



CITY COUNCIL

~ MINUTES ~

REGULAR MEETING

312 S. Mildred Street
Ranson, WV 25438
www.cityofransonwv.net

Tuesday, March 6, 2018

7:00 PM

Council Chamber

I. CALL TO ORDER

The meeting was called to order at 7:00 PM by Mayor Keith D. Pierson

Attendee Name	Title	Status	Arrived
Keith D. Pierson	Mayor	Present	
Mike Anderson	Third Ward Council	Present	
David Cheshire	At-Large Council	Present	
Scott Coulter	First Ward Council	Present	
Tony Grant	At- Large Council	Absent	
Donnie Haines	Second Ward Council	Present	
Jay Watson	At-Large Council	Absent	
Andrew Blake	City Manager	Present	
William Roper	Chief of Police	Present	
Stacey Pfaltzgraff	City Clerk	Present	
Edward Erfurt	Asst. City Manager	Present	
Lori Nice	Finance Director	Present	
Debbie McClure	CVB Director	Present	

II. APPROVAL OF MINUTES

1. City Council - Regular Meeting - Feb 20, 2018 7:00 PM

RESULT:	ACCEPTED [UNANIMOUS]
AYES:	Pierson, Anderson, Cheshire, Coulter, Haines
ABSENT:	Tony Grant, Jay Watson

III. CITIZEN'S PRESENTATIONS/PETITIONS

None

IV. CITY MANAGER/STAFF REPORTS

Chief William Roper - Chief Roper provided the following updates to Council: Staff attended the February 20, 2018, Council meeting, School Improvement Council meeting at Ranson Elementary, two-day Supervisors Training presented by Blue Ridge Community & Technical College, quarterly Local Emergency Planning Committee meeting, PD staff meeting, met with CVB Director to discuss the upcoming 1-mile run sponsored by Two Rivers Treads, met with

Finance Director to discuss the department's 2018-2019 budget, met with Sheriff Dougherty and Chief Kutcher concerning Highway Safety Funding, and the 2018 All-Hazards Committee meeting. The West Virginia State Police Department held an Interdiction Enforcement throughout Jefferson County. Department staff addressed a citizen complaint; and referred the complaint to other agencies to further address the matter. Officer Ellis attended a 16-hour Drug Interdiction on Traffic Stops seminar for in-service hours. Officer Lynch and Officer Jenkins attended a 16-hour Advanced Roadside Impaired Enforcement seminar for in-service hours. The Local Drug Task Force actively participated with local agencies to make arrests for several active warrants for individuals within Jefferson County. The department patrolled the intersection of Oak Lee Drive and Route 9 to slow down traffic and make sure all citizens were safe at said location where teachers were present during the teacher walk-out.

V. COMMUNICATIONS FROM THE MAYOR

1. Home2 Suites
2. JayDee's Fundraiser for Panhandle Home Health - Thursday, April 26, 2018, Shot-gun start at 1:00 pm
3. Jefferson County Chamber of Commerce 9th Annual Chamber Golf Classic - Monday, April 30, 2018, from 11:30 am to 6:00 pm at The Club at Cress Creek, 100 Cress Creek Drive, Shepherdstown - Proceeds from this event fund Chamber events such as: the Public Service Banquet, New Teachers' Luncheon, the Jefferson County Schools High School Business Symposium, and the Chamber Annual High School Scholarships. Registration begins at 11:00 am; lunch 11:30 am; scramble tee off 1:00 pm; and dinner/awards approximately 5:30 pm (as teams finish) - Contact Kimm Spencer at 304-725-2055 or kimm@jeffersoncountywvchamber.org
4. John D. Lowe, Jr. Memorial Golf Classic - Thursday, May 10, 2018 - Cress Creek Golf and Country Club from 10:00 am to 5:30 pm - For details call 304-262-0336
5. Toys for Tots 2017 Annual Giving Statement
6. Workers Compensation Experience Rating Factor - Each year the City is audited on the Workers Compensation claims. The City received a modification rating of .76. Any rating lower than 1.00 is considered very good. This rating will be effective July 1, 2018, and the City will see a decrease in the Workers Compensation premium.
7. Fairfax Crossing - Mayor Pierson directed staff to look into the road conditions and signage at Fairfax Crossing and work on making the necessary changes to alleviate any existing road hazards.
8. Carpenters Apprentice Program - Mayor Pierson recommended Council to consider how funds, which were allocated to the Mini Grant Program in the

past, should be allocated in the future. City Manager Blake, along with other staff members, have seen a growing need to assist citizens in the City who often are living in structures that are not habitable; and how the funds previously allocated to the Mini Grant Program might better serve a population of citizens who in many scenarios do not even have the basic necessities to live comfortably.

VI. COUNCIL BUSINESS

1. Ordinance #2018-304 - 1st READING of an Ordinance of the City Council of Ranson, West Virginia, Amending the City of Ranson Municipal Code, Chapter 16, Article III, Division 14, Sec 16-179 "Wall and Fence Design Standards"

After careful review and staff recommendations, the Ranson Planning Commission approved and recommended amendments be made to Chapter 16, Article III, Division 14, Section 16-179 to reflect amended height deviations and materials used for constructing fences applicable to all zoning districts with the exception of Rural Reserve, T1 and bona-fide agricultural as the primary use as defined by W.Va. Code, §8A-12-11(c). The 2nd READING was scheduled for March 20, 2018.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Donnie Haines, Second Ward Council
AYES:	Pierson, Anderson, Cheshire, Coulter, Haines
ABSENT:	Tony Grant, Jay Watson

2. Resolution #2018-006 - A Resolution of the City Council of Ranson, West Virginia Authorizing Improvements to the Ranson Civic Center

Other needs have been identified to improve the Ranson Civic Center with budgeted funds left over from the HVAC funding. These improvements include the need for new energy efficient lighting; new interior wall treatment and interior insulation; and the possibility of new flooring. City Manager Blake stated staff will advertise for bids to complete the new energy efficient lighting. The Public Works Department will be constructing and installing the new interior wall treatments. New flooring for the facility is still being researched by staff.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Mike Anderson, Third Ward Council
SECONDER:	David Cheshire, At-Large Council
AYES:	Pierson, Anderson, Cheshire, Coulter, Haines
ABSENT:	Tony Grant, Jay Watson

3. Special Activity Permit - Two Rivers Treads

Sarah Hodder requested Council's approval to have a 1-mile run on Fairfax Boulevard on Saturday, May 12, 2018, at 11:00 am.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Scott Coulter, First Ward Council
SECONDER:	Donnie Haines, Second Ward Council
AYES:	Pierson, Anderson, Cheshire, Coulter, Haines
ABSENT:	Tony Grant, Jay Watson

4. 2018-2019 Budget Presentation; Discussion; and Public Input

Presented by City Manager Andy Blake - Staff was pleased to present Ranson's recommended Fiscal Year (FY) 2018-2019 Proposed General Fund Operation Budget for City Council's approval. This budget is balanced and totals \$5,716,123 an overall increase of 7.5% from 2017/2018. A large portion of this increase is attributed to a change in the State Auditor's rules requiring an estimated fund balance to be inserted within the budget (conservatively estimated at \$200,000) and an increase in revenues reserved for other funds (i.e. hotel-motel tax and garbage revenue) outside of the General Fund. It was presented along with a separate Capital Improvement and Reserve Fund Budget for street improvements and equipment.

Growth, development and progress continues within the City of Ranson. Ranson continues to see a pattern of incremental growth. The announcement of Rockwool's new \$150 million manufacturing facility was a highlight of the 2017-2018 budget year and will continue to impact the current budget year and budget years to come. While Rockwool is a positive on its own, the accompanying infrastructure that will be installed along the Route 9 corridor will spur and change the growth trajectory of the City for years to come. But, Rockwool is not the only success that the City has experienced. Many projects came to fruition in 2017-2018 and are scheduled for 2018-2019. Our region, according to the WVU College of Business and Economics "remains one of the state's strongest economic regions. Employment and numerous other economic indicators point to strength in the EPH economy compared to West Virginia overall."

Even though the short and intermediate future of the City looks bright, the overall operations budget remains fiscally conservative, as always, which will take continued fiscal discipline of City department heads and elected officials. The General Fund is largely comprised of (1) property tax; (2) sales tax; (3) business and occupation tax; (4) utility tax; and (5) fees and fines. Sales tax has stabilized going into its second full year allowing for more predictability. These revenues are forecasted to be stable. Since the inception of sales tax, table games and gaming revenue remains outside of the General Fund Operations Budget.

As in past years, the proposed budget is transmitted at this time, along with open budget workshops and public meetings, to provide residents and other stakeholders with sufficient time to review the documents prior to the final adoption. The provided budget was recommended for Council's consideration after discussion with department heads, department staff, review of current

and historical financial data and multiple discussions and meetings with elected officials. The proposed budget is balanced, conservative and responsible, while providing the resources necessary to continue quality services, a dedicated workforce, reinforcement of economic development, job creation, capital infrastructure maintenance and improvements and municipal stabilization.

The budget is a plan. It is a financial proposal that annually directs the provision of public services and facilities. This plan represents the City Council's commitment to provide for the most important citizen needs within the boundaries of available revenue. The money collected by the City from taxes, grants, fees, and many other sources to pay for this plan is called revenue. The money spent on salaries, materials, and equipment to provide these planned services and facilities is called expenditures. By State law, revenues and expenditures must be equal in the Annual Budget. This is what is meant by a balanced budget. A balanced budget does not mean that sufficient revenue exists to meet every demand, need or goal of the City. The proposed budget presented within this document attempts to accomplish the following:

1. Make prudent use of public resources.
2. Include financial forecast information to ensure that the City is planning adequately for current and future needs.
3. Involve community members, elected officials, employees and key stakeholders.
4. Provide performance measure data to assist in assessing program effectiveness.
5. Comply with City Charter, City Code and State of West Virginia laws.

The City's Annual Budget has two primary components: the General Fund Operating Budget and the Capital Budget. The Operating Budget includes personnel costs and annual facility operating costs. It is funded primarily through local property, sales and B&O taxes; revenue transfers between departments; licenses, such as building and development fees; franchise fees for a company's use of the City's rights-of-way; fines and other smaller sources of revenue such as interest on investments.

The Capital Budget funds major improvements to City facilities and infrastructure, and is based on the first year of needs in the five-year Capital Improvements Program (CIP) Plan. The Capital Improvements Program (CIP) Plan is an annually revised document that guides the City's investments in public facilities and infrastructure during a five-year time horizon. The Capital Budget can be supported through multiple funding sources, including different types of bonds (debt), grants and cash as well as other smaller sources of funding.

BUDGET OVERVIEW:

The proposed budget, consistent with both the direction of the City Council and with previously approved budgets of the last several years, continues a conservative budget philosophy of “maintenance of effort and level of services approach.” The budget remains conservative, but functional, as in past years. The budget maintains core City programs, services, staffing levels and operating budgets at generally the same level as fiscal year 2017/2018. Budget increases are the result of increased personnel costs and contractual services. No core or primary City services are proposed for elimination. No employee layoffs or furloughs are required in the proposed budget. Merit step salary increases and full health insurance premiums are reflected in the proposed budget. The proposed general fund operations budget does not require use of General Fund Reserves, Municipal Stabilization or Fund Balances.

With the assistance of City Council, department heads and staff, the overall budget presents an expenditure plan in balance with our available revenue stream and continues to fund the Capital Improvement and Reserve Fund, protects the corpus of the Municipal Stabilization Fund and funds the Contingency line item.

A balanced budget sometimes insinuates that all needs are addressed and revenues are adequate to meet all demands. This simply is not accurate and this budget certainly does not address all of the City’s identified needs or desires. While the general fund budget is balanced and meets the City’s immediate needs, the simple truth is that there is not enough general fund revenue to meet all of the City’s long-term infrastructure replacement needs, road replacement, and stormwater management needs. The City would need several millions of dollars in additional revenue each year to meet the City’s infrastructure deficit. While the City’s capital fund assists with this effort, the deficit will remain.

STATE OF THE ECONOMY:

Local:

“West Virginia’s Eastern Panhandle remains one of the state’s strongest economic regions. Employment and numerous other economic indicators point to strength in the EPH economy compared to West Virginia overall.”

On a micro-level, in staff’s opinion, Ranson’s economy is stable and new growth is still occurring. A bulk of the City’s developable land that has been in bankruptcy or defunct is now changing ownership. This includes Briar Run, Fairfax Crossing Boulevard at Potomac Town Center and Potomac Marketplace. This represents hundreds of acres of prime commercial and residential properties that have not seen activity in almost a decade. As predicted in the 2017-2018 budget, the transition of ownership of these properties is complete and activity is or should start occurring. The good news is that the City has maintained its forecasted operational budget

revenues without activities occurring on these properties, meaning that the City is not relying upon one-time growth to maintain its budget; the bad news is that these properties have not yet generated new tax revenue leading to flatter revenue projections. This is starting to change. It is our goal to activate these properties in the best interest of the City.

There continues to be a serious deficiency in the diversity and number of units of housing available within Old Town and for that matter Jefferson County. Available housing inventory is low. The Council, responding to a budget recommendation in 2016-2017 completed a housing study in 2017-2018. Key findings of the study included:

- Future demand for housing in Ranson is stable and strong.
- Demand for new home sales is 35-45 per year, on average. The realization of demand is heavily tied to the supply of projects.
- It is critical for projects to be well-executed and truly walkable, so that buyers giving up a large yard will have the trade-off of walkability, good design, and access to services and amenities. Continued economic development and revitalization of the urban core is critical to the City's future success. On a macro regional scale, the WVU College of Business and Economics continues to believe that the Eastern Panhandle (Morgan, Berkeley and Jefferson) economy will continue to be one of the strongest in the State.
- Employment in the EPH rebounded at a healthy pace after the Great Recession and the region has maintained those job gains over recent years. Local employers have added roughly 4,000 new jobs on a cumulative basis between 2012 and mid-2017, while the state as a whole lost 26,000 over the same time period.
- Among the three counties of the EPH, employment growth has been strongest in Berkeley County in recent years, but Jefferson County has also contributed appreciably to job gains over the past several years.
- The trade, transportation, and utilities sector has shown the strongest employment growth recently, driven heavily by Macy's online fulfillment center in Berkeley County, which has now expanded to employ around 1,700 workers, with around 3,000 additional temporary jobs during the peak holiday shopping season. Private education and health sectors have also shown some strength.
- Not all sectors have added a significant number of jobs recently. Difficulties in the leisure and hospitality sector has posted only modest gains over the past two years. Employment in the public sector - the region's largest employer with around 1 in 4 of the region's jobs - has been flat at best for five years. Growth in construction and business services payrolls have been slow to improve as well in recent years.
- Unemployment in the region is substantially lower than the statewide

average.

- Labor force participation rates are higher for the area as a whole compared to the statewide average and even exceeds that of the nation in Jefferson and Berkeley counties.
- The EPH has posted by far the largest population increase of any region in the state in recent decades. Over the past 20 years, the EPH has gained 65,000 residents. By contrast, the state's remaining 52 counties registered a net loss of 53,000 residents.
- The EPH population is younger and has a larger share of college-educated residents than the overall state. WVU's forecast calls for continued healthy growth in the Eastern Panhandle over the next five years. Key aspects of the EPH forecast are as follows:
 - We expect employment to grow at an average annual rate of just above 0.9 percent per year in the EPH through 2022. While this rate is down from what has been enjoyed over the past few years, it surpasses forecast employment growth for the state and slightly outperforms the nation as a whole.
 - The manufacturing sector is expected to produce the fastest rate of job growth in the coming years, with a forecast of more than 5 percent annually. Gains will be driven largely by the early-2018 opening of a Proctor & Gamble facility.
 - Construction is expected to post strong job growth going forward as well, driven in large part by residential and commercial activity, but also expected increases in public infrastructure spending. Leisure and hospitality will be the only major sector to see an overall net loss of jobs over the next five years.
 - Unemployment is expected to remain very low in the region throughout the entire outlook period.
 - Strong increases in wages and salaries from local workers and commuters to the Greater DC Area, along with investment income, will drive healthy growth in personal income for the EPH in coming years.
 - The EPH population is expected to grow at a rate of 1.4 percent annually in coming years. This stands in sharp contrast to anticipated declines in population for most regions in West Virginia.

State:

A year ago, newly elected Governor Justice stated that West Virginia was in serious economic trouble: "The depression is beyond belief. If you think we're in bad shape, you just don't have an earthly idea what bad really is. It's dire, dire, dire. And, I don't mean kind of bad. It's really bad." In January, during his State of the State address, Governor Justice stated "Now, you can't fathom how dire it was. And you can't imagine how promising it looks."

The WVU College of Business and Economics states, "West Virginia's

economy hit bottom in 2016 and has grown over the past few quarters.” While the West Virginia economy has started to rebound, the WVU College of Business and Economics and the West Virginia Center on Budget & Policy do not necessarily share the same level of optimism as the Governor and details structural issues that remain in West Virginia’s overall economy and budget. There seems, however, not to be as much pressure on the State’s budget this year as last.

Nevertheless, the State’s budget problems could have serious adverse consequences on the City’s budget as the State could cut and reallocate lottery funds; adopt tax reform that adversely changes the City’s tax structure; place additional unfunded mandates on the City; and, shed State highway obligations onto the City. The State’s budget woes also can filter to adverse economic development consequences with new investors shying away from the challenging economic conditions of the State. While our region is strong, the conditions of the State have a far-reaching impact. The City should always pay attention to the happenings in our State’s capitol and the impact that our State lawmakers’ decisions can have.

One proposal that the City needs to remain vigilant about is the Governor’s “Just Cut Taxes and Win Act (JCTAW). This proposal would reduce the business tangible property tax imposed on many businesses in the state of West Virginia. Currently, these taxes are distributed to cities, counties and county school boards. Over six years, the bill would reduce taxes by about \$420 million, specifically on manufacturing businesses. Bill proponents argue that the JCTAW is designed to bring manufacturing jobs back to West Virginia and make the State more competitive for manufacturing. The JCTAW Act would start by phasing out the \$140 million business tangible personal property (TPP) tax on industrial machinery, equipment and inventory over a period of six years, with the tax permanently eliminated in Fiscal Year 2026. The current tax rate is between 2% - 3% (depending on the county the business is in) on 60% of the market value of the business property. *The current legislation states that cities, counties and school boards will be made whole by the State and will not lose revenue; however, there are no specifics as to how the State would pay for the loss of revenue.* The amendment proposes to constitutionally guarantee the \$140 million in \$20 million increments, phased in over fiscal years 2021-2027. The \$140 million is also guaranteed in perpetuity thereafter, replaced by general revenue. That funding is based on what was described as a conservative general revenue growth of 3 percent, calculated over a 30-year average. The Legislature has not taken action on the Constitutional Amendment as of yet. Both the Senate and House would have to approve the amendment by a two-thirds margin. The amendment would then go to the State’s voters in either a special or general election. The Governor’s goal is to get it on the November 2018 ballot.

National:

The Conference Board opines that “a happy new year seems in store for the US Economy.”

Consumer and business spending are closing 2017 on a high note, pushing growth above 3 percent for the final three quarters of 2017. Tax cuts passed by Congress will provide an additional boost to the domestic economy this year. We project GDP to rise by 2.9 percent in 2018 compared to 2.3 percent for 2017.

For consumers, lower tax bills should vault already strong spending numbers even higher. History indicates that consumers will spend much, though not all, additional money they take home. The increase in disposable income though will be partially offset by falling home prices due to changes in the mortgage interest deduction. Repatriation of business profits will raise dividend payments, some of which will also end up as consumption. Expect spending to grow by an additional 0.3 percent because of these measures.

For businesses, the tax plan delivers not only lower rates, but also the chance to immediately deduct investment spending from corporate tax payments for the next five years. For companies seeking to build structures like data centers, drilling rigs, and warehouses, the cost of financing these projects will fall dramatically. Higher profitability will also provide more resources for companies to invest, provided rising wage costs don't run out of hand.

The strength of the global economy, especially in key trading partner economies like the Euro Area and China, provide further support to the US economy and help to keep the US dollar relatively weak, boosting exports. However, it is unclear whether sufficient spare capital and labor are available to meet burgeoning demand. Undertaking fiscal stimulus during strong economic times may overburden capacity, and trigger faster inflation. So far, the Federal Reserve plans to continue raising rates at a modest pace, perhaps three times next year. But these plans could change if inflation surges, slowing both investment activity and growth.

Despite such risks down the road, for now, US businesses enjoy the strongest economic environment since the mid-2000s.

Experts forecasts steady growth in 2018 for the U.S. economy. According to author Kimberly Amadeo, the U.S. Economic Outlook is highlighted by the following statistics:

- The U.S. economic outlook is healthy according to the key economic indicators. The most critical indicator is the gross domestic product, which measures the nation's production output. The GDP growth rate is expected to remain between the 2 percent to 3 percent ideal range. Unemployment is forecast to continue at the natural rate. There isn't too much inflation or deflation. That's a Goldilocks economy.
- U.S. GDP growth will rise to 2.5 percent in 2018. It's the same as in 2017, but

better than the 2.1 percent growth in 2016. The GDP growth rate will be 2.1 percent in 2019 and 2.0 percent in 2020.

- The unemployment rate will drop to 3.9 percent in 2018 and 2019 but rise to 4.0 percent in 2020. That's better than the 4.1 percent rate in 2017, and the 4.7 percent rate in 2016. It's also better than the Fed's 6.7 percent target. But former Federal Reserve Chair Janet Yellen admits a lot of workers are part-time and would prefer full-time work.
- Inflation will be 1.9 percent in 2018, 2.0 percent in 2019 and beyond. It was 1.7 percent in 2017. They are lower than the 2.1 percent rate in 2016, and the 0.7 percent inflation experienced in 2015. The low rates in those years were caused by declining oil prices. The core inflation rate strips out those volatile gas and food prices. The Fed prefers to use that rate when setting monetary policy. The core inflation rate will be 1.9 percent in 2018, 2.0 percent in 2019 and 2020. (It's unusual that the core rate is that similar to the regular inflation rate.) Fortunately, the core rate is close to the Fed's 2.0 percent target inflation rate. That gives the Fed room to raise rates to a more normal level.
- U.S. manufacturing is forecast to increase faster than the general economy. Production will grow 2.8 percent in 2018. Growth will slow to 2.6 percent in 2019 and 2 percent in 2020.
- The Federal Open Market Committee raised the current fed funds rate to 1.5 percent in December 2017. It expects to increase this interest rate to 2.1 percent in 2018, 2.7 percent in 2019, and 2.9 percent in 2020.
- The U.S. Energy Information Administration provides an outlook from 2018-2050. It predicts crude oil prices will average \$57/barrel in 2018. That's for Brent global. West Texas Crude will average around \$4/barrel less. The EIA warned that there is still some volatility in the price. It reported that commodities traders believe prices could range between \$48/b and \$68/b for March 2018 delivery. A strong dollar depresses oil prices. That's because oil contracts are priced in dollars. Oil companies are laying off workers, and some may default on their debt. High yield bond funds haven't done well as a result. The oil market is still responding to the impact of U.S. shale oil production. That reduced oil prices 25 percent in 2014 and 2015. The good news for the economy is that it also lowered the cost of transportation, food, and raw materials for business. That raised profit margins. It also gave consumers more disposable income to spend. The slight slowdown is because both companies and families are saving instead of spending. The EIA's energy outlook through 2050 predicts rising oil prices. By 2025, the average Brent oil price will increase to \$86/b (in 2016 dollars, which removes the effect of inflation). After that, world demand will drive oil prices to the equivalent of \$117/b in 2050. By then, the cheap sources of oil will have been exhausted, making crude oil production more expensive.

- 2018 will be a prosperous year as we continue to say goodbye to the effects of the financial crisis. Be on the lookout for irrational exuberance in the stock market. That usually signals the peak of the business cycle. That means another recession is probably two to three years out.

Given all the economic indicators and known projects in the upcoming year that may impact revenues, staff has decided to keep overall operational revenues stable and does not forecast any decreases. The City's revenues may increase a tad more than budgeted with better economic conditions, but staff has decided to maintain a conservative approach. Again, thanks to stable financial management, the efforts of our employees and the leadership of City Council, expenses generally remain stable. For the proposed budget to be successful, Department Heads will have to be vigilant and conservative. If revenues increase more than forecasted, then Council can revise the budget in the first or second quarter of the new budget year.

As with previous budgets submitted over the last several years, the current state of our local economy is the lens that most of our decisions are filtered through. As I have stated in my budget message over the last five years, it is imperative that Ranson remains competitive and takes advantage of opportunities when they arise; yet ensure that the City's budget is kept at affordable and sustainable levels while maintaining a level of service quality that is acceptable to our residents, businesses, investors and stakeholders.

Despite all the uncertainty in West Virginia's economy, Ranson continues to grow, maintain stable revenues, and has taken steps over the last several years to lay a foundation for a stronger future - which includes maintaining a stable workforce through competitive wages and benefits; transitioning to more stable revenue sources; continuing to process building permits; and, continued infrastructure improvements.

After years of planning, construction of several public and private projects is underway and many projects are scheduled for completion during the upcoming budget year.

- Rockwool manufacturing facility is under construction at the former Jefferson Orchards site and will continue through the budget year. Alongside the construction of the facility will be the construction of water, sewer and roadway to serve the facility. The total economic impact will be close to \$200 million and will set up the Route 9 corridor for future economic development.
- Phase 2 of Fairfax Boulevard is scheduled to begin during this budget year.
- After years of cleanup and off the tax rolls, the former Kidde Foundry has development interest.
- The State has finally authorized final engineering of Fifth Avenue Extended, which is still in the pipeline, and scheduled for 2019 construction.

- Shenandoah Springs continues active construction with the mobilization of KHovanian Homes.
- Uniwest has submitted permits to expand its Jefferson Crossing Apartment complex.
- Briar Run's 88 lots have been bought by Dan Ryan Builders and development is underway.
- Fairfax Crossing has been bought at foreclosure auction and is under new ownership.
- Infill development continues within Old Town on vacant lots and on lots where structures have been removed.

GUIDING PRINCIPLES:

In 2008, the City Council adopted four fundamental principles that continue to guide our budget as they have served the City well:

1. Determine staffing levels for all departments based on population size and growth and not revenue growth.
2. Build the municipal stabilization fund to its maximum limit by West Virginia law (30% of budget).
3. Build the municipal capital improvement account to equal the total of annual lottery revenues and utilize lottery revenues for one-time purchases such as equipment, grant matches and construction of streets.
4. Strong financial reserves will allow the City to weather the normal business cycles. The objective of strong reserves would allow the City the flexibility of cutting from capital expenditures and not operations; thereby, alleviating benefit cuts, layoffs and cuts or reduction in services. If expenditure reductions are necessary, service elimination is preferable to poor or marginal quality programs.

In developing the 2018/2019 proposed budget, staff again followed the guiding principles set forth a decade ago. *Foremost is the Council's economic policy to avoid using lottery revenues for operational expenses, stabilize revenue and ensure that adequate resources are saved for a rainy day, while providing quality and efficient services to our residents.* The goal of transferring gaming revenues to all capital expenditures has again been accomplished in this year's proposed operational budget. This has taken incredible and continuing discipline of elected officials, city administration, and most importantly, our employees.

Gaming revenues continue to decline, which is why staff recommended the adoption of sales and use tax and transfer of gaming revenues to one-time capital expenditures. The current operational budget continues to have \$0 budgeted from its high of \$1.5 million in 2006-2007 and table games from its high of \$336,650 in 2013-2014 to \$0. This large reduction and transfer from

the General Fund is one reason why the City's base revenues continues slower incremental growth. The municipal stabilization or "Rainy day" fund consists of 30% of the current fiscal 2017/2018 budget to provide the City time to address more permanent structural budget cuts, if needed. The current Municipal Stabilization Fund is \$1,592,436 actually covers approximately 28% of the City's proposed total fiscal year 2018/2019 budget. West Virginia state law allows municipalities to set aside up to 30% of their approved budget into a "Rainy day" fund, and that is the goal for the City. An additional deposit within the municipal stabilization fund is planned if an unencumbered fund balance is in this year's general fund budget to bring the balance to 30% of this year's proposed budget.

Other guiding principles within the proposed budget continues to include:

- Commitment to efficiency, innovation, effectiveness and production;
- An examination of the entire budget, not just incremental changes from last year's budget;
- The use of City-wide, not Department, priorities; and
- A long-range strategic approach to ensure the budget is affordable and sustainable by our community.
- Focus on public safety, economic development, redevelopment of urban core, sustainability and creation of a model smart-growth community that will provide local jobs, an increased tax base and more opportunities.
- Funding of the municipal stabilization and capital improvement budgets to ensure the organization is prepared for a "rainy day," matching grants, or needed capital projects.

OUTCOMES FOR THE COMMUNITY/PROPOSED BUDGET:

The Budget that staff proposes continues to focus on services that deliver outcomes that are important to our community, rather than on department priorities. The Budget also reflects the values of our community and important community-wide priorities recognized by Council. It is the summation of many hours of work by numerous employees.

The Budget maintains programs that will keep our community safe by funding a full service, around-the-clock police department; supports economic development and competitiveness within the region and nation; allows for the City to continue applying for matching grants to improve traffic, pedestrian flow, and other very important infrastructure needs; funds essential public works projects; planning for current development and future development; supports the Parks and Recreation and CVB; ensures mechanisms to plan for the future while providing quality services now; allows the City to maintain highly qualified dedicated employees; and, continues to keep our neighborhood streets clean and maintained.

PREPARING FOR THE FUTURE:

Utilizing the City Council's 2008 guiding principles, the City has funded the capital improvement fund, municipal stabilization fund and budget for unforeseen contingencies that may arise during the year.

Capital Improvement Fund (CIF):

Capital Improvement Fund cumulative (February 28, 2018)	\$4,078,531
Lottery Fund (February 28, 2018)	\$545,388
Projected Table Games Revenue (July 1, 2018-June 30, 2019)	\$200,000
Projected Video Lottery (July 1, 2018 - June 2019)	\$400,000
Sales Tax Excess Fund	\$1,046,664
CIF Fiscal Year 2018 Encumbered Funds	(\$1,700,000)
Proposed Fiscal Year 2018 Capital Expenditures	(963,000)
Projected Total Balance- June 30, 2018	\$ 3,607,583

Municipal Stabilization Fund (MSF):

Municipal Stabilization Fund cumulative February 28, 2018	\$1,592,436
Municipal Stabilization Fund - Proposed Deposit Budget for Fiscal Year 2018 ending June 30, 2018.	\$122,401
Projected Total - June 30, 2018 (30% of General Fund Revenues)	\$ 1,714,837

Note: The State of West Virginia Auditor's office permits municipalities to encumber up to 30% of their annual General Fund budget. Based on Ranson's fiscal year 2018-2019 General Fund budget of \$5,716,123, the City's current stabilization limit is \$1,714,837. Staff will recommend an additional deposit into the Municipal Stabilization Fund from unassigned Fund Balance of FY 17-18 General Fund Operations Budget.

Contingency for 2018/2019 (CF):

Contingency Fund Line Item 2018/2019	\$ 171,484
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(3% of total budget)	
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OUR MOST VALUABLE ASSET CONTINUES TO BE OUR EMPLOYEES:

The City Council has shown a long-standing commitment to making sure our employees are compensated and given the tools and equipment necessary to be productive members of our organization. Since the great-recession, the City has attempted to take care of the employees on the employment roster rather than adding additional personnel that could have the potential of risking layoffs, cutbacks or furloughs. The commitment continues in the 2018/2019 proposed budget.

- Funding of next step in approved step and grade plan with increases beginning July 2018.
- Retirement plan is fully budgeted and obligated. Retirement plan provides 5% automatic contribution and up to an additional 5% match.
- No proposed layoffs or furloughs.
- 100% of health insurance premiums continues to be paid by the City.
- Short and long-term disability insurance, dental and optical continues to be paid by the City.
- Adequate training opportunities to ensure that employees are knowledgeable of new techniques and innovative approaches to make our community a better place and that licensed employees retain their professional credentials.

Merit increases of 2.5%, based upon employee evaluation scores and consistent with Council's approved step and grade plan are proposed in the budget.

While staff and Council continue to discuss various health insurance options, the fact is WV PEIA is the best option according to a variety of insurance agents that have been consulted. WV PEIA has a \$0 increase this budget year. Shifting to private insurance under current budget constraints without placing a heavy burden on employees. There are very few health insurance options available in West Virginia with employers under 50 insureds. Private health insurance would cost the City approximately \$300,000 in additional funds than current insurance with comparable benefits. As the City could not bear this increase, employees would have to be asked to bear this increased burden. This increase would equate to approximately \$735 out-of-pocket per month per employee or \$8,820 per year per employee for the City to maintain the same insurance expense line item.

Nevertheless, health insurance benefits are again especially concerning as the health care environment continues to see a myriad of changes with the passage and implementation of the Affordable Care Act. With the election, the Affordable Care Act is now in limbo. And, there is no easy solution. The City of Ranson

pays 100% of health insurance premiums for employees and families. While this is an aberration in both the private and public sector, it is a benefit that has attracted a quality workforce and any changes would be a pay cut at a time when wage competitiveness is important in maintaining and recruiting a quality workforce.

Our employees continue to be dedicated to the City and because of their dedication our City accomplishes more than a comparable sized City. It continues to be the case that departments are working with less than the desirable amount of personnel, performing more work, have more demands and, in some cases, would benefit from more personnel. City employees are working hard to make our community a better place and the administration appreciates the City Council's support of rewarding employees for a job well-done.

CORE SERVICES FUNDED BY PROPOSED BUDGET:

The proposed 2018-2019 general fund budget maintains a level of core services:

- The proposed budget maintains programs that will keep our community safe by funding a full service, around-the-clock police department that is fully staffed and provides the officers the equipment they need to perform their jobs in a safe manner.
- Supports economic development and competitiveness within the region and nation; allows for the City to continue applying for matching grants to improve traffic, pedestrian flow, and other very important infrastructure needs.
- Funds essential public works projects and services, including snow removal, street sweeping, brush removal, landscaping, and infrastructure, building and parks maintenance.
- Provides funds for planning, zoning and inspection services for current development and future development to protect the general health, safety and welfare of the City and to ensure that development is constructed in an orderly manner that is economically and environmentally sustainable.
- Funds and supports Parks and Recreation and Convention and Visitors Bureau.
- Ensures mechanisms to plan for the future while providing quality services now;
- Allows the City to maintain highly qualified dedicated employees; and, continues to keep our neighborhood streets safe, clean and maintained.

FORESEEABLE AND FORMIDABLE CHALLENGES:

As with any organization, the City is ever-changing. The City must adjust and find solutions to meet certain challenges. These challenges will not be solved in one or two budget cycles and some issues are simply out of the City's control. In

fact, many of these challenges were identified in last year's budget and still remain.

- **Aging, inadequate and dilapidated infrastructure and underfunded Capital Improvement Fund** - This continues to be an issue in budget messages. A solution will require either (1) an unexpected large infusion in general fund revenues; or (2) an infrastructure bond. While the City continues to fund capital improvements, the fact is the fund does not have adequate resource to meet all needs. Investments in modern infrastructure (roads, water, stormwater, IT) lay the foundation for economic growth and development. These systems are the invisible backbone of our community, region and state. They are essential to:
 - o Vibrant economies;
 - o A high quality of life;
 - o Public health and safety; and
 - o A healthy environment.

City infrastructure systems, as a whole, are a critical part of the larger network that serves and benefits the entire state. Streets move traffic seamlessly from one place to another. Businesses relying on city water and sewer systems in a particular community create a positive impact on the entire region. Collectively, the strength of our local infrastructure system creates a stronger state, better positioned for continued economic recovery. Adequately funding the maintenance and improvement of these infrastructure systems is an on-going challenge for cities around the state and our country. The situation is becoming worse across the country and there are no easy solutions.

While Ranson has invested millions of dollars during the last decade, the fact is many more millions of dollars are needed to upgrade the City's aging infrastructure. Sufficient funding for deferred maintenance continues to be an ongoing struggle for Ranson. In the past, the City has been able to appropriate some funding from the General Fund Balance for one-time deferred maintenance and infrastructure projects, and there has been a lack of a stable, ongoing revenue stream to fund necessary deferred maintenance and infrastructure projects into the future. Gaming funds being transferred to a Capital Fund will assist with this endeavor greatly, but the City should find even more stable revenues to fund capital. Funding the deferred maintenance and infrastructure issues may require either identifying additional new revenue sources or ultimately competing with other General Fund services for funding. The City saved for many years to construct Fairfax Boulevard, but this type of method of savings is most likely inadequate to address future needs.

- **Dilapidated Structures; Rental Registration; Social Safety Net** - The City has been more aggressively citing structures that do not meet the minimum building requirements and registering rentals under the City's Rental Registration Program. Several structures have been demolished by the City over the past couple of years. This enforcement will continue. However, more aggressive inspections have revealed some conditions that are so bad that the structures are no longer habitable or need critical repairs. While the City has the tools to evict and condemn structures, the City is not equipped with the tools to place individuals in safer, more permanent housing or make critical repairs. We have used our partnerships with various non-profits and DHHR to solve issues that we have run into, but these situations are extremely time consuming and require action of other agencies.

This issue can be broken down into two (2) distinct, but related, issues: (1) aging and dilapidated housing inventory - especially mobile homes; and (2) population of our most vulnerable citizens who are struggling with obtaining everyday needs. Individuals who are living in poor conditions and in structures that cannot meet the minimum requirements of the building code usually have underlying socio-economic issues that prohibits the individual from making critical housing repairs. While the City has the obligation to enforce the requirements of the building code to ensure that structures are safe and habitable, there is quandary and predicament of what to do with individuals if they are evicted.

The City has been working with our non-profit partners to assist. A group of non-profits are coming together to speak about and possibly form a new organization called Carpenters Apprentices. While the initial thrust is to make critical repairs to homes, it is impossible to ignore the needs of the people living in those homes. While all share a concern for vulnerable people, some of the organizations will focus on the physical structure and others will focus on food, medical care, employment and general family (or individual) functioning. It is time to bring more of the helping organizations together into a cohesive strategy and this seems to be the opportunity to do just that.

- **Employee Compensation, Succession and Promotions** - Balancing the economic and fiscal integrity of the City's budget as a whole and adequately and fairly compensating our employees is always a challenge - and this year is no different. What makes the challenge more difficult is that we compete with surrounding jurisdictions for our labor force. Surrounding jurisdictions in surrounding states have a different tax structure which provides more revenue allowing them to pay higher salaries. The differing tax structures and lower property tax rates in West Virginia have consequences. Simply, we are competing in a Washington, D.C. labor market using West Virginia tax structure that is not necessarily tailored to our region of the country.

By not filling various positions over the last decade, we have asked individual employees to wear a myriad of hats and take on additional responsibilities. It has reached a point where many of our employees cannot be asked to take on additional tasks and hiring will have to take place. Furthermore, as the economy continues to get better, greater opportunities will arise in the private sector for our current employees. While every individual has the right to better his/her situation, it is important for the operation of the City to keep a talented workforce and to take advantage of the many years of institutional knowledge our employees have.

The size of our organization and our lack of growth over the past ten (10) years has kept promotional opportunities at a minimum. This means that many of our employees who have many years of experience, skills and talent are essentially stuck at the positions that they were hired for and have not advanced. This becomes a compensation issue and will become an issue affecting employee morale.

Moreover, many of our employees are approximately the same age and it is essential that succession planning occur. However, succession planning is difficult when additional hiring is not taking place. As the economy continues to get better and the City grows, new hiring policies need to address succession planning and how to successfully recruit and maintain "Generation X."

- **New Developments Need to be Fiscally Sustainable** - West Virginia's Property Tax structure limits the amount of property taxes that the City can impose. In West Virginia non-owner-occupied structures and commercial structures are double-taxed - thereby essentially subsidizing owner occupied residential property. The average Residential property in Ranson is paying roughly \$145 in municipal tax. Ranson residents are also County residents and residents pay approximately the same amount to the County as they do Ranson. 65% of the total taxes collected is directed to the Jefferson County School Board. Single-family homes on quarter acre lots do not pay enough taxes to pay for the municipal services the property is receiving. Future growth and development needs to keep this principle at the forefront or the City's future economic condition will not be sustainable. Thus, higher density developments on less or the same amount of land needs to be encouraged just for this economic reason alone. Since Ranson cannot change the State's Property Tax structure, its only solution is the product mix and density within new developments and redevelopments or subsidize property taxes with fees.

- **Public Safety / Substance Abuse / Mental Health** - An ever-growing

challenge that is affecting our community like many others across West Virginia is increased substance abuse, prescription drug abuse and heroin. More recently, heroin has taken root in West Virginia after authorities cracked down on unscrupulous doctors who were overprescribing pain meds, sending addicts searching elsewhere for a similar high. In West Virginia, heroin-overdose deaths have tripled over the past five years, while prescription-painkiller deaths have dipped slightly - even though still highest in the country. Since prescription painkillers became cheap and plentiful in the mid-90s, drug overdose death rates in the U.S. have more than tripled. West Virginia was slammed especially severely, and for the past several years, it's had the highest drug overdose death rate in the nation.

Prescription drugs and heroin usage, as documented consistently by *The Martinsburg Journal*, has a real danger of hampering economic development and affecting the everyday sense of community safety. Increased addiction leads to unemployment, crime and dependency on government services. This will be a challenge for our entire law enforcement community, court system and mental health and substance abuse system. There is no short-term solution for this problem. Increased economic resources at the local, state and federal level will be needed to address these issues.

CLOSING:

We must continue to be vigilant and aggressive by keeping expenditures in check and by continuing to encourage economic development in the City by providing a streamlined and predictable process. The City also needs to find ways to increase current revenue opportunities - as it has been.

One of the largest challenges is not necessarily fiscal. I am generally concerned about the growing pervasive attitude that government is bad, the notion that some people believe that taxation is "theft" and people in government are generally non-trustworthy. This undermines many of the essential services that government provides and will limit how governments secure the needed revenue to provide essential services in the future. This attitude has been prevalent on the national level the last couple decades but has started to spread to the state and local levels which could lead to paralysis.

Public policy decisions have consequences on everyone. It is extremely popular to speak ill of government, governmental services and taxes. But, our form of government is a democracy of the people, by the people and for the people. Thus, government is only as good as the people that governs it and works for it. While we cannot control other governmental entities' public policy decisions, we need to ensure that our public policy is not having adverse impacts. Adverse decisions in government are driving our best and brightest out of wanting to go into public service and governmental professions. Perhaps this is the intent, but it is short-

sided. Our country, since its inception, has had fierce debates about what the role of government is. This debate will continue and should; but the fact is that some of the most essential services are provided by government: our police, military, teachers, highway workers, correction workers, water and sewer employees and environmental and health inspectors and many others. Gutting governmental services, not filling positions, undercutting pay and benefits have real consequences and is not sustainable. Our society in the long-run will suffer.

But, not all is ominous and the City has a lot to be thankful for. Operations are stable; capital projects continue and political stability remains. The City is positioned well to move forward with new economic development opportunities and expansion. We have reduced costs over the last several years by privatizing certain services and making structural changes to our procurement process; our crime rate remains low and our City is generally safe; we continue efforts to upgrade our streetscape and infrastructure projects which will make our community a more welcoming place; we have adopted zoning that allows for higher density, mixed-use development; we have remodeled and/or acquired our community facilities; we have upgraded our technology so employees are working smarter and more efficiently.

Additional information regarding key revenue and expenditure assumptions can be found in the accompanying budget overview section of this document. The City must continue to exercise good fiscal constraint, while taking advantage of strategic opportunities, continuously monitor revenue projections and expenditures, and take quick action should there be any modification to our revenue projections or other adverse action that causes increased expenditures. The Fiscal Year 2018/2019 budget proposes a continuation of a conservative approach to address the City's priorities; a continued focus on providing core City public services, striving to maintain a high level of service expected by our residents and business community; and, continued program of savings to save for a rainy day. The Capital Fund budget allows for needed one-time purchases and capital improvements. City staff has been directed and have been alert for better ways to utilize existing resources, modify service delivery and evaluate new ways of doing things to respond to citizens' needs.

I want to thank all employees for their continued hard work, dedication and loyalty to the City. The fact is that without their energy and willingness to execute the initiatives and ideas of the Mayor and City Council, we simply would not be able to move the City forward and very little, if anything, would actually be accomplished

Every one of us plays a part in making a better community where people want to live, work, play, worship, and raise their children. We also all play a part in building and maintaining the public trust. I am thrilled to work with a group of individuals on a daily basis who exemplify what it means to be a public servant. I often repeat that business leaders and investors do not make large capital investments and people do not live in communities that are not safe; in communities that are not clean; in communities that do not

have insufficient infrastructure; in communities that do not have nice neighborhoods with shopping and recreational opportunities; in communities that lack community pride; or in communities where elected officials and staff bicker or make it impossible to conduct business.

We are not unique in that significant challenges lie ahead in the current economic and political environment; yet, with continued creativity, energy and excellent results, we can be unique in how we deal with such challenges. I am confident that with our continued dedication, work and loyalty of our employees, we can continue to create a great place to live, work, recreate and visit.

City Manager Blake shared with Council the challenge administration has in keeping professional employees in Ranson, due to the existing competitive salaries present in other surrounding cities in Virginia and Maryland. Employees have the ability to cross the border and in many situations, increase their salary base significantly. In order to maintain qualified employees, staff presented 2 different COLA scenarios to Council for review. The provided table and chart described the COLA amount, the additional expense that the FY 2019 budget would incur, the increase in Rockwool administrative fees and B&O tax revenues to cover the extra expense and the impact on the total amount budgeted for the year. The \$1,000 COLA will increase salary expense related line items for a total of approximately \$66,000, which results in revenue increases of \$60,000 in Rockwool administrative fees and approximately \$6,000 in B&O tax. The total budget will change from \$5,703,133 to \$5,769,052. The \$1,500 COLA will increase salary expense related line items for a total of approximately \$87,500, which results in revenue increases of \$80,000 in Rockwool administrative fees and approximately \$7,500 in B&O tax. The total Budget would change from \$5,703,133 to \$5,790,654. Staff recommended going with the larger COLA of \$1,500 for the following reasons: 1) Sales tax revenue are expected to exceed budgeted amounts by nearly \$100,000; and 2) The City is experiencing commercial growth with the construction of the Rockwool plant, the development of the Kidde Foundry, the subdivision expansion of Shenandoah Springs, Briar Run, and Fairfax Crossing, and the extension of the Jefferson Crossing Apartments. This growth will generate future ad valorem, B&O and sales tax revenue to support growing cumulative salary increases. No action was taken at this time. The recommendation will be voted on during the approval of the 2018-2019 Budget at the March 20, 2018, Council meeting.

VII. ADJOURNMENT

Motion was made by Council Member Anderson to adjourn. Motion was seconded by Council Member Coulter. The next Regular Council meeting was scheduled for Tuesday, March 20, 2018, at 7:00 pm.

The meeting was closed at 8:06 PM

Keith D. Pierson
Mayor

Stacey A. Dodson Pfaltzgraff
City Clerk