



TOWN COUNCIL

Work Session

Town Hall

October 28, 2010

6:00 PM

At 6:00 p.m. at the Town Hall, Mayor Dora Sullivan, having established a quorum, called to order the Work Session of Town Council. In addition to Mayor Sullivan, present were Councilmen Bannon, Bennett, Evans, Sullivan and Veber and Councilwoman Natali. Also present were Town Manager Heather Arcos, Treasurer JoAnna Leatherwood and Consultant Bob Panek. There were no members of the public in attendance.

Mayor Sullivan announced the business for the evening would be to hear an update on the Cape Charles-Cheriton Regional Wastewater System South Node and to review and discuss the proposed modifications to the Town Code, Chapter 70 – Water, Sewers and Sewage Disposal, specifically water.

Town Manager Heather Arcos added that the Code modifications pertaining to water would be discussed this evening and the Code modifications pertaining to the sewer system would be reviewed next month.

Cape Charles-Cheriton Regional Wastewater System South Node Update

Consultant Bob Panek explained that the reason this update was being given was because decisions needed to be made regarding whether to pursue additional funding and to bring all the parties up to date on where the project stood with the focus on the South Node. Similar briefings were held for the County Board of Supervisors on Tuesday, October 26th, and for the Cheriton Town Council on Wednesday, October 27th.

Bob Panek went on to explain that the South Node consisted of Cape Charles, Cheriton and surrounding areas and the cost for the collection system and pipeline to the Cape Charles wastewater treatment plant was estimated at \$11M. The Department of Environmental Quality (DEQ) had approved the project for funding but the DEQ grant / loan ratio had not been determined. The application to DEQ had been submitted and the DEQ has earmarked approximately 34 projects statewide for funding and this project was ranked somewhere in the middle of the list. At this time, the DEQ has stated that by their estimation, the best the DEQ could provide would be approximately \$1.5M in grant funding with the balance being funded by a 20 to 30 year zero interest loan. Applications still need to be made to the Department of Housing and Community Development (DHCD) and the US Department of Agriculture – Rural Development (USDA RD). There was some discussion regarding the possible grant / loan ratios and Bob Panek stated that currently the typical USDA RD funding is approximately 30-40% grant and 60-70% loan. This process would take a lot of work to obtain as much grant funding as possible and to try to convince the governmental agencies to alter their formulas to enhance the ratio of grant / loan funding. Heather Arcos added that the USDA would not know until January 2011 the amount of money available for these projects. Bob Panek added that January 2011 would be optimistic and it depended on the outcome of the upcoming election. Unfortunately, the decision to move forward needed to be made now. Councilman Evans asked whether the decision could be made to move forward subject to grant funding being available.

Bob Panek went on to explain that the North Node consisted of Exmore, Nassawadox and surrounding areas and the cost for the collection system, pipelines, treatment plants, septage receiving and composting facilities were currently estimated at \$30M. The septage receiving facilities would be able to accept septic system pump-outs which used to be hauled to Pocomoke, MD but now was hauled to DE. Councilman Bennett noted that the septage receiving and composting facilities were included in the North Node but was not shown in the South Node and asked whether the new Cape Charles wastewater treatment plant would be able to handle this. Bob Panek stated that the design currently did not include septage receiving and composting facilities but could be altered to do so but would require the building of additional tanks. Bob Panek went on to explain that the septage was high in nitrogen and it would be difficult to meet the nitrogen requirements for discharge and it was more conducive to add to the North Node since there would be no surface water discharge of effluent. Septage receiving could be done in the South Node but it would jeopardize our ability to meet the nutrient removal requirement.

Bob Panek continued by stating that the service area was still being refined and that the initial service area could be focused around the medical complex in Nassawadox in that was a more compact area and the cost could be lowered to approximately \$10M. The preliminary engineering report has not been completed and no funding applications have been submitted as yet. The application to USDA could be submitted at any time but the DHCD application could not be submitted until March 2011 and the DEQ application could not be submitted until next summer.

Bob Panek went on to review the grant / loan ratio and its effect on the monthly rate in the South Node. Councilman Bennett asked whether the grant / loan ratios shown were optimistic since the DEQ anticipated only about a 13% grant and could the PSA expect to obtain 37% or more grant funding from the DHCD and USDA RD. Councilman Evans asked whether the estimated payments, depending on the grant/loan ration, reflected the costs of just the South Node or was representative of both the South and North Nodes. Bob Panek stated that the estimated payments reflected costs for the South Node only. Councilman Evans expressed his concern and asked whether the payment amounts would be different for customers in the South Node vs. the North Node since the cost of construction for the North Node would be considerably higher than the cost of the South Node. Bob Panek stated rate decisions would need to be made by the PSA in coordination with the governing bodies of the localities, and that because funding agencies would not approve a \$30M capital investment if the rates would be \$80/month. The 80% voluntary hookups probably could not be achieved and he did not think the Town Councils of Exmore and Nassawadox and the County Board of Supervisors would force mandatory hookups with an \$80/monthly rate.

Bob Panek went on to review results from a service area analysis which determined that the Fairview area needed to be included in the South Node in order to keep the costs per connection down. Bob Panek added that unfortunately, the shore suffers from a lack of density. Councilman Bannon asked about the Bayview area and whether it would remain a standalone system or be included in the South Node. Bob Panek stated that Bayview would remain as a standalone since it had an existing system that had recently been repaired. Their rates are estimated to be \$37/month for water and \$37/month for sewer. Bob Panek added that the effort was to try to drive the rates down as low as possible. The estimates were

based on 80% participation in the service area and if 100% were achieved, possibly due to mandatory hookups, the rates would drop.

Bob Panek continued by stating that Cape Charles' monthly rate was not directly affected by the grant/loan ratio but the reason the Town decided to join the PSA was to create an economic scale. By hooking up Cheriton and its surrounding areas, this would increase the number of users by approximately 600 which would spread the cost over a wider base of users. The increased number of users would utilize the majority of the capacity of the new wastewater treatment plant (WWTP) but the Town was positioned well for expansion of the plant's capacity. The Headworks and Distribution Boxes can handle a 500K GPD capacity and an upgrade in the membrane cassettes would allow 330K GPD. A third bio reactor was built as an emergency tank but could be outfitted to increase the capacity of the plant. The Town is positioned for a relatively modest cost of expanding the plant since all the piping and electrical components were also built for 500K GPD capacity.

Bob Panek went on to state that the PSA would pay Cape Charles for treatment and disposal service at a bulk rate of \$176K/year which was based on the operating and maintenance cost of the WWTP and the debt service of the new plant. This figure could be increased or decreased within reason based on actual return costs. Even at \$150K/year, it would be a benefit to Cape Charles since it would be a revenue source outside of the rate payers and the Town could possibly reduce the rate paid by Cape Charles' users. All figures were projections at this time.

Bob Panek also stated that the new collection and pumping systems would have to be maintained and billing services needed to be developed. It was possible that the PSA could buy these services from Cape Charles as well with an estimated rate of \$50K/year. This would be an additional revenue stream. Councilman Bennett stated that this increase may require the Town to hire additional staff to accommodate the increase in numbers. Heather Arcos stated that this was discussed and the Town may be able to hire a part time employee to help with the increased work load. Bob Panek stated that the billing could be handled without any problems and the maintenance could also probably be handled without problems. With these estimates, the increased revenue could drive a 25% - 33% reduction in rates, but Bob Panek cautioned Council against a rate reduction initially until the actual operating and maintenance costs are determined. Some of the revenue could also be used as a reserve fund for expansion of the plant.

There was much discussion regarding affordability of hookups for the residents of Cheriton and surrounding areas, the majority of which are elderly. Mayor Sullivan stated that Cheriton Town Council needed to start dialogue with the citizens of the Town. Bob Panek stated that the Cheriton Town Council had decided to hold a community meeting to educate as many residents as possible. District 1 Supervisor Randall would also be holding a community meeting for his constituents. The issue was community engagement.

After further discussion, the Council expressed their agreement regarding the bulk rate concept.

Proposed Modifications to Town Code Chapter 70 – Water, Sewers and Sewage Disposal (Water)

Bob Panek explained that many parts of the Town Code needed to be updated. There were some sections in the Town Code pertaining to water and sewer that were outdated and not being enforced. There were also some areas within this chapter where water and sewer was interspersed. The main catalyst for updating the sections for water and sewer was a mandate by the State Water Control Board, as part of the approval process for the 0% loan, that the Town Code incorporate standards required by the Environmental Protection Agency (EPA) and the Department of Environmental Quality (DEQ) regarding sewer use. It was also determined that the ordinances regarding water and sewer be divided into separate chapters.

Councilman Evans stated that the new language was well written and better to understand.

There was some discussion regarding the residents' ability to turn off their water, in cases of leaks and when they were leaving Town for an extended period, etc., which was prohibited currently and in the proposed ordinance (§ 70-33.a). Councilmen Bennett and Veber felt that the resident should be permitted to turn off their water if they had a leak. Bob Panek stated that this issue would be reviewed with the Public Utilities Director Dave Fauber.

The Council then began a page-by-page review of proposed Chapter 70-Water Supply.

Councilwoman Natali suggested a section for definitions at the beginning of the chapter. Councilman Evans stated that the Zoning Ordinance had a Definition Section which covered the definitions for the entire Zoning Ordinance and recommended adding a Definition Section to cover the entire Town Code as well.

Councilman Evans expressed his concerns regarding § 70-5.b. which stated that "The Director of Public Utilities or the Town Manager would be permitted to enter all private property through which the Town holds an easement..." and suggested that the language be clarified regarding "property" vs. "dwelling." There was some discussion regarding this language and Councilman Bennett suggested that the word "enter" be replaced with "access."

Councilwoman Natali questioned language in § 70-21 which stated that "Not more than one dwelling unit or premises shall be supplied from one connection, except by written permission of the Director" stating that she thought that the Fairways Condos only had one connection per building which was contradictory to this language. Bob Panek explained that each building had one connection but also had six meters, one for each unit.

Councilman Evans questioned, in the same section (§ 70-21) regarding the two classes of permits as "residential" and "industrial" and asked whether commercial was grouped under industrial which in his mind would be a heavier user vs. a commercial establishment. Bob Panek stated that for permit classification purposes, industrial and commercial were the same.

Regarding § 70-24, there was some discussion regarding the 100' limitation to connect to the Town's water supply. Councilman Bennett asked whether there were any properties in the historic district that could be over 100' from a water main. There was some discussion regarding removing this limitation, but it was agreed to leave it as proposed since most properties were within 100' from the water mains.

Councilman Veber asked whether § 70-23.c was necessary. This section stated that leaking water lines running to a designated property would be repaired or replaced by the property owner at their expense. It went on to state that if the property owner failed to repair or replace such lines after receipt of written notice, the Town may turn off the water. There was some discussion regarding this issue and Bob Panek suggested that all language after the first sentence be deleted to which Council was in agreement.

Mayor Sullivan suggested that, due to the time, the meeting be adjourned for the evening. Further discussion would be continued at the next work session.

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

Mayor Sullivan

Town Clerk