year period. If the owner sells the property within the

five-year term, or otherwise voluntarily transfers ownership, the balance on the loan note will become due and payable on a prorated basis (20% of deferred loan forgiven per year).

In addition, property owners will be expected to continue maintaining the improvements beyond the term of the deferred loan. This expectation will be enforced by the Town through its property maintenance ordinance.

CDBG funds returned to the Town through enforcement of these conditions shall be considered Program Income. The Town will use any such Program Income to make additional deferred loans in accordance with this Program Design and the Program Income Plan approved by DHCD and implemented as a part of the Front Royal Downtown Revitalization Project.

SECTION 4: BIDDING, CONTRACTING, INSURANCE, & PAYMENTS

The goal of these procedures is to minimize the time and complexity of applying for assistance, while meeting U. S. Department of Housing and Urban Development (HUD) and DHCD requirements for use of CDBG funds. In this manner, it is the Town's hope to maximize participation by eligible Downtown Front Royal property owners.

All jobs involving CDBG funds must be bid by the Town, which shall select the winning bidder with the assistance of the Advisory Board and in accordance with the *Virginia Public Procurement Act*. The winning bidder must also be acceptable to the owner.

~~As a policy exception due to extraordinary circumstances, building owners who are also licensed and insured contractors may choose to have their personal company do the construction work with the prior approval of the Advisory Board, including approval of the design sketches and work write-up. In such circumstances, CDBG funds can only be used for the documented cost of materials secured from the supplier providing the lowest price quote, with a minimum of three (3) quotes provided. It should be noted that under this circumstance, a building owner may not be eligible for the full matching deferred loan because the cost of materials may be significantly less than the $20,000 deferred loan available per commercial building. A two-party contract between the Town and the owner for the cost of materials would be executed in such circumstances.~~

~~As a policy exception due to extraordinary circumstances, a building owner may negotiate independently with a licensed and insured contractor with the prior approval of the Advisory Board, including approval of the design sketches and work write-up. In such a circumstance, CDBG funds can only be used for the documented cost of materials secured from the supplier providing the lowest price quote, with a minimum of three (3) quotes provided. It should be noted that under this circumstance, a building owner may not be eligible for the full matching deferred loan because the cost of materials may be significantly less than the $20,000 deferred loan available per commercial building. A two-party contract between the Town and the owner for the cost of materials would be executed in such circumstances.~~

Building owners who are also licensed and insured contractors may choose to have their personal company do the construction work with the prior approval of the Advisory Board, including approval of the design sketches and work write-up. In such circumstances, CDBG funds can only be used for the documented cost of materials. Where building components such

as window, doors, or awnings are fabricated off-site and only installed on site, such components are considered materials if the cost is quoted and paid based on an "installed price." It should be noted that under this circumstance, a building owner may not be eligible for the full matching deferred loan because the cost of materials may be significantly less than the $20,000 deferred loan available per commercial building. A two-party contract between the Town and the owner for the cost of materials would be executed in such circumstances.

A building owner may negotiate independently with a licensed and insured contractor with the prior approval of the Advisory Board, including approval of the design sketches and work write-up. In such a circumstance, CDBG funds can only be used for the documented cost of materials. Where building components such as window, doors, or awnings are fabricated off-site and only installed on site, such components are considered materials if the cost is quoted and paid based on an "installed price." It should be noted that under this circumstance, a building owner may not be eligible for the full matching deferred loan because the cost of materials may be significantly less than the $20,000 deferred loan available per commercial building. A two-party contract between the Town and the owner for the cost of materials would be executed in such circumstances.

A formal contract and lien must secure each job involving CDBG assistance. The Town will prepare these documents for execution by the owner. The two-party or three-party contract (as appropriate) will outline each party's responsibilities and the work description. In addition to the contract, a deed of trust and deed of trust note will be executed by the owner and the Town and subsequently recorded in order to secure the loan. Property owners will need to be prepared to pay any cash match that is required and any costs over the maximum eligible amount calculated for the building at closing.

Prior to execution of the contract and loan documents, the owner of the building to be improved must provide evidence of ownership such as a deed or tax receipt. The Town will have performed a Title Search prior to contract execution where any question of ownership or clear title arises. The Town will require written documentation from the owner that the structure is covered by all-hazard insurance in a sufficient amount to protect the Town's investment in the improvements prior to contract execution. For any commercial building in a 100-year flood plain, insurance coverage must include flood insurance provided through the National Flood Insurance Program.

To be eligible for the Façade Improvement Program, a property owner and any and all tenants occupying the building must not owe past due taxes of any type levied and collected by the Town of Front Royal or County of Warren unless an official arrangement has been made for payment of back taxes between the property owner and the Town of Front Royal and County of Warren.

All construction is subject to the Virginia Uniform Statewide Building Code as adopted by reference in the Warren County Code of Ordinances and to regular inspection and approval by the Warren County Building Official and/or Building Inspectors.

If requested, materials deposits and progress payments can be released to the contractor based on a valid receipt for materials purchased and securely stored and/or a satisfactory interim inspection. Otherwise, the total loan amount will be released in one (1) 100% payment after the construction work is determined to be substantially complete by the Project Manager/Assistant Project

Manager, Building Official/Building Inspector, and property owner as documented by an executed Statement of Final Completion/ Acceptance.

Section 5: Program Time Frame

Matching deferred loans will be available to qualified applicants from June 1, 2018 until final close-out of the Front Royal Downtown Revitalization Project or until funds are exhausted, whichever comes first. However, at the Town's discretion, submission of applications for assistance may be limited to certain windows of time (rounds of funding).

Section 6: Program Income

Any CDBG funds recaptured during implementation of the Front Royal Facade Improvement Program will be used to recapitalize and extend the Facade Improvement Program. Recaptured funds, if any, are expected to come only from prorated repayment of deferred loans due to non-compliance with terms. Recaptured CDBG funds will thus be used to further eliminate blight and blighting influence in Downtown Front Royal, removing obstacles to economic development. The Town may elect to expend recaptured funds outside the current project area for this purpose according to the Program Income Plan approved by DHCD and implemented as a part of the Front Royal Downtown Revitalization Project.

Section 7: Complaints and Appeals Procedure

Oral complaints of any nature and by any party shall be documented and resolved by the Façade Improvement Program Project Manager as informally and quickly as possible. If the complainant requires assistance in putting his or her complaint or appeal in writing, staff will make such assistance available. Written complaints received by the Project Manager or the Town of Front Royal will be resolved and documented in consultation with the Advisory Board. The person making the complaint will be notified in writing of the decision. All written complaints will be addressed within thirty (30) days of receipt and resolved within the subsequent thirty (30) day time period and documentation retained for review. Barring a resolution of the complaint by the Advisory Board, the complaint may be taken to the Front Royal Downtown Revitalization Project Management Team with the same requirements as above. Barring a resolution of the complaint by the Management Team, the complaint may be taken to the Town Council where a non-legal resolution is final. Any final appeal will be addressed in writing to DHCD where a non-legal resolution is final. Appeals to DHCD should include a copy of all correspondance that has taken place to date. The appeal should identify the problem and the desired solution. DHCD will investigate the complaint and respond in writing in a timely manner. All involved parties will be copied. Beyond this step, the complainant may seek a legal remedy in the local court of jurisdiction at complainant's own cost. Once a job is Inspectorly closed out and the one-year warranty period is in effect, the property owner should address complaints, in writing, directly to the contractor involved in the rehabiliation.

Section 8: Recordkeeping

The Advisory Board Secretary will be responsible for keeping the minutes of its meetings. The Board will also be responsible for tracking the number of businesses assisted by and participating in the Facade Improvement Program. Documentation of private investments made by property owners within the project area either through source documentation (such as invoices, construction contracts, etc.) or through affidavit as submitted to the Project Manager are subject to validation by the Advisory Board.

Section 9: Program Design Amendments

During implementation of the Front Royal Downtown Facade Improvement Program, the Town may find it necessary to make minor changes and refinements as the program proceeds. If a minor alteration to this design is deemed necessary to better achieve the intent of the program, the Advisory Board will adopt the changes upon approval of the proposed change by DHCD. If a major alteration to this design is deemed necessary, the Advisory Board will adopt the changes and forward them for approval by the Front Royal Town Council and by DHCD. The Façade Improvement Program will be implemented to assure consistent and equitable assistance to all program participants.

Section 10: Approval

Reviewed and adopted by the Front Royal Town Council in session on June 25, 2020.
Amended by the Front Royal Town Council in session on April 2020

____ ____________________

~~Joe Waltz~~, **Matthew A. Tederick Interim** Town Manager & Certifying Officer Date
Town of Front Royal

AMENDMENT TO FAÇADE IMPROVEMENT DESIGN

Front Royal Façade Improvement Program
"Materials Only" Procedures

Background

Because the normal means of bidding out façade improvements has yielded bids that have been too high so as to be unworkable, the Town of Front Royal is going to prioritize using an exception clause in the Front Royal Façade Improvement Program Design that allows for paying property owners for the cost of materials that are used for making improvements to a building's façade under a two-party contract between the Town and the property owner. The following serves as the procedures to be followed for "materials only" projects:

Procedures

1. Items that can be covered as a "materials only" façade improvements include:
   a. Paint and any materials used in preparing a surface to receive the new paint with the labor provided by the owner or a painting contractor of the owner's choosing at the owner's expense.
   b. Construction materials purchased and used to make permanent improvements to the façade by the owner or by a contractor of the owner's choosing at the owner's expense. Examples of construction materials include, but are not limited to, dimensional or customized lumber or its equivalent; electrical and lighting supplies; roofing material for roofs that are viewable from a public right-of-way; and doors, windows, exterior wall coverings, awnings, and signs installed by the owner or a contractor who is not the vendor of the materials or items (see additional information below).
   c. The installation of doors, standard windows, storefront windows, exterior wall coverings, awnings, and signs as long as the cost is quoted and paid based on an "installed price" by the vendor providing the new item(s).
2. Those items that are outside of the definition of "materials only" include:
   a. The cost of labor associated with the installation of doors, windows, exterior wall coverings, awnings, or signs by a contractor who is not also the vendor of the new item(s) to be installed.
   b. The cost of labor associated with the repair of existing doors, windows, exterior wall coverings, trim, awnings, signs, or other building components.
   c. The cost of labor associated with improvements that require on-site fabrication or assembly of items used to affect the improvement or are anticipated to require extensive on-site work to be accomplished.
3. All contracted work must be done based on a design and/or a work write-up completed by either the Project Architect or another person designated by the Town and approved by the Town's appointed Façade Advisory Board, the Front Royal Board of Architectural Review, and the Virginia Department of Historic Resources.
4. The property owner will enter into a two-party contract with the Town and a Deed of Trust and Deed-of-Trust Note will be attached to the property in the dollar amount of the materials funded through the program. The cost of materials must be documented through providing material lists with prices, price quotes, or contracts signed by the property owner for materials including installed materials.
5. All contracted work must be completed within ninety (90) days of contract signing. After completion of the project, the owner is responsible for filing with the Town the final receipts for all funded materials.
6. At contract signing, owner's may request 50% payment of the cost of materials covered by the contract. The final 50% payment will only be made once the work is complete, as verified by Town staff, and the owner files the final receipts for the materials funded through the Façade Improvement Program (or 100% payment if the owner chooses to not request the initial 50% payment).
7. The Deed of Trust and Deed-of-Trust Note will only be prepared, signed, and filed after the project is complete in order to allow for any changes in the cost of materials that may occur during construction.

VENDOR SPREAD SHEET

Town of Front Royal, VA

BID TABULATION SUMMARY
BID: IFB #01-2020 TOWN COMMONS PAVILION
BID OPENING DATE & TIME: 1/27/20 @ 2 PM

	PINE KNOLL CONSTRUCTION COMPANY, CLEARBROOK, VA	**FUOG/INTERBUILD, PURCEVILLE, VA**
DESCRIPTION		
BASE BID	**$244,186.00**	**$295,824.00**
ALTERNATE #1	$26,168.00	$6,000.00
ALTERNATE #2	$12,995.00	$3,265.00
ALTERNATE #3	$39,163.00	$9,265.00
ALTERNATE #4	$26,887.00	$10,250.00
ALTERNATE #5	$53,055.00	$16,250.00
TOTAL WITH ALTERNATES	**$402,454.00**	**$340,854.00**

The VENDOR SPREAD SHEET is generated from the initial, raw information collected.
No award decision has been made.

Prepared by: Alisa Scott, CPPB, VCO, PMP

Department of Purchasing
102 E Main Street
Front Royal, VA 22630
Website: www.frontroyalva.com
Phone 540-636-6889

02-14-20

FRONT ROYAL DOWNTOWN REVITALIZATION PROJECT
BUDGET

Budget Line Item	Total Budget	CDBG Budget	Town Budget	Private	Other Town Leverage
ADMINISTRATION					
Execution of DHCD Contract	$ 10,000	$ 7,500	$ 2,500	$ -	$ -
Execution of Project Contracts - Facades					
Designs Complete & Bid Documents Released - 20 @ $250 Each	$ 5,000	$ 5,000	$ -	$ -	$ -
Façades Under Contract - 20 @ $250 Each	$ 5,000	$ 5,000	$ -	$ -	$ -
Execution of Project Contract - Public Improvements					
Designs Complete & Bid Documents Released	$ 1,500	$ 1,500	$ -	$ -	$ -
Construction Contractor under Contract	$ 1,500	$ 1,500	$ -	$ -	$ -
Contract Monitoring - Mtgs, Remittances & Financial Tracking for 24 Mos @ $875 / Mo.	$ 21,000	$ 21,000	$ -	$ -	$ -
Construction Completion - 20 Facades @ $525 Each	$ 10,500	$ 10,500	$ -	$ -	$ -
Construction Completion - Public Improvements					
Public Improvements @ 50%	$ 1,750	$ 1,750	$ -	$ -	$ -
Public Improvements @ 100%	$ 1,750	$ 1,750	$ -	$ -	$ -
Achievement of Benefits - Monthly Reporting (24 @ $75 Each)	$ 1,700	$ 1,700	$ -	$ -	$ -
Achievement of Benefits - Annual Reporting (2 @ $400 Each)	$ 800	$ 800	$ -	$ -	$ -
Satisfactory Compliance Reviews - 2 @ $2,000 Each	$ 4,000	$ 4,000	$ -	$ -	$ -
Administrative Project Closeout	$ 2,000	$ 2,000	$ -	$ -	$ -
Labor Compliance					
20 Facades @ $200 Each	$ 4,000	$ 4,000	$ -	$ -	$ -
Public Improvements LC Current @ 50%	$ 1,000	$ 1,000	$ -	$ -	$ -
Public Improvements LC Current @ 100%	$ 1,000	$ 1,000	$ -	$ -	$ -
Workshops	$ 1,500	$ -	$ 1,500	$ -	$ -
Advertising	$ 1,250	$ -	$ 1,250	$ -	$ -
Legal	$ 1,400	$ -	$ 1,400	$ -	$ -
Deed of Trust Recordations	$ 1,500	$ -	$ 1,500	$ -	$ -
ADMINISTRATION TOTAL	**$ 78,150**	**$ 70,000**	**$ 8,150**	**$ -**	**$ -**
BUSINESS DISTRICT REVITALIZATION - FAÇADE IMPROVEMENTS					
Soft Costs: Architect @ 10% of CDBG Investment	$ 32,500	$ 32,500	$ -	$ -	$ -
Construction: 20 Facades	$ 650,000	$ 325,000	$ -	$ 325,000	$ -
BDR - FAÇADE IMPROVEMENTS TOTAL	**$ 682,500**	**$ 357,500**	**$ -**	**$ 325,000**	**$ -**
BUSINESS DISTRICT REVITALIZATION - PAVILION / RESTROOMS					
Engineering & Inspections	$ 15,000	$ -	$ 15,000	$ -	$ -
Construction	$ 130,000	$ 130,000	$ -	$ -	$ -
Construction - Labor	$ 24,000	$ -	$ -	$ -	$ 24,000
Construction - Materials	$ 24,500	$ -	$ 24,500	$ -	$ -
Maintenance / Sustainability	$ 5,000	$ -	$ 5,000	$ -	$ -
Permittting	$ 21,180	$ -	$ 21,180	$ -	$ -
BDR - PAVILION / RESTROOMS TOTAL	**$ 219,680**	**$ 130,000**	**$ 65,680**	**$ -**	**$ 24,000**
BUSINESS DISTRICT REVITALIZATION - OTHER					
Streetscape Improvement Planning & Design					
Engineering & Inspections	$ 20,000	$ -	$ 20,000	$ -	$ -
Labor - Refurbish Crosswalks, Trash Cans, Benches	$ 5,100	$ -	$ -	$ -	$ 5,100
Materials - Refurbish Crosswalks, Trash Cans, Benches	$ 3,400	$ -	$ 3,400	$ -	$ -
STREETSCAPE SUBTOTAL	**$ 28,500**	**$ -**	**$ 23,400**	**$ -**	**$ 5,100**
Parking & Alley Improvements					
Engineering & Inspections	$ 50,000	$ -	$ 50,000	$ -	$ -
Labor	$ 2,100	$ -	$ -	$ -	$ 2,100
Murals	$ 3,000	$ -	$ -	$ 3,000	$ -
Materials	$ 1,400	$ -	$ 1,400	$ -	$ -
PARKING & ALLEY SUBTOTAL	**$ 56,500**	**$ -**	**$ 51,400**	**$ 3,000**	**$ 2,100**
Royal Shenandoah Greenway - Criser Road Trail Link					
Engineering & Inspections	$ 40,000	$ -	$ -	$ -	$ 40,000
Labor	$ 120,000	$ -	$ -	$ -	$ 120,000
Materials	$ 230,000	$ -	$ -	$ -	$ 230,000
Permitting	$ 10,000	$ -	$ -	$ -	$ 10,000
GREENWAY / TRAIL LINK SUBTOTAL	**$ 400,000**	**$ -**	**$ -**	**$ -**	**$ 400,000**
BDR - OTHER TOTAL	**$ 485,000**	**$ -**	**$ 74,800**	**$ 3,000**	**$ 407,200**
BUSINESS DISTRICT REVITALIZATION - SIGNAGE					
Design & Inspections	$ 21,500	$ 15,000	$ 6,500	$ -	$ -
Labor	$ 15,000	$ -	$ -	$ -	$ 15,000
Materials	$ 124,500	$ 112,500	$ 12,000	$ -	$ -
Permitting	$ 1,000	$ -	$ 1,000	$ -	$ -
BDR - SIGNAGE TOTAL	**$ 162,000**	**$ 127,500**	**$ 19,500**	**$ -**	**$ 15,000**
BUSINESS DISTRICT REVITALIZATION - BRANDING & MARKETING					
Social Media & Digital Advertisements	$ 4,000	$ 4,000	$ -	$ -	$ -
Marketing Documents & Brochures	$ 13,400	$ -	$ 13,400	$ -	$ -
Website Strategy	$ 11,000	$ 11,000	$ -	$ -	$ -
Refurbish Brochure Racks	$ 6,000	$ -	$ 6,000	$ -	$ -
Visitor Center Update	$ 10,000	$ -	$ 10,000	$ -	$ -
Branded Campaigns	$ -	$ -	$ -	$ -	$ -
BDR - PUBLIC IMPROVEMENTS TOTAL	**$ 44,400**	**$ 15,000**	**$ 29,400**	**$ -**	**$ -**
GRAND TOTAL	**$ 1,671,730**	**$ 700,000**	**$ 197,530**	**$ 328,000**	**$ 446,200**

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Work Session Agenda Form Item # 3

DATE: March 30, 2020

AGENDA ITEM: Temporary Waiver of Credit Card Fees

SUMMARY: Council is requested to discuss a temporary waiver of fees for payments tendered using a credit or debit card. Town of Front Royal Municipal Code States:

12-3 FINANCE FEES

A. FEE FOR RETURNED CHECK: If any check or other means of payment tendered to the Town in the course of its duties is not paid by the financial institution on which it is drawn, because of insufficient funds in the account of the drawer, no account is in the name of the drawer, or the account of the drawer is closed, and the check or other means of payment is returned to the Town unpaid, the amount thereof shall be charged to the person on whose account it was received, and his liability and that of his sureties shall be as if he had never offered any such payment. A penalty of $35.00 or the amount of any costs, whichever is greater, shall be added to such amount, and said penalty shall be in addition to any other penalty provided by law.

There is hereby added to any amount due to the Town a fee of 2.35% when payment of such amount is tendered by either credit card or debit card or any other means of payment by which the Town incurs a charge.

The current credit card fees average approximately $10,000 per month. If the fee is temporarily waived, staff anticipates that this expense will double to approximately $20,000 per month with additional credit card payments and the billing of 2020 taxes.

Revenue shortfall for FY20 could possibly be offset by reduction of expenditures to be identified by staff and/or usage of reserve fund balance.

Council may consider amending the FY21 Proposed Budget to absorb credit card fees by reduction of expenditures and/or an increase in rates; annual expenditure for credit card fees if waived are estimated to be approximately $240,000.

BUDGET/FUNDING: $20,000 per month shortfall on budgeted revenues; if waived until June 30, 2020 the estimated shortfall would be $60,000 for FY20. Shortfall could possibly be offset by reduction of expenditures identified by staff and/or usage of reserve fund balance.

STAFF RECOMMENDATION: Due to the constraints of social distancing and recommendations for residents to stay at home due to COVID-19; staff recommends for Council to direct the Director of Emergency Management to waive fees associated with credit card payments until June 30, 2020.

Work Session