



TOWN COUNCIL Budget Work Session

Town Hall
May 9, 2013
5:00 p.m.

At 5:00 p.m., Vice Mayor Chris Bannon, having established a quorum, called to order the Work Session of Town Council. In addition to Vice Mayor Bannon, present were Councilmen Bennett, Godwin, and Sullivan and Councilwoman Natali. Councilman Wendell arrived at 5:07 p.m. Also present were Town Manager Heather Arcos, Treasurer Kim Coates, Public Works/Utilities Director Dave Fauber and Town Clerk Libby Hume. There was one member of the public in attendance.

Town Manager Heather Arcos stated that the review of the Public Utilities Fund budget would be continued along with the rate review for water, wastewater and sanitation. The Harbor Fund budget would not be discussed this evening.

Heather Arcos began by stating that the current trash collection fee was \$14 per month and staff was proposing a decrease to \$12 per month and proceeded to review the Sanitation Fund budget as follows: i) \$151,632 was budgeted under Maintenance Service Contracts for Davis Disposal. The garbage disposal contract was being put out to bid again later this year. Davis Disposal's current contract was due to expire the end of August 2013; ii) Allocated wages and fringe benefits for the Public Works Department, Finance Department and Town Manager were moved to the General Fund; iii) The Repair & Maintenance Supplies line was decreased from \$2K to \$1K. This expense would be for the purchase of new trash receptacles and supplies; and iv) Councilman Bennett asked about the Addition to Fund Balance line. In previous years amounts between \$22K-\$28K were allocated but never spent. Kim Coates stated that the auditors advised against using fund balances or budgeting for depreciation.

Heather Arcos went on to review changes made to the remaining Utility Fund budgets as a result of the May 9th meeting as follows:

Waterworks: i) Decreased Water Bond by an estimated \$8,831 per year by refinancing the existing debt service; ii) The water tower fence project was deferred to a future year which amounted to a decrease of \$9K; iii) The epoxy floor paint for the water plant was deferred to a future year which amounted to a decrease of \$15K; and iv) The Keck Wells connection was deferred to a future year which amounted to a decrease of \$371K. Only the design and engineering of the wells would be done in FY2014 at a cost of approximately \$60K. With the timing of the engineering, etc. the connection of the wells probably could not be accomplished during the next year. Heather Arcos asked Dave Fauber to explain the situation regarding the connection of the new wells and the requirement by the Virginia Department of Health (VDH).

Dave Fauber stated that previously, when the Bay Creek Fairways village was being built, the VDH had required the connection of new wells in preparation for added growth in the number of users. Dave Fauber went on to state that he had spoken to Mr. Dixon Tucker of the VDH who informed him that even though the new wells needed to be brought online, it was not necessary to do so at the present time. It was suggested to have the wells engineered and ready to be brought online. This would be beneficial if any grant funding became available for shovel-ready projects. Dave Fauber added that he felt that Bay Creek

would start building out with the implementation of the new commuter toll on the Chesapeake Bay Bridge Tunnel. There was much discussion regarding this issue and whether the engineering would be valid five years from now.

Wastewater: i) Decreased Sewer Bond by an estimated \$444 per year by refinancing the existing debt service; ii) A request from the Eastern Shore of Virginia Public Service Authority (PSA) for \$10K towards the regionalization was added. A letter from the PSA requesting \$10K in support of their efforts was reviewed; and iii) \$4,200 was added for a new telephone system. This was omitted previously.

Councilman Wendell expressed his concern regarding the impact of an expanded wastewater system on the estimated rate structure, manpower, etc. and asked whether an analysis had been performed. Dave Fauber stated that once the project was defined, the PSA would complete a preliminary engineering report and these factors would be analyzed. Heather Arcos added that the Town would be paid for its services. Councilwoman Natali stated that there should be no cost to the Town and the Town could make a profit.

Councilman Wendell brought up some information regarding utility rate reduction to Town residents and possible bulk rates for new customers that he had read in previous minutes of the County Board of Supervisors' meetings. Dave Fauber explained that the PSA and the County would put the plan together and bring their proposal to the Cape Charles Town Council to review and it would be the Council's decision on whether to accept the proposal or not. Heather Arcos suggested a possible work session to go over the purpose and intent of the PSA and regional wastewater system.

Heather Arcos went on to review the Public Utility Rate Review adding that the Town had a zero interest loan for \$5.1M for the \$19.5M wastewater treatment plant. Heather Arcos noted that last year, the proposed sewer rate increase was \$16 but Council deferred capital projects and cut other items so the final increase was \$3.45. The water rate was cut by that same amount so customers did not see a net increase in utility fees.

Kim Coates began by reviewing the water rate and stated that in FY2012, the water rate was increased by \$11.40 for a rate of \$43. In FY2013, the water rate was decreased by \$3.45 for a rate of \$39.55. Kim Coates reviewed the revenue generated from the rates, operating expenses, debt service and capital additions. The cost to cover the items would be \$521,738 with projected revenue of \$588,257. This amounted to an overage of \$66,520 which would amount to a projected decrease of \$5.13 for a rate of \$34.42.

Kim Coates proceeded to review the wastewater rate and stated that in FY2012, the wastewater rate was decreased by \$5.05 for a rate of \$32.00. In FY2013, the wastewater rate was increased by \$3.45 for a rate of \$35.45. Kim Coates reviewed the revenue generated from the rates, operating expenses, debt service and capital additions. The cost to cover the items would be \$923,468 with projected revenue of \$549,486 leaving a shortfall of \$373,983. The fee would have to be increased by \$28.99 for a rate of \$64.44 to meet the expenses.

Kim Coates went on to review some reasons for the utility fund being over budget in FY2013 as follows: i) The proposed rate increase for FY2013 was declined and expenditures for the wastewater plant were significantly cut; ii) Water Sampling tests needed to be done in-house and across the bay; iii) With the new facility, the Town did not know how to budget for electricity and needed to pay the final amount related to the old wastewater plant; iv) The Town did not know the amount needed for landfill disposal for the sludge; v) Additional telecommunication lines were needed for the new plant and the Town did not

know what the actual costs would be; vi) Flood insurance for the pump stations had increased coverage; vii) Three vacuum station pumps needed emergency repairs at a cost of approximately \$10K-\$15K each; and viii) Increased chemicals were needed for the new facility.

Kim Coates went on to review additional options to decrease the utility rate as follows: i) Allocated wages could be removed from the Waterworks and Wastewater budgets and moved back to the General Fund. This would amount to a decrease of \$19,818 for wages and \$5,505 for benefits; ii) The replacement of the emergency generator could be deferred for a decrease of \$45K. The current generator was over 20 years old and it was very difficult to get parts to repair; iii) The comminutor grinder could be deferred to a future year at a decrease of \$30K; iv) The start of the manhole repairs could be deferred for a decrease of \$25K; v) The engineering for the pump stations could be deferred for a decrease of \$30K; and vi) The \$10K for the PSA support could be deleted. With these decreases, the rate increase would be approximately \$11. This amount could be reduced even further by using the accumulated connection fees for capital projects. Councilman Bennett stated that the connection fees were to be reserved for future expansion of the water and wastewater systems. In years past, the Town did not keep the money in reserve which resulted in the Town having to finance \$5M for the new wastewater treatment plant.

Councilwoman Natali asked whether any money was collected for the pump out facility and water usage at the Harbor for the Utility Fund. Kim Coates stated that the Town Harbor charged transient boaters in their slip rental fees but the money was shown as revenue in the Harbor Fund. Dave Fauber added that water meters were installed in various locations at the Harbor to keep track of water usage but the Harbor was not billed for the usage. Heather Arcos stated that this issue could be reviewed again with the Harbor Fund. Councilman Bennett stated that it would only amount to approximately a 30¢ decrease in the monthly utility rate.

Vice Mayor Bannon asked what Council preferred to do. Councilman Sullivan stated that he did not see anything else that could be cut. Vice Mayor Bannon added that if the Town deferred capital projects again and did not do anything now, the problems would only get worse. Councilman Sullivan agreed. Councilman Godwin stated that staff did a good job in cutting.

Councilman Bennett suggested deferring the manhole repairs and the purchase of the grinder, and cutting the support of the PSA but keeping the engineering for the pump stations and Keck wells, the generator and the allocated wages. The other Council members were in agreement.

Bob Panek came in at approximately 6:45 p.m. and Heather Arcos asked him to give an update regarding the PSA adding that an update would also be presented at the May 16 regular meeting.

Bob Panek stated that the County had modified the proposed service area reducing the size of the area. The estimated cost for the Southern Node was approximately \$1.8M and included the collection system and forcemain to Cape Charles. The County proposed that the funding would be generated by tax revenue - 25% from a general tax rate increase and 75% from a special tax district. Bonds would be issued with annual debt service of approximately \$125K - \$130K. The Board of Supervisors was focused on business and limited the service area to businesses stating that the County tax payers should not pay to add residential users to the system. The owner of Fairview Mobile Home Park was

interested in connecting to the system but would have to negotiate with the PSA to pay for installation which would cost approximately \$200K.

Heather Arcos stated that the next meeting was scheduled for May 25th. The Public Utilities rate would be reviewed again along with the Harbor Fund budget and a final review of the entire budget. Heather Arcos reviewed the timeline for the remaining meetings, public hearings and budget adoption and asked if Council would be agreeable to start at 5:00 p.m. Councilman Wendell stated that he preferred to start at 6:00 p.m. and did not see where one hour would make a difference. The meeting timeline was discussed and an extra meeting was scheduled for June 5, 2013 beginning at 6:00 p.m.

Motion made by Councilman Sullivan, seconded by Councilman Godwin to adjourn the Town Council Work Session. The motion was approved by unanimous consent.

Vice Mayor Bannon

Town Clerk