

**Report on the
Town of Front Royal - County of Warren
Voluntary Settlement Agreement**



**Commission on Local Government
Commonwealth of Virginia**

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**REPORT ON THE
TOWN OF FRONT ROYAL - COUNTY OF WARREN
VOLUNTARY SETTLEMENT AGREEMENT**

PROCEEDINGS OF THE COMMISSION

On December 11, 1998 the Town of Front Royal and the County of Warren submitted to the Commission on Local Government for review a proposed interlocal agreement negotiated by the two jurisdictions under the authority of Section 15.2-3400 of the Code of Virginia.¹ Consistent with the Commission's Rules of Procedure, the joint submission was accompanied by data and materials supporting the proposed agreement. Further, and in accordance with the Commission's rules, the Town and County concurrently gave notice of the proposed agreement to six other political subdivisions with which they were contiguous or with which they shared functions, revenues, or tax sources.² The proposed agreement contains provisions which would (1) require the Town to permit commercial customers in an area of the County (designated as the "U.S. 522/340 Industrial/Commercial Corridor") to receive water and sewer services under contractual agreement with the Town, (2) require the Town to refrain from initiating annexation in a prescribed area of the County embracing the U.S. 522/340 Industrial/Commercial Corridor (hereinafter referred to as the Industrial/Commercial Corridor) for seven years, and (3) require the County to assume responsibility for the operation, control, and funding of the Town's fire and rescue, parks and recreation, and animal control services.³

¹Town of Front Royal and County of Warren, **Petition, Notice, Resolution, and Supporting Submissions for Hearing and Report on a Voluntary Settlement Agreement** (hereinafter cited as **Joint Petition**).

²Commission on Local Government, **Rules of Procedure**, Rule 3.8.

³An Agreement Between the County of Warren and the Town of Front Royal Regarding the Provision of Water and Sewer Service by the Town in the State Route 522/340 North Corridor and the Assumption of Full Service Funding and Responsibility by the County of Fire/Rescue, Parks/Recreation Operations and Animal Control Services (hereinafter cited as **Agreement**).

In conjunction with its review of the proposed settlement, on March 30, 1999 the Commission toured relevant sections of the Town of Front Royal and Warren County and met in Front Royal to receive oral testimony from the two jurisdictions in support of the agreement.⁴ In addition, the Commission held a public hearing, advertised in accordance with Section 15.2-2907(B) of the Code of Virginia, on the evening of March 30, 1999 at the Warren County Courthouse in Front Royal for the purpose of receiving citizen comment.⁵ In order to permit receipt of additional citizen comment, the Commission agreed to keep open its record for written submissions from the public through April 13, 1999.⁶

SCOPE OF REVIEW

The Commission on Local Government is directed by law to review negotiated interlocal agreements, such as the one before us, prior to their presentation to the courts for ultimate disposition. Upon receipt of notice of such proposed agreements, the Commission is directed "to hold hearings, make investigations, analyze local needs" and to submit a report containing findings of fact and recommendations regarding the issue to the affected

See **Appendix A** for the complete text of the **Agreement** and a joint resolution of the County Board of Supervisors and the Town Council expressing concurrence regarding changes in Virginia Code citations and highway route numbers from those appearing in the original agreement.

⁴The oral presentations and public hearing were originally scheduled for March 15, 1999, but were postponed due to inclement weather.

⁵The public hearing was attended by 27 persons and produced testimony from 5 individuals.

⁶Commissioner James E. Kickler was unable to participate in the Commission's proceedings on March 30. As a consequence, he was not a participant in the discussions, deliberations, drafting, or approval of this report.

local governments.⁷ With respect to a proposed agreement negotiated under the authority of Section 15.2-3400 of the Code of Virginia, the Commission is required to determine in its review "whether the proposed settlement is in the best interest of the Commonwealth."

As we have noted in previous reports, it is evident that the General Assembly encourages local governments to attempt to negotiate cooperative agreements to address interlocal concerns. Indeed, one of the statutory responsibilities of this Commission is to assist local governments in such efforts. In view of this legislative intent, the Commission believes that proposed interlocal agreements, such as that negotiated in this instance by the Town of Front Royal and Warren County, should be approached with respect and a presumption of their compatibility with applicable statutory standards. The Commission notes, however, that the General Assembly has decreed that interlocal agreements negotiated under the authority of Section 15.2-3400 of the Code of Virginia shall be reviewed by this body prior to their final adoption by the local governing bodies. We are obliged to conclude, therefore, that while interlocal agreements are due respect and should be approached with a presumption of their consistency with statutory standards, such respect and presumption cannot be permitted to render our review a **pro forma** endorsement of any proposed accord. Our responsibility to the Commonwealth and to the affected localities requires more.

GENERAL CHARACTERISTICS OF THE TOWN OF FRONT ROYAL, THE COUNTY OF WARREN, AND THE IMMUNITY AREA

TOWN OF FRONT ROYAL

The Town of Front Royal, which was incorporated by the General Assembly in 1788, became the seat of government for Warren County when

⁷Sec. 15.2-2907(A), Code of Va.

that jurisdiction was created in 1836.⁸ As of 1990, the Town of Front Royal had a population of 11,880 persons, reflecting a growth in its populace of 6.8% since the 1980 census.⁹ A population estimate for 1996 placed the Town's populace at 13,094 persons, a further increase of 10.2% since the 1990 decennial census.¹⁰ Based on its land area of 9.3 square miles and the 1996 population estimate, the Town has a population density of 1,408 persons per square mile.¹¹

The data indicate that the Town's population is older and less affluent than that of the State as a whole. As of 1990 (the most recent year for which data are available), the median age of Front Royal's residents was 34.8 years, an age greater than the statewide median (32.6 years). Further, the percentage of Front Royal's 1990 population which was 65 years of age or older was 16.0%, a somewhat higher statistic than the comparable measure

⁸J. Devereux Weeks, **Dates of Origin of Virginia Counties and Municipalities** (Charlottesville: Institute of Government, University of Virginia, 1967); and Front Royal, Virginia, **1997 Town Plan: Our Vision for Front Royal** (hereinafter cited as **Town Plan**), p. 7.

⁹U. S. Department of Commerce, Bureau of the Census, **1980 Census of Population, Number of Inhabitants, Virginia**, Table 5; and **1990 Census of Population and Housing, Summary Population and Housing Characteristics, Virginia**, Table 2. As of 1990, Front Royal's population represented 45.4% of Warren County's total population. Less than one-third of Virginia's 189 towns experienced an increase in population during the decade of the 1980's.

¹⁰**Ibid.**, "Estimates of the Population of States, Counties, Places, and Minor Civil Divisions" (electronic data set), November 1997. See **Appendix B** for a statistical profile of the Town of Front Royal, Warren County, and the immunity area. See **Appendix C** for a map of the immunity area.

¹¹**1990 Census of Population and Housing, Summary Population and Housing Characteristics, Virginia**, Table 16. Since 1990 Front Royal has experienced four changes in its corporate boundaries. Two contractions, which took place in 1994 and 1995, and expansions in 1997 and 1998 collectively reduced the Town's area by 0.03 square miles and reduced its population by 11 persons.

for the Commonwealth generally (10.7%).¹² With respect to income, data reveal that as of 1989 (the latest year for which such data are available) median family income in Front Royal was \$31,531, or approximately 83% of the statistic for the Commonwealth as a whole (\$38,213).¹³

In regard to the Town's present physical development, 1997 land use data reveal that 39.8% of Front Royal's total area is devoted to residential development, 4.0% to commercial enterprise, 15.6% to industrial activity, 8.9% to public or semi-public uses, 1.0% to transportation purposes, with 30.7% remaining undeveloped.¹⁴ With regard to undeveloped properties in Front Royal, the Town has submitted evidence indicating that it retains 38 such parcels totaling 1,674 acres (28.7% of total Town territory) which are five acres or larger in size. Excluding, however, that portion of the undeveloped property affected by major environmental constraints (e.g., steep slopes or location within the 100-year flood plain), Front Royal retains only approximately 1,161 acres, or 19.9% of its total land area, vacant and generally suitable for development.¹⁵

¹²**1990 Census of Population and Housing, Summary Population and Housing Characteristics, Virginia**, Table 2.

¹³**1990 Census of Population and Housing, Summary Social, Economic, and Housing Characteristics, Virginia**, Table 10.

¹⁴Kimberley P. Fogle, Director of Planning, Town of Front Royal, letter to staff of Commission on Local Government, May 4, 1999.

¹⁵John B. Arledge, Town Attorney, Town of Front Royal, letter to staff of Commission on Local Government, Feb. 11, 1999. The Commission notes that many of these vacant parcels are large and contiguous, thus constituting sizable concentrations of vacant property within the Town having the potential for future development. Included in these properties are 22 five-acre lots that make up the Front Royal-Warren County Industrial Park Corporation.

Front Royal, the only town in Warren County and the seat of its government, is the County's center for commercial activity, with the bulk of the County's retail establishments being concentrated there.¹⁶ Among the major contributors to the Town's employment base are two manufacturing firms which together employ approximately 450 persons, a package delivery firm employing approximately 150 persons, and facilities of the County's school system and an area hospital which collectively offer more than 1,000 jobs. In addition, Front Royal contains four community shopping centers and many small businesses oriented toward the seasonal tourist trade.¹⁷ In sum, Front Royal is a vital hub in the commerce of the County and is its center of retail trade.

COUNTY OF WARREN

The County of Warren was created in 1836 from territory formerly a part of Frederick and Shenandoah Counties.¹⁸ Between 1980 and 1990 the County's population increased from 21,200 to 26,142 persons, or by 23.3%.¹⁹ The official population estimate for 1997 placed the County's populace at 29,200, a further increase of 11.7% since the last decennial census.²⁰ On the basis of its 1997 population estimate and an area of 213.7

¹⁶**Town Plan**, p. 76.

¹⁷**Ibid.**, p. 75.

¹⁸**Dates of Origin of Virginia Counties and Municipalities**.

¹⁹**1980 Census of Population, Number of Inhabitants, Virginia**, Table 2; and **1990 Census of Population and Housing, Summary Population and Housing Characteristics, Virginia**, Table 1. Between 1980 and 1990 the population of the unincorporated portion of Warren County increased by 41.6%.

²⁰Weldon Cooper Center for Public Service, "Population Estimates for Virginia Localities" (electronic dataset), January 1998.

square miles, the County has an overall population density of 137 persons per square mile.²¹

With regard to the nature of its population, statistical indices disclose that the age profile of the County's populace is comparable to that of the State generally but that the income level of its residents is less than that of the Commonwealth overall. Data indicate that, as of 1990 (the most recent year for which data are available), the median age of residents of Warren County was 34.0 years, a statistic marginally less than that of the Town (34.8 years) but slightly exceeding that for the State as a whole (32.6).²² Similarly, the data indicate that, as of 1990, 13.1% of the County's population was age 65 or over, a figure less than that of the Town (16.0%) but in excess of that of the State collectively (10.7%).²³ In terms of earnings, the median family income for Warren County residents in 1989 was \$35,130, a figure above that for the Town (\$31,531), while only 91.9% of the comparable statistic for the Commonwealth overall (\$38,213).²⁴

With respect to Warren County's fiscal condition, statistics indicate that between 1986 and 1996 the true value of real estate and public service corporation property in the County increased from \$774.9 million to \$1,585.9 million, or by 104.7%. This percentage growth in the County's principal revenue source was significantly higher than that in the State

²¹**1990 Census of Population and Housing, Summary Population and Housing Characteristics, Virginia**, Table 16.

²²**Ibid.**, Table 1. Data for Warren County include that for the residents of Front Royal.

²³**Ibid.**

²⁴**1990 Census of Population and Housing, Summary Social, Economic, and Housing Characteristics, Virginia**, Table 10.

generally (82.7%).²⁵ In terms of Warren County's commercial base, between 1987 and 1997 the County's taxable retail sales rose by 40.0%, a statistic less than that for the State overall (54.0%).²⁶ Nevertheless, taken together these data indicate that the County has experienced significant growth in its resource bases during the last decade relative to the State generally.

In terms of the nature of its economic development, the data reveal that Warren County has experienced growth and diversification in its commercial base in recent years. Although the number of nonagricultural wage and salary positions in the County grew only from 6,917 to 7,116 (a 2.9% increase) between 1980 and 1990, official estimates for 1998 place the number of such employment positions in the County at 8,131, an increase of 14.3% since 1990.²⁷ However, data indicate that approximately half of the total civilian labor force in Warren County (15,461 persons in early 1999) either continued to be engaged in agricultural or forestal activities, was unemployed, or sought employment outside Warren County.²⁸

²⁵Virginia Department of Taxation, **Virginia Assessment/Sales Ratio Study, 1986**; and **The 1996 Virginia Assessment/Sales Ratio Study**. On a per capita basis, the increases in the true value of real estate and public service corporation property in Warren County and the State generally were 63.9% and 58.6%, respectively. (**Ibid.**)

²⁶Virginia Department of Taxation, **Taxable Sales in Virginia Counties and Cities, Annual Reports**, 1987 and 1997. Between 1987 and 1997 the per capita increase in taxable sales in the County (17.0%) was half that in the State overall (35.3%).

²⁷Virginia Employment Commission, "ES-202 Annual Average Employment - Warren County" (unpublished data); and "Covered Employment and Wages in Virginia by 2-Digit SIC Industry for Quarter Ending March 31, 1998" (unpublished data).

²⁸**Ibid.**, "Estimated Labor Force Data - Warren County," (unpublished electronic data set). The term "civilian labor force" is defined to include all individuals 16 years of age or over (exclusive of persons serving in the armed forces) within a specified geographic area who are either employed or unemployed. In 1990, the number of County residents who traveled to jobs

Indeed, evidence suggests that agricultural and forestal activities remain significant components of Warren County's land use activity. As of 1992, there were 207 farms in the County occupying a total of 38,967 acres (29% of the County's total land area), with the average market value of their agricultural products being \$19,661.²⁹ Further, 1991 data disclose that 64,311 acres in Warren County (47% of the County's total land area) were classified as "timberland."³⁰ Thus, while the County has experienced a growth and diversification of its economy during the current decade, it remains predominantly rural in character.³¹

AREA PROPOSED FOR IMMUNITY

Under the terms of the proposed settlement, a portion of Warren County, identified as the "Area of Immunity," would be granted immunity

located outside the boundaries of Warren County totaled 6,790. (Virginia Employment Commission, **Commuting Patterns of Virginia Workers: County and City Level for 1990.**)

²⁹U. S. Department of Commerce, Bureau of the Census, **1992 Census of Agriculture, Virginia**, Table 1, p. 162. The average market value of agricultural products generated by Warren County farms in 1992 was only 40% of the statewide per farm average (\$48,694).

³⁰U. S. Department of Agriculture, Forest Service, **Forest Statistics for the Coastal Plain of Virginia, 1991**, Table 1. The Forest Service defines "timberland" as property being at least 16.7% stocked by forest trees of any size, or formerly having had such tree cover and not currently developed for nonforest use, capable of producing 20 cubic feet of industrial wood per acre per year and not withdrawn from timber utilization by legislative action. Such property may also be included in the Census Bureau's definition of "farm land." Warren County's timberland, which is 47% of its total land area, includes approximately eight square miles of national forest land. (**Ibid.**, Table 2).

³¹The County has presented data to indicated that due to its low population, there has been a significant deficit in commercial and industrial development needed to serve the County. (**County Plan**, p. 2-5.)

from annexation initiated by the Town for a seven-year period, beginning with the execution of the agreement. The territory proposed for such immunity adjoins Front Royal where the Town's northern boundary is contiguous to Interstate Highway 66 (I-66). Although the immunity area contains 16.5% of the County's total land area, its geographic configuration is such that it does not foreclose the possibility of the Town initiating annexation actions in other sections of County territory contiguous to Front Royal.³² The area proposed for immunity contains approximately 1,500 persons (based on the 1990 census) and has a population density of 42 persons per square mile, or less than one-third that for the County overall (137 persons per square mile).³³

Included within the proposed immunity area is a segment designated by the County as its "Industrial Corridor," which is adjacent to the eastern right of way of U.S. Highways 522 and 340 (U.S. 522/340) and is the region's central focal point for industrial development. The Industrial Corridor encompasses an estimated area of 2.25 square miles and contains 24 major properties used or reserved for industrial purposes. Of these properties, 20 are currently served, or can be served, by Front Royal's water and sewer lines.³⁴ Also within the proposed immunity area, and lying adjacent to the western side of U.S. 522/340 north of I-66, is territory

³²**Joint Petition**, Exhibit J. The proposed immunity area encompasses 35.6 square miles.

³³**Ibid.**

³⁴Douglas W. Napier, County Attorney, County of Warren, letter to staff of Commission on Local Government, Apr. 27, 1999. The Industrial Corridor completely encompasses the Cedarville Enterprise Zone which is administered by the Front Royal-Warren County Economic Development Authority. Most of the industrial sites in the Industrial Corridor are located within the Enterprise Zone. While the Industrial Corridor currently has a small number of properties zoned for commercial use, it is the County's intention that all undeveloped tracts be eventually rezoned for industrial activity. (**Ibid.**)

designated by the County for commercial development. This "commercial corridor," which is approximately 3.6 miles in length and embracing frontage along U.S. 522/340 from I-66 to State Route 661, is the focus of the water and sewer provisions in of the proposed agreement.³⁵ Together these two corridors constitute what the County has identified as the "U.S. 522/340 Industrial/Commercial Corridor." To improve the management of growth and development in that area, the County has adopted a Highway Corridor Overlay Zoning District.³⁶ The provisions of this new overlay district ordinance will assist the County in regulating structures, uses, and traffic patterns along that portion of the U.S. 522/340 roadway.³⁷

The property in the portion of the proposed immunity area outside the Industrial Corridor is predominately undeveloped and used for agricultural purposes.³⁸ With respect to its prospective future development, the Warren County comprehensive plan, which was based upon an extensive analysis of the County's needs and anticipated growth, calls for the portion of the immunity area which lies to the east of U.S. 522/340 to be the focus of future residential growth. Two small communities, Reliance in the western portion of the proposed immunity area and Rockland in the east, are

³⁵**Agreement**, Section 1; and Napier, letter to staff of Commission on Local Government, Apr. 27, 1999. At this time there are two commercial entities located at the southern end of the commercial corridor.

³⁶This district embraces property to a depth of 1,000 feet from the rights-of-way of the highway, and it extends from I-66 north to the northern boundary of the Industrial/Commercial Corridor.

³⁷**Joint Petition**, Exhibit I.

³⁸**Ibid.**, Exhibit K. Although a site for a fire station in the Industrial Corridor has been donated to Warren County by the Du Pont Company, that facility has not been built. However, a volunteer fire company supported by the County has been organized to man this future station which will be located along U.S. 522/340. (Napier, letter to staff of Commission on Local Government, Feb. 25, 1999.)

projected to be future village centers.³⁹ To this point, however, growth in the Immunity Area, with the exception of that in the Industrial Corridor, has been restricted by the lack of public water and sewer.⁴⁰ Indeed, the vast majority (89.3%) of that area is zoned for agriculture, with only 1.7% of the territory zoned for residential purposes.⁴¹

STANDARDS FOR REVIEW

As indicated previously, the Commission on Local Government is charged with reviewing proposed interlocal agreements negotiated under the authority of Section 15.2-3400 of the Code of Virginia for the purpose of determining whether such proposals are "in the best interest of the Commonwealth." In our judgment, the State's interest in this and other proposed interlocal agreements is fundamentally the preservation and promotion of the general viability of the affected localities. In this instance, the Commission is required to review a proposed agreement which would (1) require the Town to permit commercial customers in a specified area of the County outside its boundaries to receive municipal water and sewer services under individual contractual agreements, (2) prohibit the Town from initiating for a seven-year period annexation in a prescribed area of the County which includes, but is not limited to, the area eligible for Town

³⁹**County Plan**, pp. 2-5, 4-31. The County expects the majority of its future residential development to occur in its northeastern quadrant, an area bounded on the south by State Route 55 and on the west by U.S. 522/340. Much of the Town of Front Royal and the area proposed for immunity lies in this quarter.

⁴⁰**Ibid.**, p. 2-5. Warren County does not own water or sewer systems, but relies on Front Royal to provide such services to County areas adjacent to the Town's boundaries. Located in the Industrial Corridor are Town-owned water and sewer lines, a water storage tank, and two sewage pumping stations.

⁴¹**Joint Petition**, Exhibit L.

utility services, and (3) require the County to assume responsibility for the operation, control, and funding of the Town's fire and rescue services, parks and recreation services, and animal control services. A proper analysis of the proposed Front Royal-Warren County agreement, as mandated by statute, requires consideration of the ramifications of these provisions with respect to the future viability of the two jurisdictions.

IMPACT OF THE AGREEMENT ON THE TOWN OF FRONT ROYAL

The proposed Front Royal-Warren County agreement has three principal provisions which will affect the Town's future viability. First, the agreement calls for Front Royal to provide water and sewer services to commercial users in the U.S. 522/340 corridor under contractual arrangements which would allow the Town to impose utility charges sufficient in magnitude to include the municipal taxes and fees which would be payable by the commercial entity if it were located within Front Royal. Second, the agreement requires the County to assume full responsibility for the funding and control of the Town's Volunteer Fire and Rescue Department, Parks and Recreation Department, and animal control services. Third, the agreement calls for the Town to relinquish for a seven-year period its authority to initiate annexation actions with respect to all property within the proposed immunity area. The following sections of this report consider the impact of these provisions on the Town of Front Royal.

Water and Sewer Provisions

Water and sewer service was first extended by Front Royal to the area proposed for immunity in 1980 when the Town funded the construction of utility lines to serve the E. I. Du Pont de Nemours and Company facility in the Industrial Corridor. In 1996 the Town and County jointly funded, through the Front Royal/Warren County Industrial Development Authority

(FR/WCIDA), a further extension of water and sewer lines into the northern portion of the Corridor to serve several new industrial concerns which were locating there.⁴²

Water. Front Royal uses two creeks and the South Fork of the Shenandoah River for raw water and is permitted to withdraw 4.0 million gallons per day (MGD) from those sources. The Town's water system includes a treatment plant with a design capacity of 3.0 MGD and five storage tanks which provide it a combined storage capacity of 8.6 million gallons (MG).⁴³ As of January 1999, there were 5,183 connections to the Town's water lines, with being 223 located beyond the Town's corporate limits, and with 26 of those existing within the Industrial Corridor.⁴⁴ During 1998 the average daily usage experienced by the Town's system was 1.93 MG, or 64% of the treatment plant's designed capacity and 22% of

⁴²**Ibid.**, p. 10. The 1980 extension of utilities into the Corridor was funded solely by Front Royal through a \$4.0 million bond issue. The Town's average annual payment over the 20-year life of the bond has been \$318,217. The extension of water and sewer in 1996 was funded through a \$4.1 million bond issued by the Front Royal/Warren County Industrial Development Authority. Under the terms of the agreement funding the 1996 extension, Front Royal agreed to pay 20% of the debt service on the utility bond, and the County assumed responsibility for the remaining 80% of the cost. It should be noted, however, that the County's portion of the debt service is non-binding and contingent upon annual appropriations of the Board of Supervisor. Over the 20-year life of this bond the Town will average an annual debt service of \$72,417. (**Ibid.**)

⁴³John Arledge, letter to staff of Commission on Local Government, Feb. 11, 1999. The Town's newest storage tank, 1.0 MG capacity, is located near the northern boundary of the Industrial Corridor and is reserved connections from that area. (**Ibid.**)

⁴⁴**Ibid.** Industrial Corridor connections are defined as all connections north of the Town's corporate limits. (**Ibid.**)

Front Royal's finished water storage capacity.⁴⁵ Moreover, the Town has developed plans to increase the capacity of its water treatment facility to 6.0 MGD in 2000.⁴⁶

It is evident to the Commission that the Town has taken appropriate steps to address its current and prospective water needs, including its commitments in the proposed agreement for the extension of service in the commercial corridor. Indeed, the Town is ahead of projected demand with its current plans for plant upgrade and expansion.⁴⁷

Sewer. The Town of Front Royal owns and operates a recently upgraded sewage treatment plant which has a permitted capacity of 4.0 MGD.⁴⁸ Currently there are 4,758 connections to the municipal system, with 118 being located beyond the boundaries of the Town, and with 20 of

⁴⁵**Ibid.** In 1998 connections in the Industrial Corridor utilized 0.190 MG, or 6% of the plant's capacity, with this usage projected to increase to 0.242 MG (8% of capacity) by 2003. In 1998 Front Royal's water system produced 577 MG of finished water while a total of 510 MG were billed to its customers. The difference in the figures represents a 12% loss from leakage, unbilled usage for fire suppression and other public purposes, or other means. (**Ibid.**)

⁴⁶**Ibid.** The planned expansion of the Town's water treatment plant is estimated to cost \$3.8 million. (**Ibid.**)

⁴⁷The Commission notes, however, that data presented by Front Royal reveal that there are areas in the Town that experience low pressure or fire flow problems due to undersized water mains. Additionally, approximately 80 residences in the Town are not served by the municipal water system. (**Ibid.**)

⁴⁸Virginia Department of Environmental Quality, "Authorization to Discharge Under the Virginia Pollutant Discharge Elimination System and the Virginia State Water Control Law, Town of Front Royal," Dec. 1, 1997.

those being in the Industrial Corridor.⁴⁹ During 1998 the average daily flow through the municipal plant was 2.88 MG, or 72% of its treatment capacity.⁵⁰ While there are no current plans for further upgrade of the Town's treatment facility, the present plant configuration is such that appropriate expansion facilities can be constructed when needed.⁵¹

Fiscal Considerations of Utilities Provision. As noted in a previous section of this report, Front Royal has borne sole financial responsibility for the 1980 extension of water and sewerage to the Industrial/Commercial Corridor. The bonds issued to fund that extension will be retired in the immediate future. The cost for 1996 utility extension in that area are being shared by the Town and County, with Front Royal's portion of that debt service averaging only \$72,000 annually.⁵² The proposed agreement does not call for the Town to undertake any additional water and sewer capital expenditures.

In terms of operational costs, the Town expends approximately \$931,000 annually on its water and sewer systems, while its present revenues from the Industrial Corridor alone have averaged \$385,110 over the fiscal period 1994 through 1998. Further, the Town is expected to

⁴⁹Arlidge, letter to staff of Commission on Local Government, Feb. 11, 1999. The Commission notes, however, that approximately 220 residences in Front Royal are without sewer service from the Town.

⁵⁰**Ibid.** According to data presented by the Town, 0.02 MGD of effluent emanates from the Industrial Corridor, with that amount projected to increase to 0.33 MGD by 2003.

⁵¹**Ibid.** The Town has indicated that its collection lines experience infiltration of groundwater and inflow of stormwater due, in part, to the age of those facilities. The Town is currently addressing the problem, with as much as \$300,000 per year having been expended recently to ameliorate this situation.

⁵²**Joint Petition,** p. 10.

increase its revenue substantially from the contracted water and sewer fees authorized by the proposed agreement from new commercial connections in the Corridor. As a consequence, the average annual revenue from those connections is projected to be \$672,588 from FY 1999 through FY 2003.⁵³

With respect to these new commercial connections in the Corridor, the proposed agreement incorporates an arrangement whereby the Town may, within service areas created explicitly for the provision of water and sewer to commercial customers, contract with such users to set rates for services that are "substantially equivalent to the sum total of money that a user of such services located within the Town's boundaries would pay at the in-town sewer and water rates plus an amount substantially equivalent to the total amount of town taxes and license fees that such user would pay if such user was located within the Town's corporate limits for the same or equivalent or similar activity."⁵⁴ Thus, while the Town will provide water and sewer service to commercial users outside its boundaries, it will do so in a manner which equalizes the local tax arrangements for commercial entities within and beyond the municipality.⁵⁵ This provision of the

⁵³**Joint Petition**, p. 10. As of June 30, 1998, the net operating income for Front Royal's water and sewer enterprise fund was \$2.6 million, with the Town having an accumulated cash balance in that utility account of \$2.0 million. (Mitchell & Company, **Town of Front Royal, Virginia, Comprehensive Annual Financial Report, Year Ended June 30, 1998**, Schedules 6, 7.)

⁵⁴**Joint Petition**, Exhibit H. The supplemental utility agreement also provides that Front Royal may refuse to extend water or sewer services to residential or agricultural users beyond its boundaries if a) the Town does not have sufficient capacity in the municipal utility systems, or b) the Town does not have the financial resources to provide such services. See **Appendix D** for the complete text of the supplemental agreement.

⁵⁵The Town will permit commercial entities to connect to municipal water and sewer lines upon agreement to bear the cost for the necessary extensions and upon approval by the Town and the County of the site plan for the proposed use. Further, under the terms of the settlement, the

agreement will enhance the revenue of the Town, it will increase the tax base of Warren County (concurrently benefitting County residents in the Town), and it will protect the competitive position of Front Royal for future commercial development. We consider the utilities provision in the proposed agreement consistent with the best interest of Front Royal.

Provision for Assumption of Services by Warren County

Under the terms of the proposed agreement Warren County will, over a specified period, assume operational control and primary funding responsibility for the Front Royal Volunteer Fire and Rescue Department, Inc., the Town's parks and recreation program, and certain animal control services previously funded by the Town. These provisions in the agreement will lessen the fiscal responsibilities of the Town.⁵⁶

Volunteer Fire and Rescue Department. Currently the Town supports the Front Royal Volunteer Fire and Rescue Department, Inc. (known as Company #1) with an annual funding level which has averaged \$214,660 per year since 1994.⁵⁷ Under the terms of the proposed agreement, the County

County will solicit comments from Front Royal on all rezoning requests affecting property in the U.S. 522/340 Industrial/Commercial Corridor. (**Agreement**, Section 1.)

⁵⁶The Commission notes that certain actions by the parties to this agreement regarding the assumption of services by the County have already taken place.

⁵⁷**Joint Petition**, p. 13. The average funding level is based on the fiscal period 1994 through 1998. It should be noted that the Town's appropriations to Company #1 include Fire Program Fund grants from the Virginia Department of Fire Programs. These funds, which approximate \$18,000 annually, will continue to be received by Front Royal following the effective date of the agreement and will be appropriated by the Town to the County for use in its fire and rescue program. (**Ibid.**; and John O'Neill, Acting Town Manager, Town of Front Royal, communication with staff of Commission on Local Government, Apr. 22, 1999.)

will assume operational control and funding of Company #1, including responsibility for the supervision and management of all paid staff, over a two-year period beginning July 1, 1998. In the first year of the period the County was to assume 50% of the Town's present funding level and full responsibility for operation and funding of Company #1 thereafter.⁵⁸

Parks and Recreation. The proposed agreement states that as of July 1, 2000 all of Front Royal's parks and recreation staff will become employees of Warren County. At that time, the County will assume full funding and operational responsibility for a County-wide parks and recreation program, to include of the facilities and programs currently operated by Front Royal. Legal ownership of park lands, recreational facilities and equipment, and other related properties currently owned by the Town will be determined by the jurisdictions prior to the County's assumption of control.⁵⁹ Since the Town has averaged an annual expenditure, exclusive of open space and roadside maintenance, of approximately \$379,000 for parks and recreation in recent years the County's assumption of this service responsibility provides Front Royal with significant fiscal relief.⁶⁰ Further, data presented

⁵⁸**Agreement**, Section 4. In the first year following the effective date of the agreement, the Town's share of the cost for Company #1 will be approximately \$104,000, including the Fire Programs Fund grant. (**Joint Petition**, p. 13.) In addition, Front Royal will continue to administer the payroll for the three paid staff of Company #1 who have chosen to stay under the Town's payroll system in order to remain enrolled in the Law Enforcement Officers' Retirement System of the Virginia Retirement System. The Town's cost for that service will be paid by Warren County. (**Agreement**, Section 4).

⁵⁹**Agreement**, Section 5. As of July 1998 the Town's Parks and Recreation Department employed 8 full-time and 2 part-time staff, as well as 48 seasonal personnel. (**Joint Petition**, p. 13.)

⁶⁰**Joint Petition**, p. 14. The Town and County estimate that Front Royal's expenditure for parks and recreation will be approximately \$150,000 in FY 1999; after that the Town will not fund such programs. Town expenditures in FY 1999 are exclusive of the expenditure of \$150,000

by the Town and County indicate that per capita expenditures for parks and recreational programs for Front Royal residents will not decrease from current levels over the period 1999 to 2003.⁶¹

Animal Control. Under a provision in the proposed settlement, Warren County assumed total funding responsibility for animal control services in the Town on July 1, 1998.⁶² Prior to that date, Warren County provided that service to municipal residents, including the enforcement of the Front Royal's mandatory leash law, at an annual cost to the Town of approximately \$37,000.⁶³ Accordingly, this provision in the agreement may be expected to reduce Front Royal's expenditures by approximately that amount annually.⁶⁴

Fiscal Consequences of Service Provisions. The provisions of the agreement regarding the County's assumption of the funding and control of

which the Town annually expends, and will continue to expend, on the maintenance of municipal non-park open spaces and roadsides. In FY 1999 the County will support the Town's Parks and Recreation Department with \$150,000 and in FY 2000 with \$250,000. (**Agreement**, Section 5.)

⁶¹**Joint Petition**, p. 14.

⁶²**Agreement**, Section 6; and **Joint Petition**, Exhibit Q, "Agreement Between the Town of Front Royal and County of Warren Regarding Animal Control Activities."

⁶³Between FY 1994 and FY 1998, Front Royal paid the County an average of \$37,000 annually for animal control services.

⁶⁴Front Royal amended its leash law in 1997 to make the enforcement of the ordinance's requirements by the County's Dog Warden optional rather than mandatory, thereby affording the enforcement officer discretion in applying the leash requirement. The amendments to the Front Royal leash law ordinance made the Town's requirements identical to those of Warren County. (O'Neill, letter to staff of Commission on Local Government, June 9, 1999; and communication with staff of Commission on Local Government, June 9, 1999.)

services cited above will reduce the fiscal pressure on the Town, while enabling Front Royal's residents to continue to receive these urban services through County-funded programs. These urban services will become part of a County-wide service plan, leaving the Town with additional resources for confronting its other service and fiscal obligations. These provisions of the agreement are clearly in the best interest of the Town.

IMMUNITY PROVISION

The agreement before the Commission requires Front Royal to relinquish its authority to initiate annexation involving the County's principal economic growth area for a seven-year period beginning from the date of execution of the accord. As previous sections of this report have noted, the area proposed for immunity embraces the overwhelming majority of the County's industrial base, as well as a limited amount of residential and commercial development. In addition, the County's Comprehensive Plan has designated the northeastern quarter of the County, which includes a major portion of the immunity area, for residential development. Indeed, the majority of all development in Warren County is expected to occur in this area.⁶⁵ Thus, under the terms of the proposed agreement, the Town of Front Royal has agreed to waive its authority to initiate an annexation affecting that portion of the County which has experienced and which is anticipated to continue to experience the most intense development.

While the proposed immunity area contains 16.5% of the County's total land area, its geographic configuration is such that a grant of immunity to that area will not foreclose the possibility of annexation by the Town. The immunization of the area in question will leave available for annexation, if circumstances warrant, territory adjacent to virtually the Town's entire

⁶⁵County Plan, p. 2-5.

periphery.⁶⁶ In sum this Commission does not consider the proposed immunization of the area in question as threatening the viability of Front Royal.

IMPACT OF THE AGREEMENT ON THE COUNTY OF WARREN

The provisions of the agreement cited above have a concurrent impact on Warren County. The sections which follow consider the impact of those provisions on the future viability of Warren County.

Water and Sewer Provisions

In 1996 Warren County and Front Royal cooperated for an extension of the Town's water and sewer lines into the County's U.S. 522/340 Industrial/Commercial Corridor. This extension was financed with a \$4.1 million bond issued by the FR/WCIDA. Pursuant to the terms of that collaborative effort, the County assumed 80% of the liability for that debt.⁶⁷

⁶⁶**Joint Petition**, p. 12 and Exhibit J. The proposed immunity area encompasses 35.6 square miles. Front Royal is constrained from annexation on a portion of its southern boundary by the Shenandoah National Park. Further, the South Fork Shenandoah River, which forms a portion of the Town's western boundary, is a natural but not impermeable barrier to the community of interest between the municipality and that portion of Warren County immediately to Front Royal's west. The Town could, if the need arose, initiate annexation of County territory situated on much of its northern and eastern boundaries, as well as areas located to the west of the river. The Commission notes, however, that the agreement does not preclude citizen-initiated annexation action in any area of Warren County adjacent to Front Royal.

⁶⁷Over the 20-year life of this bond, the County will average an annual debt service of \$289,668. (**Joint Petition**, p. 10.) The Commission recognizes that Warren County has undertaken a non-binding obligation to support the Industrial Development Authority in servicing the debt on this bond issue. An official for the County has indicated that the current Board of Supervisors intends to make annual appropriations for that purpose, and it has recommended that future Boards make such appropriations. (Napier,

As a result of the 1996 extension of municipal water and sewer into the corridor, the County has experienced significant industrial growth in this region and anticipates a continuation of such development.⁶⁸

In terms of revenue derived by the County from development in the Industrial/Commercial Corridor, projections indicate that the potential annual receipts from taxable manufacturing activity in the enterprise zone alone, a component of the Corridor, at approximately \$0.8 million in 2000, with that amount increasing to \$1.8 million by 2007. With respect to commercial activity, the development of available sites in the commercial corridor is expected to yield approximately \$0.2 million in annual revenue to the County in future years.⁶⁹ Since the County has no water and sewer facilities, the extension of Front Royal's systems into this region of the County has been and remains essential for its economic development. The provision in the proposed agreement permitting further utilization of Town water and sewerage for commercial development in the corridor is clearly in the best interest of Warren County.

Assumption of Municipal Services

Under the terms of the proposed agreement, Warren County is committed to assume full funding and operational control of three services which the Town currently provides its residents. As of July 1, 1998, in anticipation of the implementation of the agreement, the County began to

letter to staff of Commission on Local Government, Mar. 5, 1999.)

⁶⁸The first extension of water and sewer into the U.S. 522/340 Industrial/Commercial Corridor, which contributed significantly to its development, occurred in 1980 and was funded entirely by Front Royal.

⁶⁹Napier, letter to staff of Commission on Local Government, Mar. 25, 1999. Revenue data were developed by the Industrial Development Authority and are based on the current real estate tax rate of \$0.68/\$100.

provide animal control services in Front Royal at no cost to the Town.⁷⁰ In FY 1999, again, in expectation of the subsequent implementation of the proposed agreement, the County assumed complete responsibility for the funding and control of the Front Royal Volunteer Fire and Rescue Department, Inc. (Company #1), including the supervision and management of all paid staff.⁷¹ Finally, the agreement provides that in FY 2001 the County will assume full operation and control of a County-wide parks and recreation program, which will include those parks, recreation services, and departmental personnel for which the Town is currently responsible.⁷²

While these new service obligations will result in increased expenditures by Warren County the added expenditures are, based on recent outlays by Front Royal for the services in question, equivalent to only 1.8% of Warren County's current budget.⁷³ In addition, the County's assumption of

⁷⁰Prior to this the Town's animal control ordinance required a higher level of service for which the Town paid an average annual fee of \$37,020 to the County for its provision of this service. (**Joint Petition**, p. 14.)

⁷¹Under the terms of the proposed agreement, the County's assumption of the funding for Company #1 will be phased-in over a two-year period. (**Agreement**, Section 4.)

⁷²In FY 1999 the County will expend \$150,000 for support of the parks and recreation program in the Town, and that amount will increase to \$250,000 in FY 2000. Beginning July 1, 2000 all Town parks and recreation personnel will become employees of the County. Ownership of parklands and facilities in the Town will be determined by negotiation between Front Royal and Warren County during FY 1999. (**Agreement**, Section 5.)

⁷³Collectively Front Royal's recent expenditure for the three service areas averaged \$781,218 per year for the fiscal periods 1994 through 1998. (**Joint Petition**, p. 13.) Warren County has budgeted \$43,026,551 for FY 1999 for the operation of all governmental functions. (County of Warren, **Budget**, July 1, 1998 to June 30, 1999.) Further, during the fiscal periods 1994 through 1998 the County had an undesignated reserve balance in its general fund averaging \$4.2 million, ranging from \$2.6 million in FY 1994 to \$6.4 million in FY 1997. (**Town of Front Royal, Virginia, Comprehensive**

those services formerly funded by Front Royal should provide some operating efficiencies resulting from economies of scale. The Commission concludes that the County can efficiently and effectively assume responsibility for the services in question without undue fiscal effort.

Immunity Provision

The area proposed for immunity represents a major part of Warren County in terms of its land area, population, and economic significance. As previously indicated, the proposed immunity area encompasses 35.6 square miles (16.5% of the County's total land area), contains approximately 1,500 persons (approximately 10% of the population of the unincorporated portion of Warren County), and major industrial facilities. While the area embraces a significant concentration of the County's industrial base, it remains sparsely populated and currently has little in the way of commercial development. Over the seven-year period following the execution of the proposed agreement, the County intends, through the FR/WCIDA, to concentrate its development efforts in the Industrial/Commercial Corridor in the immunity area. In sum, the immunity provision in the proposed agreement provides the County for a seven-year period with complete governmental authority over a portion of its territory of major significance to its economic future.⁷⁴

Public Service Responsibilities in Immunity Area. Since the proposed agreement would preclude Front Royal from annexing in the immunity area

Annual Financial Report, Year Ended June 30, 1994; and Year Ended June 30, 1997, Exhibit I). See **Appendix E** for a profile of operating expenditures by category for Front Royal and Warren County for FY 1998.

⁷⁴The FR/WCIDA estimates that the County will receive approximately \$800,000 in total revenue from properties in the Industrial/Commercial Corridor in 2000, with those revenues increasing to an estimated \$1,789,000 by 2007. (Napier, letter to staff of Commission on Local Government, Mar. 25, 1999.)

for a seven year period, Warren County will be required to meet the urban service needs of that area during the specified time frame. While the immunity area is predominately vacant or in agricultural use at this time, commercial and industrial growth in the Industrial/Commercial Corridor may well escalate, creating an impetus for general development throughout the region and prompting a need for urban services.

In terms of utility concerns, the County has acknowledged that there have been numerous septic failures and/or water well contaminations in the immunity area outside the Industrial/Commercial Corridor.⁷⁵ Since much of the immunity area is located in a portion of the County which has been recognized as having the greatest potential for future residential development, utility concerns may grow in significance. These conditions may create a need for additional water and sewer services which are not addressed by the agreement under review.

Law enforcement services in the immunity area, as well as the County generally, are provided through the County Sheriff's Department. This law enforcement agency consists of 69 full-time sworn law enforcement personnel, 14 of whom are assigned regular patrol responsibilities. Patrol service is provided on a 24-hour basis by a shift structure consisting of seven overlapping shifts, with one patrol deputy assigned to each shift. While this level of law enforcement service in the immunity area may be presently adequate, further development in the area will increase the County's liability for such services.⁷⁶

⁷⁵Napier, letter to staff of Commission on Local Government, Mar. 5, 1999.

⁷⁶Napier, letter to staff of Commission on Local Government, Feb. 25, 1999. Twenty percent of the calls for service responded to by the Sheriff's Department in 1998 emanated from the Industrial/Commercial Corridor.

With respect to fire prevention and protection services, the majority of the immunity area is located within the first-run coverage sector of the Front Royal Volunteer Fire Department, while a small portion of the area is within the first-run coverage sector assigned to the Linden Fire Department.⁷⁷ By the end of 1999 the North Warren Fire Company (Company #10) will begin operations from its location on U.S. 522/340 in the Industrial/Commercial Corridor and from that location will greatly assist the County in providing fire protection in the immunity area.⁷⁸ At this time, all sectors of the immunity area, including the Industrial/Commercial Corridor, are classified as a "9" by the Insurance Services Office (ISO) of Virginia in terms of exposure to fire loss.⁷⁹

In terms of refuse management, Warren County does not provide door-to-door solid waste collection services. Residents in the immunity area must deliver their household refuse to a County compactor station located south of the Industrial/Commercial Corridor or arrange for private collection. Commercial and industrial entities in the corridor currently arrange for waste collection through contractual arrangement with private

⁷⁷Napier, communication with staff of Commission on Local Government, May 5, 1999. All fire companies in the County are available for fire protection service in the immunity area.

⁷⁸**Ibid.**; and Napier, letter to staff of Commission on Local Government, Feb. 25, 1999. Facilities for Company #10 will be located on land donated by the Du Pont Company. Warren County contributed \$527,702 to all fire companies serving the Industrial/Commercial Corridor in FY 1998.

⁷⁹Napier, letter to staff of Commission on Local Government, Feb. 25, 1999. The ISO classification is based on a scale of "1" to "10" for comparison with other municipal fire protection systems and represents an indication of a system's ability to defend against the major fire which may be expected in any given community. Where protection class "10" is assigned, there is no or minimal protection. Protection class "1" represents a fire protection system of extreme capability. The principal features used by ISO in grading a community's fire system are water supply, fire department, fire communications, and fire safety control. [John L. Bryan and Raymond C. Picard, **Managing Fire Services** (Washington, DC: International City Management Association, 1979), p. 102.]

collection firms.⁸⁰ While the Commission is unaware of any major concerns with respect to solid waste collection in the proposed immunity area, significant future development may require the County to consider alternate service provisions.

In sum, the proposed agreement, by immunizing the specified area from annexation by Front Royal for the seven-year period, requires Warren County to continue its exclusive responsibility for addressing that area's public service needs. Through appropriate development control measures and through collaboration with Front Royal, the County should be able to address properly the fundamental public service needs of the area. In our judgement, the immunity provision in the proposed agreement is consistent with the best interest of Warren County without being injurious to the interests of its municipal center and citizenry.

INTEREST OF THE COMMONWEALTH

The paramount interest of the State in this proposed agreement and in the resolution of all other interlocal issues subject to the Commission's review is, in our judgment, the preservation and the promotion of the viability of the affected local governments. Clearly, through the collaborative approach to the extension of essential water and sewerage to the Industrial/Commercial Corridor in a cost effective manner, the differential in utility charges to commercial establishments in the proposed immunity area designed to protect the economic viability of Front Royal, and the arrangement for placing certain Town-supplied public services into the County-wide system, the proposed agreement promotes the interests of both jurisdictions. The interest of the Commonwealth is clearly served by

⁸⁰Napier, letter to staff of Commission on Local Government, Feb. 25, 1999. Residents of the immunity area may take bulky items to the County Transfer Station Convenience Center located in the south end of the County.

these elements of the proposed agreement that are promotive of the viability of the two jurisdictions.

FINDINGS AND RECOMMENDATIONS

In the preceding sections of this report, the Commission has reviewed the various provisions of an interlocal agreement negotiated by the Town of Front Royal and Warren County. Based on that review, we find the proposed agreement "in the best interest of the Commonwealth," and we recommend the court's approval of the accord.

While this Commission endorses the elements of this agreement as presented, there are several concerns regarding the wording of the instrument which we raise below for consideration by the parties.

IDENTIFICATION OF GEOGRAPHIC SECTORS

The proposed interlocal agreement utilizes a variety of terms to identify the various geographic areas affected by its provisions. It appears to this Commission that those terms in the agreement should be reviewed for correctness, consistency in terminology, and precision in geographic delineation. In terms of correctness, included in the various set of terms is the designation "State Route 522/340 North Corridor," which improperly labels that thoroughfare as a "State" route. In terms of precision, paragraph "(3)" of the proposed agreement indicates that the Town shall relinquish for the specified period of time its authority to initiate annexation actions in the "North 522/340 Corridor," but ancillary documents and testimony by the parties indicate that the area proposed for immunity is substantially larger than that encompassed within such "Corridor." With these concerns in mind, the Commission recommends that the proposed agreement be reviewed for correctness and consistency and modified to include a

“definitions” section which would delineate with specificity the various geographic areas affected by the instrument. While the joint petition submitted to this Commission for purposes of initiating the current review raises similar concerns regarding terminology, it is the agreement itself which requires foremost attention since that instrument will be imbued with legal sanctity following the court’s review.

CONTINUATION OF COMPARABLE SERVICES IN TOWN

Although the present agreement and the extent of collaborative action previously undertaken by Warren County and the Town of Front Royal clearly manifest mutual trust and respect between the two jurisdictions, we recommend that the provisions in the current instrument regarding the County’s assumption of specified services in the Town be amended for purposes of reducing the likelihood of future disagreement. Specifically, we recommend that the provision in the proposed agreement regarding the County’s assumption of responsibility for the funding and maintenance of former municipal recreational facilities and programs be amplified to indicate that such services will be maintained by the County at comparable levels and at locations affording comparable accessibility for Front Royal residents. Absent assurances of such comparability, the Town might be confronted at some future point with the necessity of reestablishing a municipal parks and recreation program to serve its residents. Similarly, we recommend that the proposed agreement be modified to define the “discretionary” animal control services which Warren County will provide within the municipality. Paragraph “(6)” of the proposed agreement contains no definition, either expressly or by reference, of the services in question. Again, this Commission is cognizant of the mutual respect and collaboration manifested by the governing bodies currently serving the two jurisdictions, but our experience suggests that future concerns can be avoided by reducing the ambiguities in interlocal agreements.

CLASSIFICATION OF REVENUES COLLECTED FROM COMMERCIAL ENTITIES IN CORRIDOR

This Commission recommends that the Town of Front Royal give consideration to the establishment of appropriate accounting procedures whereby that component of the utility collections from commercial entities in the corridor which constitutes payments in lieu of Town taxes and license fees be segregated and transferred upon collection to the Town's general fund for general municipal purposes. Absent such an accounting arrangement, the economic performance of the municipal utility systems would be misrepresented, and the benefit of the fiscal arrangements for other municipal services might be delayed or reduced.

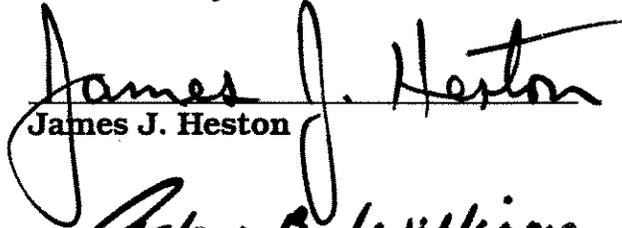
CONCLUDING COMMENT

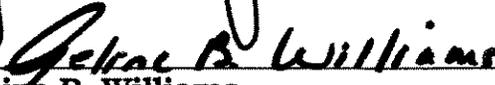
The Commission on Local Government is cognizant of the intensive and extended effort required by local governing bodies to develop interlocal agreements of the nature reviewed in this instance, and we commend the officials of the Town of Front Royal and Warren County for their successful efforts to negotiate this instrument for the mutual benefit of the residents of their jurisdictions.

Respectfully submitted,


Frank Raflo, Chairman


Peter T. Way, Vice Chairman


James J. Heston


Geline B. Williams

NEEDS TO GO TO COMMISSION ON LOCAL GOVERNMENT
15.2-2907.A
15.2-3232

AN AGREEMENT BETWEEN THE COUNTY OF WARREN
AND THE TOWN OF FRONT ROYAL REGARDING THE PROVISION
OF WATER AND SEWER SERVICE BY THE TOWN IN THE
STATE ROUTE 522/340 NORTH CORRIDOR AND THE
ASSUMPTION OF FULL SERVICE FUNDING AND
RESPONSIBILITY BY THE COUNTY OF FIRE/RESCUE,
PARKS/RECREATION OPERATIONS AND ANIMAL CONTROL SERVICES

WHEREAS, the Warren County Comprehensive Plan states that its major purposes include promoting the interests of the community as a whole; enhancing, describing and promoting the Town of Front Royal's physical assessment; and developing a coordinated, well-planned system of public services; and that the overall goal of the Comprehensive Plan includes the goal to effectively meet the social and economic needs of present and future citizens of the County of Warren, and

WHEREAS, inhabitants and citizens of the Town of Front Royal are also inhabitants and citizens of the County of Warren;

NOW, THEREFORE, WITNESSETH, that in order to more effectively meet the social and economic needs of present and future citizens and inhabitants of the County of Warren and the Town of Front Royal, the Board of Supervisors of the County of Warren, Virginia (the County) and the Council of the Town of Front Royal, Virginia (the Town), a municipal corporation, pursuant to Article 2, Chapter 31 of Title 15.2 of the Code of Virginia (Section 15.2-3231 et seq.) agree to the following:

(1) The Town will permit access by commercial customers to its water and sewer lines located outside its corporate boundaries in the North 522/340 corridor between the I-66 interchange and State Route 658, thirty (30) days following approval of the Route 522/340 Overlay District by the Board of Supervisors. Access by such customers will be contingent upon Town and County site plan approval. The Town will be notified and invited to comment by the County on rezoning requests in the North Corridor. Also, such customers are responsible for making any extensions required to connect to the Town's mains.

(2) These commercial customers will receive water and sewer service from the Town under a contractual agreement that requires, in part, in-lieu-of Town tax and license fee payments, as set forth in that separate agreement entered into between the County and the Town, incorporated by reference herein.

(3) The Town will not initiate an annexation action in the North 522/340 corridor for seven (7) years from the date of execution of this agreement, unless a court finds the water and sewer contractual agreements not binding.

(4) The County will assume operational control and funding of the Front Royal Volunteer Fire & Rescue Department, Inc. (Company #1) over a two (2) year period beginning July 1, 1998, to include supervision and management of all paid staff. In year one beginning July 1, 1998, the County will assume fifty (50) percent

of the Town's present funding level, plus the County's present funding level and any additional funding which the County may appropriate (not less than \$275,281.50 exclusive of Federal and/or State pass-through funds). In year two (2) the County will assume responsibility for all of the Town's present funding (\$174,757), plus the County's share of such funding as the County may appropriate. Since the County does not have a LEOS program, the Town agrees to continue to administer the payroll system for the three (3) paid staff employees presently employed by the Town. These three (3) paid staff employees will be held harmless regarding pay and benefits. The County will budget and transfer the necessary funds to the Town, who in turn will administer the payroll for these employees. During this two year transition, the County will maintain the four (4) positions staffing level at the Company #1 location.

(5) The County shall include \$150,000 in funding in its FY 1998-99 Budget and \$250,000 in funding in its FY 1999-00 Budget (exclusive of Pool support) for support of the Town's Parks & Recreation Program. In FY 2000-01, the County shall assume full funding and operational responsibility for a County-wide Parks and Recreation Program. Beginning July 1, 2000, all Parks and Recreation staff will transfer and become employees of the County. Agreement concerning the ownership of park lands, property and equipment to include those specific parks and recreational facilities to be assumed by the County will be determined during FY 98-99.

(6) The Town of Front Royal will full fund its share of cost for Animal Control services for FY 97-98. Beginning July 1, 1998, the County of Warren will provide discretionary services at no cost to the Town, these discretionary services being as set forth in a separate animal control agreement entered into between the County and the Town.

IN WITNESS WHEREOF, the parties hereto enter into this Agreement on the date above indicated.

COUNTY OF WARREN, VIRGINIA, by
and through its Board of
Supervisors

Attest:

[Signature]

By:

[Signature]
Chairman

TOWN OF FRONT ROYAL, VIRGINIA,
by and through its Town Council

Attest:

[Signature]

By:

[Signature]
Mayor

**JOINT RESOLUTION OF THE BOARD OF SUPERVISORS OF
THE COUNTY OF WARREN AND THE COUNCIL OF THE
TOWN OF FRONT ROYAL**

WHEREAS, the County of Warren and the Town of Front Royal have previously determined to enter into a Voluntary Settlement Agreement, finding it to be in the best interest of the Town, County and Commonwealth, which Agreement is entitled:

**AN AGREEMENT BETWEEN THE COUNTY OF WARREN AND THE
TOWN OF FRONT ROYAL REGARDING THE PROVISION OF WATER
AND SEWER SERVICE BY THE TOWN IN THE STATE ROUTE 522/340
NORTH CORRIDOR AND THE ASSUMPTION OF FULL SERVICE
FUNDING AND RESPONSIBILITY BY THE COUNTY OF FIRE/RESCUE,
PARKS/RECREATION OPERATIONS AND ANIMAL CONTROL SERVICES**

BE IT JOINTLY RESOLVED, by the Board of Supervisors of the County of Warren and the Council of the Town of Front Royal regarding the Agreement as follows:

1. The County and the Town request the Commission on Local Government for the Commonwealth of Virginia review their Agreement and the attorneys for the County and Town are directed to petition the Commission, immediately upon notice to those local governments contiguous to the County of Warren, for review, hearing and report on the Agreement and they shall provide such other required documents and submissions as the Commission may require.
2. The County and the Town are resolved in their intent upon receipt of the report of the Commission in this matter as follows: a) To adopt this Agreement after such review by the Commission and further public hearing after notice. b) To petitioning the Circuit Court of the County of Warren for an order affirming the Agreement to take effect immediately.
3. The County and the Town identify their respective attorneys, Douglas W. Napier, County Attorney, and John B. Arledge, Town Attorney, as each locality's principal contact with the Commission during the review period.

4. The County and the Town agree and resolve that the County area immune from Town annexation for a seven year period is the Route 522/340 North Industrial Corridor and that for purposes of immunity from annexation only, that area was and shall be described as follows:

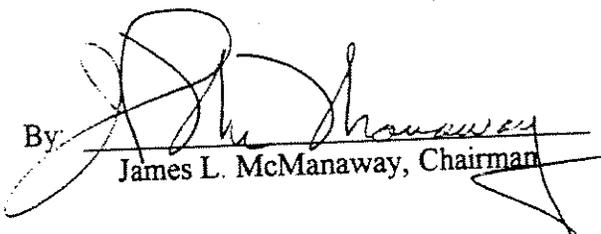
The area contained within a line running from a point starting at the center of the intersection of Interstate 66 and the Shenandoah River, then running generally north/west along the centerline of Interstate 66 to its intersection with Warren County's boundary with Frederick County, then generally east along that boundary line to the area of Route 522/340 and turning generally north and continuing along that same boundary line between the Counties of Warren and Frederick to the point where the northern boundary of Warren County meets the southern boundaries of the Counties of Frederick & Clarke, from that point, then generally east along Warren County's boundary with Clarke County to its intersection with the center line of the Shenandoah River, then generally south/west along the center line of the Shenandoah River to its intersection with the center line of Interstate 66, the starting point, and there forming the close of an area consisting of approximately 22,782.46 acres and 16.47% of the area of Warren County with an population estimated at 1,489 persons by the 1990 census. This area is zoned approximately 89.3% agricultural, 6.3% industrial, 1.3% commercial, 1.7% residential and 1.4% mixed use.

5. The County and Town agree that the heading and any portion of the Agreement where reference is made inadvertently to Virginia Code §15.2-3232, shall be changed to cite the correct Virginia Code, §15.2-3400.

6. The County and Town agree that in section (1) of the Agreement describing the area where the Town will permit access to its water and sewer lines by commercial customers in the "North 522/340 corridor", the area was inadvertently described as "between the I-66 interchange and State Route 658" (more commonly known as Rockland Road). The County and Town had intended that area to be described as "between the I-66 interchange and State Route 661" (more commonly known as Fairgrounds Road). This intent is clearly shown by the joint plans and actual installation of water and sewer lines to and along Fairgrounds Road. The inadvertent reference to Route 658 shall be corrected to Route 661, Fairgrounds Road.

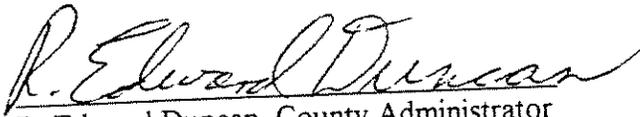
This resolution was approved by a majority vote of the Warren County Board of Supervisors during a public meeting held on October 6, 1998, as shown in the minutes of that meeting.

BOARD OF SUPERVISORS OF
THE COUNTY OF WARREN, VIRGINIA

By: 

James L. McManaway, Chairman

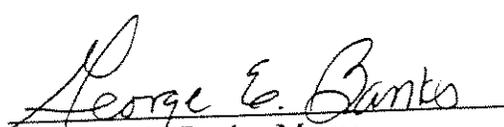
ATTEST:



R. Edward Duncan, County Administrator

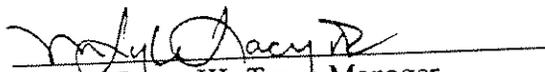
This resolution was approved by a majority vote of the Council of the Town of Front Royal during a public meeting held on October 12, 1998, as shown in the minutes of that meeting.

COUNCIL OF THE
TOWN OF FRONT ROYAL, VIRGINIA

By: 

George E. Banks, Mayor

ATTEST:


M. Lyle Lacy, III, Town Manager

**STATISTICAL PROFILE OF THE TOWN OF FRONT ROYAL,
THE COUNTY OF WARREN, AND THE AREA PROPOSED FOR IMMUNITY**

	<u>Town of Front Royal</u>	<u>County of Warren</u>	<u>Area Proposed for Immunity</u>
Population	13,094	29,200	1,500
Land Area (Square Miles)	9.3	213.7	35.6
Total Assessed Values (Fiscal Year 1998)			
Real Estate	\$545,854,900	\$1,388,945,000	N/A
Mobile Homes	\$156,425	\$2,617,400	N/A
Public Service Corporation	\$14,045,362	\$56,925,100	N/A
Personal Property	\$76,226,046	\$183,152,357	N/A
Machinery and Tools	\$742,810	\$22,924,319	N/A
Merchant's Capital	N/A	N/A	N/A

NOTES:

County Population, Land Area, and Assessed Value statistics include the Area Proposed for Immunity.

N/A = Not Available/Not Applicable.

Town population is 1996 estimate; County population is 1997 estimate; population estimate for the Area Proposed for Immunity is based on the 1990 census.

SOURCES:

Cherry, Bekaert & Holland, County of Warren, Virginia: Financial Report, Year Ended June 30, 1998.

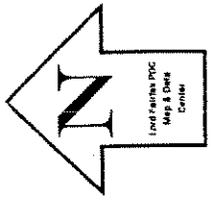
Town of Front Royal and County of Warren, Petition, Notice, Resolution, and Supporting Submissions for Hearing and Report on a Voluntary Settlement Agreement.

Mitchell & Company, Town of Front Royal, Virginia: Comprehensive Annual Financial Report, Year Ended June 30, 1998.

U. S. Department of Commerce, Bureau of the Census, "Estimates of the Population of States, Counties, Places, and Minor Civil Divisions," November 1997 (electronic data set).

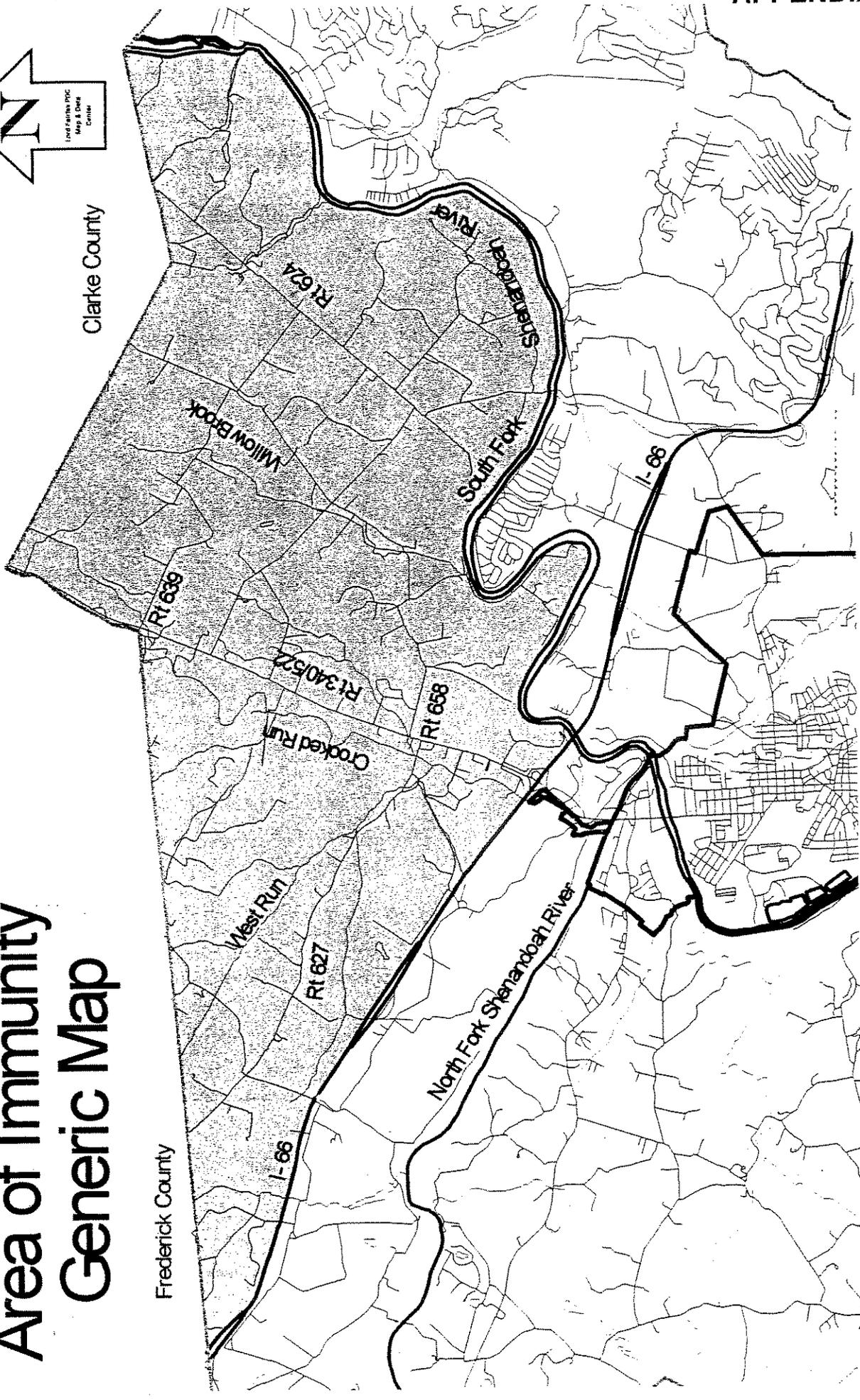
Weldon Cooper Center for Public Service, "Population Estimates for Virginia Localities," January 1998 (electronic dataset).

Area of Immunity Generic Map



Clarke County

Frederick County



- County Boundary
- Roads
- Front Royal
- Shenandoah River
- Water
- Area of Immunity

Total Acres of Immunity Area: 22782.46
 Equivalent to: 16.47% of Warren County
 Population 1990: 1489 (approximate)



CONFIDENTIAL - PROTECTED BY ATTORNEY/CLIENT PRIVILEGE
AGREEMENT

THIS AGREEMENT made and dated this 3 day of February, 1998, by and between the County of Warren, Virginia a body politic, (hereinafter the "County") by and through its Board of Supervisors; and the Town of Front Royal, Virginia, a body politic, (hereinafter the "Town") by and through its Town Council.

WHEREAS, Section 15.2-2109 of the Code of Virginia, 1950, as amended, permits any locality to establish, maintain, operate and enlarge waterworks, sewerage, gas works, electric plants, public mass transportation system, stormwater management systems and other public utilities within or outside the limits of the locality; and

WHEREAS, the County and the Town recognize the desirability to the common good, general welfare and economic prosperity of the inhabitants of the Town and County of the establishment and orderly growth of commercial development in order to provide employment for their inhabitants and to provide a larger tax base in order to provide adequate funding for public schools and other essential local government responsibilities; and

WHEREAS, the County and the Town recognize that much of such establishment and growth of commercial development will need to occur in areas that are in the County but outside the Town's corporate limits; and

WHEREAS, the County and the Town recognize that for such establishment and growth of commercial development to occur it will be necessary to have in place and functioning public water and sewerage services; and

WHEREAS, the County and the Town acknowledge that at this time only the Town has the facilities to provide water and sewerage services to allow such establishment and orderly growth of commercial development to occur and that at this time the most efficient use of the County's and Town's financial resources, for the common good, general welfare, and economic prosperity of their inhabitants, is for the Town to establish, maintain, operate and enlarge its waterworks and sewerage systems, in the County but outside the Town's corporate limits, to and within areas agreed upon by the County and the Town as most conducive to such establishment and orderly growth of commercial and industrial development; and

WHEREAS, the County and the Town recognize that the expense to the Town and its taxpayers of establishing, maintaining, operating and enlarging its waterworks and sewerage systems outside the Town's corporate limits is much greater than is the expense to the Town and its taxpayers of establishing, maintaining, operating and enlarging its waterworks and sewerage systems within the Town's corporate limits; and

WHEREAS, the County and the Town recognize the competitive advantage to future potential commercial development outside the Town's corporate limits and served by Town water and

sewerage service and the disadvantage of future potential commercial development within the Town's corporate limits, if rates charged to commercial users did not reflect the incurred expense to the Town and its taxpayers to pay for establishing, maintaining, operating and enlarging its waterworks and sewerage systems outside the Town's corporate limits, and to take into account the Town's necessarily higher tax burden than the County's; and

WHEREAS, the County and the Town recognize the desirability to the inhabitants of the County and the Town that the Town have a vibrant, prosperous and growing economy and adequate tax base and that the Town be able to compete fairly and at equivalent levels with the County in attracting desirable future commercial development, so that in the future desirable commercial development will not, unfairly to the Town, occur in the County and outside the Town's corporate limits by reason of such future desirable commercial and industrial development seeking to take advantage of the County's lower tax rate, which such development would not occur in the first place but without the Town's establishing, maintaining, operating and enlarging its waterworks and sewerage systems outside the Town's corporate limits; and

WHEREAS, the Warren County Comprehensive Plan states that its major purposes include promoting the interests of the community as a whole; and to develop a coordinated, well-planned system of public services; and that the County should provide land areas with adequate services in place or planned for balanced future and industrial development and that to that end cooperation and shared

water and sewerage facility use by two or more government entities should be encouraged; and

WHEREAS, the County and the Town recognize and agree that the inhabitants and the citizens of the Town are also the inhabitants and citizens of the County; and

WHEREAS, Section 15.2-2112 of the Code of Virginia, 1950, as amended, provides that any two or more localities may enter into agreements or contracts that create one or more exclusive service areas for the provision of sewerage or water services, that fix the rates or charges for any sewerage or water service provided separately or jointly by such localities, and that restrict or eliminate competition between and among such localities for the provision of sewerage and water service; and

WHEREAS, Sections 15.2-1102, 15.2-1200, and 15.2-1201 provide that counties and municipal corporations have and may exercise such powers pertinent to the conduct of the affairs and functions of the locality, the exercise of which is not expressly prohibited by the Constitution and the general laws of the Commonwealth, and which are necessary or desirable to secure and promote the peace, good order, comfort, convenience, morals, trade commerce and industry of the locality and the inhabitants thereof and the enumeration of specific powers shall not be construed or held to be exclusive or as a limitation upon any general grant of power, but shall be continued and held to be in addition to any general grant of power; and

WHEREAS, Section 15.2-2119 of the Code of Virginia, 1950, as amended, provides that sewage services provided by localities may be charged to and collected from any person contracting for the same, and that such fees and charges shall be practicable, equitable, fair and reasonable, and on such basis as the governing body may determine; and

WHEREAS, Section 15.2-2143, of the Code of Virginia, 1950, as amended, provides that localities may charge and collect compensation for water furnished within or outside its boundaries.

NOW, THEREFORE, WITNESSETH: That for and in consideration of the foregoing, in order to secure and promote the peace, good order, comfort, convenience, morals, trade, commerce and industry of the Town, and of the County, the County and the Town do agree as follows:

1. That the County and the Town may from time to time hereby create one or more exclusive service areas for the provision of sewerage or water services, that fix the rates or charges for any sewerage or water service furnished separately or jointly by such localities and that restrict or eliminate competition between or among such localities for the provision of sewage or water service.

2. The boundaries of said exclusive service areas shall be as may from time to time be agreed upon by the County and the Town.

3. It is expressly recognized and agreed between the County and the Town that in creating such exclusive service areas

the Town may limit the provision of sewage and water services to commercial users as may contract with the Town for the provision thereof, and the Town may refuse to contract with residential or agricultural users, it being expressly recognized and agreed between the County and the Town that the Town, for all the factors heretofore set forth, may determine that it does not have the capacity or the financial resources to provide residential or agricultural users with sewage and water services.

4. It is expressly recognized and agreed between the County and the Town that in fixing the rates or charges for any sewage or water service provided in such exclusive service areas the Town, taking into account all the factors heretofore set forth, may charge users of its sewage and water services located outside the Town's corporate limits a rate or charge substantially equivalent to the sum total of money that a user of such services located within the Town's boundaries would pay at the in-town sewer and water rates plus an amount substantially equivalent to the total amount of town taxes and license fees that such user would pay if such user was located within the Town's corporate limits for the same or equivalent or similar activity.

IN WITNESS WHEREOF, the parties hereto enter into this Agreement on the date above indicated.

COUNTY OF WARREN, VIRGINIA, by and through its Board of Supervisors

Attest: *[Signature]* By: *[Signature]*
Chairman

APPENDIX E

Total and Per Capita Operating Expenditures by Category, FY1998(1)
 Front Royal Town and Warren County Profiles
 (Sub-Functional Breakdown)

Operating Category	Total Town Expenditures	Total County Expenditures	Town/County Total Expenditures Ratio	Per Capita Town Expenditures	Per Capita County Expenditures	Town/County Per Capita Expenditures Ratio
A. Gen. Government Administration						
Legislative	\$79,662	\$77,915	1.022	\$6.71	\$2.69	2.494
Gen. And Financial Administration	\$1,019,395	\$1,086,467	0.938	\$85.81	\$37.46	2.291
Board of Elections	-	\$84,232	0.000	-	\$2.90	0.000
B. Judicial Administration						
Courts	-	\$369,490	0.000	-	\$12.74	0.000
Commonwealth's Attorney	-	\$300,018	0.000	-	\$10.35	0.000
C. Public Safety						
Law Enforcement, Traffic Control	\$2,155,933	\$722,670	2.983	\$181.48	\$24.92	7.283
Fire and Rescue Services	\$190,198	\$527,702	0.360	\$16.01	\$18.20	0.880
Correction and Detention	-	\$1,732,913	0.000	-	\$59.76	0.000
Inspections	-	\$177,988	0.000	-	\$6.14	0.000
Other Protection	-	\$371,366	0.000	-	\$12.81	0.000
D. Public Works						
Maintenance of Streets, Bridges	\$1,430,475	\$341,231	4.192	\$120.41	\$11.77	10.230
Sanitation and Waste Removal	\$600,852	\$1,534,682	0.392	\$50.58	\$52.92	0.956
Maintenance of Buildings, Grounds	\$103,114	\$114,784	0.898	\$8.68	\$3.96	2.192
E. Health and Welfare						
Health	-	\$188,760	0.000	-	\$6.51	0.000
Mental Health, Mental Retardation	-	\$1,756,960	0.000	-	\$60.58	0.000
Other Welfare/Social Services	\$22,975	\$2,835,159	0.008	\$1.93	\$97.76	0.020
F. Education						
Instruction	-	\$18,398,989	0.000	-	\$634.45	0.000
Administration, Attendance, Health	-	\$859,077	0.000	-	\$29.62	0.000
Pupil Transportation Services	-	\$1,151,988	0.000	-	\$39.72	0.000
Operation and Maintenance Services	-	\$3,230,946	0.000	-	\$111.41	0.000
School Food, Other Operations	-	\$1,120,360	0.000	-	\$38.63	0.000
Community College Contributions	-	\$16,883	0.000	-	\$0.58	0.000
G. Parks, Recreation, and Cultural						
Parks and Recreation	\$631,368	\$108,688	5.809	\$53.15	\$3.75	14.173
Cultural Enrichment	-	\$19,365	0.000	-	\$0.67	0.000
Public Libraries	-	\$238,573	0.000	-	\$8.23	0.000
H. Community Development						
Planning and Community Development	\$605,915	\$1,804,560	0.336	\$51.00	\$62.23	0.820
Environmental Management	-	\$45,347	0.000	-	\$1.56	0.000
Cooperative Extension Program	-	\$46,432	0.000	-	\$1.60	0.000
I. Non-Departmental	-	-	-	-	-	-
All Categories	\$6,839,887	\$39,263,545	0.174	\$575.75	\$1,353.92	0.425

(1) Non-departmental outlays subsume residual operating expenditures [e.g., costs associated with (a) annexation proceedings, (b) general revenue-sharing agreements at the local level, and (c) out-of-court settlements of tort claims].