



TOWN COUNCIL Budget Work Session

Town Hall
May 2, 2013
6:00 p.m.

At 6:00 p.m., Mayor Dora Sullivan, having established a quorum, called to order the Work Session of Town Council. In addition to Mayor Sullivan, present were Vice Mayor Bannon, Councilmen Bennett, Godwin, Sullivan and Wendell and Councilwoman Natali. Also present were Town Manager Heather Arcos, Treasurer Kim Coates, Public Works/Utilities Director Dave Fauber and Town Clerk Libby Hume. There were two members of the public in attendance.

A. *FY2014 General Fund Modifications from April 25 Meeting*

Town Manager Heather Arcos informed Council that she and Treasurer Kim Coates had reviewed the input from the April 25th work session. Heather Arcos stated that the 1% Cost of Living Allowance for employees had been removed, adding that this decrease also decreased all benefit lines. Heather Arcos went on to list the changes made in the following departments: Legislative, Town Clerk, Town Manager, Finance, Public Works and the Library. The Police Department budget was increased by \$330 due to recent notification of the Line of Duty Act Insurance Policy which had a 30% premium increase. The Library budget also had a net increase due to the inclusion of flood insurance premiums which were not included previously. As a result of the changes, the budget shortfall for FY2014 was currently \$77,844. Heather Arcos noted the added expenses for the upcoming year: i) Debt service and operations for the new library amounted to \$30,134; ii) ADA upgrade for the current library building was \$44K so the building could be used for meeting space, recreational programs and community use; and iii) Multi-Use Trail - \$150K. There was an option to finance which would be reviewed later by Kim Coates.

Heather Arcos also listed projects that were completed over the last 10 years as follows: i) Harbor Redevelopment and Master Plan; ii) Restaurant at the Harbor; iii) Community Trail Master Plan; iv) Mason Avenue Beautification; v) Expansion of tourism making Cape Charles a destination; vi) Beach maintenance and the addition of breakwaters along the beach; vii) Extension of the fishing pier and continued maintenance; viii) Renovation of Central Park; ix) Library expansion; x) Purchase of two lots behind the new library building for future parking; xi) Alley access behind the new library building to enable access for emergency vehicles for the buildings behind the 200 block of Mason Avenue; xii) Recreation Dept. created; xiii) New wastewater treatment plant; and xiv) Major water plant upgrades. Councilwoman Natali added that breakwaters and the new bathroom facilities at the Harbor had been completed, as well as the new floating docks.

Councilman Wendell stated that the number of projects was an impressive list but added that he was still disappointed that staff could not reduce the budget further to reach the equalization rate, and added that Northampton County was able to equalize their rate without increasing taxes. Heather Arcos noted that Northampton County had increased the tax rate by 5¢ last year and the Town had not increased taxes since 2008, even with all the added improvements made in the Town since that time. Kim Coates added that the overall decrease in assessments in the County were approximately 20%-25% compared to approximately 35% in the Town. With this rate, the majority of Town residents would see a net decrease in their taxes.

Councilman Wendell suggested combining the Code Enforcement and Town Planner positions and have Jeb Brady perform the duties of both positions for a modest increase in salary which would still save the Town about \$55K plus the cost of benefits annually.

Councilman Bennett asked whether Council wanted the Town to continue to grow or become stagnant. The Town was doing a great job and was growing but needed to decide whether it wanted to continue its growth or shut the doors.

Kim Coates reviewed two options for balancing the General Fund budget as follows: i) A 2¢ increase in the tax rate, over the equalization rate, would generate the revenue to accept the current budget proposal with a shortfall of \$77,844. The new tax rate would be .2873808; ii) The Town would not have to raise the tax rate above the equalization rate of .2673808 if it were to utilize the financing option. Interest rates were at a 50-year record low at approximately 3.51%. The fees for Davenport & Company would be rolled into the refinancing. Kim Coates stated that the refinancing loan would have a 19-year amortization and the new money would have a one-year interest only period followed by a 20-year amortization. The Town would save approximately \$93K this year by refinancing existing debt and borrowing new money for the Cape Charles Community Trail. Heather Arcos added that there would be no prepayment penalty if the Town opted to pay the loans off early.

Mayor Sullivan stated that she felt more comfortable with option 2. Councilman Godwin agreed. Councilman Bennett reiterated that most of the citizens of the Town would see an overall tax decrease due to the reassessments.

Kim Coates reviewed an analysis of several properties in Town and the majority of properties showed a net decrease in total real estate taxes.

Vice Mayor Bannon stated that the Town was now a destination and the Council and staff had done tremendous work in past several years. Vice Mayor Bannon continued to state that even though \$6K for the Public Beach signage on the highway was a very high price, he felt it would be a good investment to get people into Town. Vice Mayor Bannon added that he had no problem with a 2¢ increase in the tax rate to cover the costs of renovating the old library building for public meeting space and recreational uses. It would also save the Town \$1,200 annually in rental expense to St. Charles Catholic Church. Vice Mayor Bannon went on to state that he could not see continuing to cut everything from the budget since the programs, etc. needed to be continued and he felt that the Cape Charles Museum and Arts Enter were important assets to the Town which needed to be supported.

Councilman Sullivan stated that he did not consider combining the Code Enforcement and Planning Departments as a possibility since they were two different entities and added that he felt there was a conflict with the same person approving plans and performing the inspections. In 2008, development died down but was starting to pick back up. There were 2K lots in Bay Creek still to be developed and needed to be planned for. One person in Code Enforcement and Planning could not handle an increase in development. Six years ago, there were three people in the Code Enforcement Department and over the past several years, the number was reduced to one employee in the department.

Councilman Wendell asked if Council saw any way to equalize the tax rate and budget without increasing taxes. Councilman Sullivan stated that he did not see any way to do

so with the exception of refinancing existing debt to decrease the debt service which would give the Town space to borrow new money for new projects. The debt service would remain about the same as currently being paid and there would be no added burden to the citizens. There was much discussion regarding the option of refinancing existing debt and financing the next phase of the Trail project and repairs to the old library building, etc.

Councilman Godwin stated that if we failed to plan, we planned to fail and went on to express his thoughts on the importance of staff attending educational conferences around the state to build a rapport with their peers across the state. Councilman Godwin went on to relate his experiences on previous Councils where nothing was done to grow the Town, etc. compared to the current Council members who were mostly “come-heres” with their ideas and energy to improve and grow the Town. Councilman Godwin added that he did not want to see the Town go down and added restrictions placed on the staff. Councilman Godwin stated his preference to keep the Town Planner position and added that even though an increase in taxes was not his main goal, he was not opposed in order to keep the Town going strong.

Councilman Wendell reiterated that he would still prefer to see more cuts and added that the Town might still be able to continue with the Trail project with the added cuts.

Councilwoman Natali stated that she was opposed to combining the Code Enforcement and Town Planner positions and doing so would be the “kiss of death.” Both employees were busy all the time and 10 new houses were being built in Bay Creek and the historic part of Town which would increase the work load for both positions. The Comprehensive Plan also needed to be done next year and would be a huge undertaking. Councilwoman Natali stated that if Council was insistent on cutting the budget further, rather than cutting the staff, cut the budgeted amount for a consultant to work on the Comprehensive Plan Update. It would take longer, but could be done in-house by the Planning Commission and staff like it was done the last time. Councilwoman Natali also suggested that Council modify the Town Code regarding the Transient Occupancy Tax to enable the Town to keep the 1% dedicated for tourism to use for tourism-related activities and organizations within the Town, such as the Arts Enter, Museum, etc. Councilwoman Natali stated that she was not in favor of raising taxes and preferred looking at the financing option and placing the saved monies in a contingency line to be used as needed. Councilman Sullivan stated that the Town would save approximately \$93K if it opted for the financing option. Heather Arcos stated that this money would be placed in a contingency fund which would require Council authorization to spend. Heather Arcos also suggested a work session to consider modifications to the Town Code regarding the Transient Occupancy Tax as suggested by Councilwoman Natali. This would enable the Town to take control of the 1% amount dedicated for tourism. Heather Arcos added that the Town would still support the Eastern Shore of Virginia Tourism Commission because they do promote the Town at the Welcome Center.

Mayor Sullivan added that she was more in favor of the financing options.

Councilman Bennett stated that he did not agree with Councilwoman Natali regarding the Comprehensive Plan Update being done in-house. It was done in-house the last time and needed to be done by a professional this time. Councilman Sullivan agreed with Councilman Bennett.

Heather Arcos stated that a consensus needed to be reached so the Town could proceed with the advertising for the public hearing regarding the tax rate.

Vice Mayor Bannon and Councilman Bennett were agreeable to a 2¢ tax rate increase as well as the financing option.

Councilman Sullivan preferred the financing option.

Councilman Wendell did not want either option.

Councilman Godwin stated his preference for the financing option but added that he would not be against a 2¢ tax rate increase.

Councilwoman Natali stated her preference for the financing option.

Councilwoman Natali suggested for the public notice for the tax rate, the citizens should be made aware of the available options so they could give their opinions accordingly. The advertisement could show the tax rate with a 2¢ increase and Council could decide on the final option after hearing the public's comments.

It was agreed that a special meeting would be held on the Tuesday following the public hearing to vote on the applicable tax rate.

Councilman Godwin asked that extra notices be placed to notify the citizens of this public hearing. The public hearing notice would be advertised in the Eastern Shore News as required by the Code of Virginia, placed on the Town's website, forwarded to the Cape Charles Happenings and the Cape Charles Wave, published in the Gazette and on the utility bills, posted in the Town Hall and the outdoor kiosk, and also posted on the telephone pole by the Post Office.

B. *Public Utilities Fund*

Heather Arcos stated that the first draft of the Public Utilities budget would be reviewed which included: Meter & Utility Billing, Public Utilities Administration, Waterworks, and Wastewater. Heather Arcos added that the rate review was still in progress and staff was looking at possibilities to help reduce the rate. Staff was reviewing the minimum water usage amounts to see if the minimum amount could be adjusted.

The Meter & Utility Billing budget was reviewed as follows: i) The Utility Clerk position was previously split between the Finance and Public Utilities accounts. This year, this position was moved entirely into Public Utilities for salary and benefits; ii) \$2K was budgeted for Office Supplies which was used primarily for printer cartridges and utility bills. Councilman Bennett suggested reducing this amount to \$1,200 which was more in line with previous years' spending; and iii) \$800 was budgeted for the purchase of a new computer. The current computer was one of the oldest computers in use and still operating under Windows XP which was no longer supported.

The Public Utilities Administration budget was reviewed as follows: i) This budget included two-thirds of the Public Utilities Director salary and benefits. One-third was included in the Public Works budget; ii) Councilman Bennett noted that \$200 had been budgeted under Information System Services for the last several years but nothing had been spent and suggested cutting this line item; and iii) \$800 was budgeted for a new computer for the Director. This computer was also one of the oldest computers still in use and was in need of replacement. It was also noted that with the purchase of a new

computer, some of the money included in the Information System Services line would be needed for setting up the new computer.

The Waterworks budget was reviewed as follows: i) The salaries and benefits for three full-time employees were included in this budget – two working at the water plant and one employee in the field. Councilman Wendell asked why the Control Total for salaries and benefits was decreased from 2012. Heather Arcos explained that the number of employees was reduced in 2012 and one employee was laid off; ii) \$80K was budgeted under Engineering Service/Water Quality Improvements. \$20K for chlorination water supply and \$60K for engineering to connect the Keck Wells; iii) \$10K was budgeted for Repair & Maintenance for the Water Tower Contract. Dave Fauber stated that under the contract, the water tower was inspected annually and in three years, the exterior of the tower would be painted again. In another four years, the interior would again be painted; iv) \$7K was included under Water Sampling for additional testing which was required by the DEQ; v) The Postage line was decreased from \$1K to \$500. With the improved quality of the water, the letters regarding the amount of TTHMs should not have to be mailed; vi) The Right-of-Way Lease for Underground Pipeline was increased from \$600 to \$1,716. The company owning the property was sold and the new company had increased the rates. This was the right-of-way for the backwash line from the water plant to the old wastewater treatment plant; vii) \$24K was included under Water Tower Repair to replace the existing fence around the water tower and epoxy floor coating for the water plant. Councilman Bennett stated that if it was determined that the utility rate had to be increased, he would prefer to defer the fence and epoxy paint to another year; viii) \$371K was included under Infrastructure Wells line for the connection of the Keck wells and pipeline from the wells to the plant. This was a carryover from FY2013. There was some discussion regarding this item which had been budgeted over the last several years but had not yet been completed. Dave Fauber explained the issue and added that it was a DEQ requirement to connect the new wells. Councilman Bennett requested a copy of the DEQ letter informing the Town of this requirement; and ix) \$45K was included under Emergency Generator for Water Plant to replace the existing generator which was over 20 years old. Dave Fauber added that it was very difficult to get parts for repairs.

Councilman Wendell asked about the peak capacity during the summer. Dave Fauber stated that over the last several years, the Town only reached 300K gallons for one day which was July 4th.

The Wastewater Budget was reviewed as follows: i) The salaries and benefits for four full-time employees were included in this budget; ii) \$30K was included under Engineering Service/Maintenance Inflow/Infiltration for engineering for the Plum Street and Washington Avenue pump stations; iii) \$8,768 was included under Maintenance Service Contracts for the cleaning of the plant's offices and bathrooms and a maintenance service contract for the Hach Nitrate Probe; iv) \$5K was included for Water Sampling. Councilman Bennett asked why over \$28K had been spent in 2012 and so far this year over \$21K had been spent for water sampling but only \$5K was being budgeted for next year. Dave Fauber stated that the Town's lab was now operational so the cost was reduced; v) \$20K was budgeted under Landfill Disposal (Sludge). The new wastewater plant removed more sludge which had to be taken to the landfill for disposal; vi) \$4,800 was budgeted under Telecommunications for the two phones at the wastewater plant, one cell phone and pump station alarm phones. There was some discussion regarding the cost of the phones, the amounts budgeted and the actual amounts spent over the last several years. Heather Arcos stated that staff would check into these amounts; vii) \$800 was included for a new computer for the wastewater

plant; viii) \$1,200 was included for Education. Councilman Bennett noted that very minimal amounts were used over the past years and suggested that education be increased to use the budgeted amounts; and ix) \$55K was budgeted under Machinery & Equipment – \$30K for a comminutor grinder and \$25K for manhole repairs. Dave Fauber stated that the Town had about 100 manholes, 25% of which were in dire need of repair which would cost approximately \$1K each. The Town would repair 25% of the manholes annually over a four-year period. Residents routinely flushed handi-wipes, rags, mop heads, etc. which caused problems with the Town’s sewer system. A comminutor grinder was a piece of equipment that could be added to the Town’s sewer system to grind up these types of items so they did not cause problems.

Heather Arcos stated that the next meeting was scheduled for next Thursday, May 9, 2013, beginning at 5:00 PM and Council would continue their review of the Public Utilities budget as well as the Sanitation Fund and the Harbor Fund.

Motion made by Vice Mayor Bannon, seconded by Councilman Bennett to adjourn the Town Council Work Session. The motion was approved by unanimous vote.

Mayor Sullivan

Town Clerk