



TOWN COUNCIL

Special Meeting

Town Hall

April 25, 2013

6:00 p.m.

At 6:00 p.m., Mayor Dora Sullivan, having established a quorum, called to order the Special Meeting of Town Council. In addition to Mayor Sullivan, present were Vice Mayor Bannon, Councilmen Bennett, Godwin, Sullivan and Wendell. Councilwoman Natali was not in attendance. Also present were Town Manager Heather Arcos, Treasurer Kim Coates and Town Clerk Libby Hume. There were 5 members of the public in attendance.

Mayor Sullivan stated that the demonstration of the capecharlesbythebay.com website was being removed from the agenda.

A. *Charon Ventures – Cape Charles School Status*

Town Manager Heather Arcos began by stating that on January 10, 2013, Council approved an extension to the 90-day period specified in Section 15.C of the Sale and Purchase Contract regarding commencement of construction due to the two lawsuits filed by Old School Cape Charles (OSCC). Council had approved a commencement date of January 25, 2013 to begin the 90-day period for construction to start with an end date of April 25, 2013. The two lawsuits were heard on January 25, 2013 and Northampton Circuit Court Judge W. Revell Lewis issued his opinion letter on February 27th. The final order of dismissal of the first lawsuit was signed on April 8th and the final order for the second lawsuit was signed on April 22nd. OSCC had 30 days to file appeals on the decisions – May 8th for the first suit and May 22nd for the second suit.

A letter dated April 18, 2013 was received from Charon Ventures providing an update to the status of the commencement of construction. Due to the litigation process, the underwriting process for this project had to be stopped until receipt of the final order dismissing the lawsuits. Charon Ventures expressed their commitment to the project but wanted to advise the Town of this delay. They could not move forward with construction until completion of the lender's underwriting process. Charon Ventures provided an approximate timeline as follows: i) The underwriting process had restarted upon receipt of the final orders of dismissal and the lender's formal commitment and closing would take between 90 – 120 days; and ii) Commencement of construction would begin following the closing up to 90 days, which included plans submittal to the Town for review by the Code Official and Historic District Review Board. Heather Arcos stated that she had left messages with officials from other localities that had undergone a similar project, including Hopewell, and had not yet heard back but knew that this could be a lengthy process. There was some discussion regarding the timeframe. Heather Arcos stated that the worst case scenario would be up to 210 days and added that the delay was caused by the lawsuits which were beyond Charon Ventures' control. Charon Ventures had continued to provide monthly updates on their progress.

Motion made by Vice Mayor Bannon, seconded by Councilman Sullivan, to grant a 120-day extension, beginning April 25, 2013, for the commencement of construction.

There was some further discussion regarding the timeframe. Councilman Bennett suggested the addition of the requirement for Charon Ventures to immediately move

forward with submittal of the Historic District Review Board application within 30 days since approval had been received from the Department of Historic Resources.

Councilman Wendell stated that he felt the decision to sell the school was the biggest mistake made by the Town and added that there was a tremendous need for Section 8 housing but not in the park. The decision to sell the school was made with faulty information and assumptions and he could not understand why the Town wanted to turn a 100-year old building into housing. Councilman Wendell continued to state that he wished the Town could reconsider the decision and hoped that the project did not come to fruition. Councilman Wendell concluded by stating that he did not understand why the Town had to continue making this mistake when it was still avoidable.

Vice Mayor Bannon amended his earlier motion to add the requirement that the application for Historic Review be submitted within 30 days for review by the Historic District Review Board. Councilman Sullivan seconded the motion which was approved by majority vote, with Councilman Wendell opposed.

B. Cape Charles Computer Lab Update

Heather Arcos stated that she received a notice from the Department of Housing and Community Development (DHCD) stating that the Town was in violation of the guidelines of the Broadband Grant and was requiring repayment of approximately \$18,500 used to purchase the computers for the public computer lab. The guidelines for the computer lab, under the grant, were that the computer lab be open to the public on a reasonable schedule until the relocation of the library to the new building. The Town was working on an appeal since the computer lab had been fully accessible for classes by reservation. The Library had advertised that classes were held every Tuesday morning and were available by reservation. Once the library had relocated, the computers would be available for public use during the regular operating hours of the Library.

Mayor Sullivan asked Heather Arcos to give Council the background of the issue. Heather Arcos stated that the issue began when a complaint was made to HUD that the computers were not available for public use. At that time, the computers were located in the Cape Charles Christian School. The computers were relocated to the new library building on December 11, 2012 and classes had been offered on a weekly basis since that time. A representative from DHCD made a site visit during a time when a class was not being held and found the door locked and assumed there was not an operational computer lab. The representative did not contact the Town or the Library during the site visit. Staff was working with the agency to resolve any misunderstandings. A letter was mailed today including all the facts and appropriate documentation. Heather Arcos concluded by stating that she hoped to receive a response, which would be forwarded to Council, next week.

C. FY2014 General Fund Modifications from April 11 and April 15 Meetings

Heather Arcos informed Council that she and Treasurer Kim Coates had reviewed the input from the April 11th and April 15th work sessions and made the modifications along with some additional changes. As a result of the changes, the budget shortfall for FY2014 was currently \$121,627.

Heather Arcos reviewed the Multi-Use Trail schedule and stated that she felt the Town's match could be decreased from \$200K to \$150K due to the scheduled start date of February 2014. Mobilization for this phase should not be as extensive as it was for Central Park and construction could be completed by the end of August 2014. There

was also an opportunity through Davenport & Company to finance the total project to reduce the impact to the tax payers.

Councilman Wendell expressed his concern regarding the Town taking on additional debt and asked about Davenport's fees. Heather Arcos stated that she received a quote of \$30K for refinancing the existing debt and had asked for documentation regarding fees and options for new financing. Councilman Wendell asked if the Town had contacted any other companies for refinancing and/or new financing. Heather Arcos stated that the Town would be piggy-backing off the bid proposal from Northampton County but could also spend additional money to put the request out to bid ourselves if Council preferred. Davenport & Company had also worked with a large number of other localities in Virginia as explained during the presentation at the Council Retreat. Heather Arcos stated that she would compare the fees and rates from Davenport with those of VML/VACo. Kim Coates added that she had received some information from Davenport for a \$500K loan at 3.51% for 20 years. The first annual payment would be approximately \$18K with decreasing amounts over the term of the loan.

There was much discussion regarding the Trail and Councilman Bennett stated that this \$50K reduction decreased the budget deficit to approximately \$71K which amounted to a 2¢ tax rate increase which would actually still be a net tax decrease for the citizens of the Town.

Councilman Godwin stated that he felt that the continuation of the Trail throughout the Town would enhance the safety of pedestrians in the Town and would add to the number of visitors coming to the Town. This would increase the tourism dollars and the Town could expand other activities which would increase revenue even more.

Councilman Wendell suggested that staff review the proposed budget again to lower the \$71K shortfall even more. Heather Arcos stated that all the contributions were reduced to \$1,500 with the exception of the Arts Enter Local Government Challenge match which was reduced to \$2,500. Kim Coates added that the budget had already been cut drastically and it would be difficult to cut another \$71K.

Mayor Sullivan suggested cutting all contributions adding that she could not see raising taxes to give the money away to other organizations. Vice Mayor Bannon added that the other Towns on the Shore were polled last year and the Town of Cape Charles was the only locality providing assistance to other organizations. Heather Arcos stated that some of the initiatives would provide increased revenue in the form of meals taxes, transient occupancy taxes, etc. with the number of visitors brought to Town. The Eastern Shore of Virginia Tourism Commissions' Welcome Center generated quite a few visitors to Town.

Mayor Sullivan polled Council regarding a possible tax rate increase. Vice Mayor Bannon and Councilman Bennett were okay with up to a 2¢ tax rate increase. Councilman Wendell was opposed to any tax rate increase other than equalization. Councilman Sullivan stated that he would prefer not raising the tax rate and would rather cut all contributions. Councilman Godwin stated that if staff could reduce their budgets placing "equal pain" to all departments, he would not be opposed to a 2¢ tax rate increase. Councilman Bennett reiterated that the County's taxes for the Town's residents would be less this year, so even if the Town were to raise the rate an additional 2¢, the residents would still pay less in taxes as a whole.

There was more discussion regarding additional areas for reduction such as the demolition and grass cutting expense in the Code Enforcement Department, the Town Planner's salary, cost of fireworks, cost of the sidewalk extension from Heritage Acres, Legislative salaries, etc. Heather Arcos stated that she preferred to end the meeting this evening with a consensus of how to move forward and added that the Town had not increased taxes in 6 years, even with all the improvements made to the Town over the last several years.

Heather Arcos stated that staff should be able to provide Council with the modifications from this evening's meeting by next Monday, April 29th.

Vice Mayor Bannon stated that the Parade of Books was scheduled to begin at 9:00 a.m. on Thursday, May 2nd. A number of volunteers had signed up to help with the move but there were still slots available for anyone interested in helping.

Motion made by Vice Mayor Bannon, seconded by Councilman Godwin to adjourn the Town Council Special Meeting. The motion was approved by unanimous consent.

Mayor Sullivan

Town Clerk