



## TOWN COUNCIL Work Session

Town Hall  
December 3, 2013  
6:00 p.m.

At 6:00 p.m., Mayor Dora Sullivan, having established a quorum, called to order the Town Council Work Session. In addition to Mayor Sullivan, present were Vice Mayor Bannon, Councilmen Bennett and Sullivan and Councilwoman Natali. Councilman Godwin arrived at approximately 6:10 p.m. Councilman Wendell was not in attendance. Also present were Town Manager Heather Arcos, Assistant Town Manager Bob Panek, Treasurer Kim Coates, Public Works Director Dave Fauber, Harbor Master Smitty Dize and Town Clerk Libby Hume. There were three members of the public in attendance.

Mayor Sullivan announced that the order of business for this evening would be discussion of capital improvement projects.

Town Manager Heather Arcos stated that on November 14, 2013, Town Council approved by resolution the refinancing of two of the water and wastewater loans at a fixed rate of 2.65% for the first 10 years of a 20 year term. The refinancing would achieve a net savings while decreasing the overall term of the loans. Tonight's meeting was to review i) the Town's current debt; ii) the new financing proposal from PNC Bank; iii) Public Utilities Rate Review – Financial Impact Comparison; and iv) Prioritization of Capital Projects for potential financing. Before the Town could move forward with new financing, a public hearing must be held. A public hearing was advertised for Thursday, December 5, 2013, at 6:00 PM. Reports regarding these items were included in the agenda packet provided to Council last week. Councilman Wendell could not be in attendance this evening but submitted his comments in writing for Council consideration (please see attached).

Councilman Bennett asked about the Town's debt ratio. Treasurer Kim Coates stated that the debt to assessed valuation ratio could not exceed 10%. Currently, the total assessed value of properties in Cape Charles was \$409,929,500 so 10% would amount to approximately \$40,992K.

Councilman Bennett referred to Councilman Wendell's comment regarding the total amount owed by the Town and the limit on the amount that could be borrowed stating that the Town owed a total of about \$11M but was permitted to borrow up to \$41M.

Kim Coates reviewed Davenport & Company's Summaries of Refinancing and New Money Results. Councilwoman Natali asked about the rate after the first years and whether it would be reset for a fixed rate for another 10 years. Heather Arcos stated that the PNC option did not have a prepayment penalty and the Town would look at financing alternatives prior to the end of the first 10 years to guarantee a fixed rate for the remaining 10 years whether it was with PNC Bank or another lending institution.

Kim Coates went on to review the Public Utilities Rate Review showing the financial impact of completing the capital projects funded on a cash basis entirely by the Water and Wastewater Funds. For every \$200K used annually for a wastewater project, the wastewater rate would increase \$15.50 per month per user.

There was much discussion regarding the Capital Projects which were reviewed by Fund.

The projects under the Water & Wastewater Fund included \$300K for the connection of the two Keck wells, \$50K for a comminutor (grinder) for the Mason Avenue Pump Station, \$460K for improvements to the Pine and Plum Street Pump Stations, and \$100K for refurbishment of the sewage collection system manholes. Councilman Bennett asked Public Utilities Director Dave

Fauber to prioritize the projects in the Water & Wastewater Fund. Dave Fauber stated his prioritization preference as follows: i) comminutor for the Mason Avenue Pump Station; ii) sewage collection system manholes; iii) Pine and Plum Street Pump Station improvements; and iv) connection of the Keck wells.

The projects under the Harbor Fund included \$369K for the third segment of the offshore breakwater, and \$165K to replace and relocate the existing A dock attenuator. Harbor Master Smitty Dize stated that the best protection for the Harbor and the wave action would be the completion of all five of the proposed breakwaters. Until that was possible, more protection, in the form of attenuators, was needed. Smitty Dize continued to state that the proposed attenuators were floating docks which were filled with cement and could possibly be built at Bayshore Concrete. The existing Dock A would be relocated to the area across from the Shanty and would provide additional dockage for about 12 – 15 boats. A new attenuator would be built to replace Dock A. The Town was approved for a \$75K grant from the Virginia Port Authority and would need an additional \$165K to complete the project. Councilman Bennett stated that the ideal solution would be a breakwater and added that an attenuator would not stop the swell.

The Cape Charles Multi-Use Trail Phase 2 was included under the General Fund at an amount of \$300K. Assistant Town Manager Bob Panek explained that Phase 2 of the Cape Charles Multi-Use Trail project also included storm water management improvements.

Mayor Sullivan asked Council for their input regarding prioritization of the projects.

Councilman Sullivan's priorities were: i) pump stations, comminutor and manholes; ii) connection of wells; iii) the multi-use trail; and iv) offshore breakwaters. Councilman Sullivan stated that all the projects were important but the critical infrastructure items needed to be completed first and added that he moved the multi-use trail ahead of the Harbor projects because it also included improvements for inflow & infiltration (I&I). The costs for the projects would not get any cheaper. This was the Town's opportunity to get the needed work done and finance the costs over a 20-year term. If Council decided to wait, the opportunity to finance the projects might not be available and would have to be funded by increasing utility rates and taxes. Councilman Bennett agreed that it would be better to be proactive vs. reactive.

Councilman Godwin stated that he would not want to lose the trail project. Councilman Bennett explained that the trail would not be lost because the Town had committed to the project and if not financed, \$150K was included in the current year budget and \$150K would be included in the next budget.

Councilman Bennett's priorities were: i) wastewater improvements (pump stations, comminutor, manholes); ii) connection of wells; iii) the multi-use trail; and iv) Harbor projects. Councilman Bennett stated that the money saved by financing the trail project could be used toward something else and the Town needed to work on a permanent fix for the Harbor vs. the attenuators.

Heather Arcos stated that staff would check on the estimated amounts. Councilman Sullivan stated that actual costs could not be determined until the projects went to bid and the Town could not proceed with the bid process until it had the money to move forward with the project(s). Council needed to try to do as much as reasonably possible without having to increase taxes or utility rates.

Kim Coates stated that the Town had up to three years to use the borrowed money. If at the end of three years, Council realized that the full amount was not needed, the excess could be paid back to PNC with no penalty.

Heather Arcos stated that the Public Hearing would be held on Thursday, December 5, 2013, beginning at 6:00 PM at the Town Hall and immediately followed by a Special Meeting.

**Motion made by Councilwoman Natali, seconded by Vice Mayor Bannon, to adjourn the Town Council Work Session. The motion was approved by unanimous consent.**

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Mayor Sullivan

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Town Clerk

Councilman Wendell's Comments provided in writing prior to the meeting:

To Mayor Sullivan and Fellow Councilmembers,

I am unable to attend the work session tonight; however, I would like to make the following comments for the record.

First, this week's session should have preceded our commitment to refinance the 1992 and 2003 bonds. David Rose of Davenport and Company stated that the smaller amount of money we could have borrowed at a 15 year fixed rate would save \$291,000. This is more attractive, and this work session should have happened two months ago.

Second, as Dave Fauber commented at the last Council meeting, we might find when we get the bids in for the manhole project, as well as the Pine and Plum street project, the costs could be half as much as staff has projected. This begs the question why we haven't received or acquired the actual bids first so we would know the actual amount needed instead of guessing. With this approach we indeed might only need half as much "new money."

Third, we as a Town seem to be operating on a "build it and they will come" mentality or better yet, "borrow it and spend it." This seems increasingly reckless to me. We might eventually find that those who come are only bakers willing to lend more and the bill collectors to whom we owe.

We have yet to ascertain just how much money we owe, yet we keep on spending. Is there a limit on how much debt we are willing to accrue?

Why are we asking to borrow \$300,000 for the multi-use trail, when this year's Town match is already included in the budget?

I hope you will make every effort to be wise stewards of our Town's financial resources as you participate in tonight's work session.

FRANK WENDELL