



TOWN COUNCIL

Public Hearing & Special Meeting

Town Fire Hall
December 5, 2013
6:00 PM

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

Mayor Sullivan announced the business for the evening would be to hear public comments regarding the proposed issuance of a general obligation bond of the Town in the principal amount not to exceed \$1,030,000 for the purpose of financing various Town capital improvement projects, including but not limited to water and sewer infrastructure, coastal breakwater infrastructure and improvements under the Town's community multi-use trail plan, and to pay certain cost incurred in issuing such bond.

Town Manager Heather Arcos stated that Treasurer Kim Coates would provide information regarding the proposed financing prior to opening the floor to comments.

Kim Coates reported the following: i) Tonight's public hearing was for consideration to finance a general obligation public improvement bond for \$1,030,000 to fund various capital improvements; ii) The term would be for 20 years with a 2.65% fixed rate for 10 years and no prepayment penalty; iii) The rate would reset March 1, 2024. A new rate would be established either by PNC Bank or another financial institution within 2-3 months of that timeframe. The financial advisors would continue to evaluate the market interest trends and advise staff after the first 5 years of issuance. At that point, if things looked favorable, the Town could continue with the current bond and wait for the interest rate offering in 2024; iv) The guaranteed savings in the first 10 years was \$230K. If the rates were to double at the end of 10 years to approximately 5.30% the Town's savings would be about \$150K. The interest rate would have to increase to 9.22%, which was 3.5 times the current rate, in order for the Town to lose savings. The last time the rates for a 20-year term were at 9% was in 1982; v) The Town was within its debt limit. The total 2013 assessment value was \$409,929,500 and 10% of the assessed value of debt limit was \$40,992,950. The Town's current debt was an approximate principal balance of \$9.6M and \$11.2M total debt service which included interest; and vi) By rolling the costs of the capital projects into this bond, there would be less impact on the utility rate payer because it would be spread out as debt service rather than financing the large dollar capital projects within a budget year. The majority of the capital needs were in the Public Utilities Fund.

Heather Arcos reviewed the Council priorities from the December 3, 2013 Work Session as follows: i) Sewage Collection System Manholes - \$100K. Repair 100 manholes to reduce Inflow & Infiltration (I&I) and lessen the amount of water treated at the Wastewater Treatment plant. The approximate cost was \$1K per manhole; ii) Comminutor (Grinder) - \$50K. The comminutor would grind rags, handy wipes and other debris before entering the wet well. If the multi-use trail project was removed from the FY 2014 budget and included in the new money financing, the Town could fund this project as a General Fund contribution toward the Public Utilities Fund; iii) Plum and Pine Street Pump Station Improvements - \$350K. The pump stations were originally constructed in 1985. Repairs had been made to the wet wells and valve vault outside of the existing pumping station building, two pumps and the electric control panel were upgraded; iv) Cape Charles Multi-Use Trail Phase 2 - \$300K. This project would improve the means of non-motorized transit for

residents and visitors. The total Phase 2 estimate was \$1.5M. The Federal share was \$1.2M with a Town match of \$300K which was currently being spread over FY 2014 and FY 2015; and v) Connection of 2 Keck Wells - \$300K. Connection of these wells would increase production capacity from 360K to 500K gallons per day which was the design limit for the plant. The total estimated cost for these five projects was \$1.1M. Additional capital project possibilities were: i) Offshore Breakwater - \$369K. The third segment out of five offshore breakwaters could be constructed at the entrance of the Harbor to afford better protection from wave action caused by prevailing westerly winds; and ii) Existing A Dock Attenuator - \$165K. The project would be to replace and relocate the existing Dock A to enhance protection of floating slips and the inner basin stakeholders. The total of all seven projects was \$1.634M.

PUBLIC HEARING COMMENTS

Deborah Bender, 300 Fulcher Street
Please see attached.

David Gay, 506 Monroe Avenue

Mr. Gay asked the Mayor and Council how much more debt they were willing to obligate the taxpayers to. With the new loan, the Town would owe \$11M. Mr. Gay continued to state that there didn't seem to be any accountability on how the borrowings were spent and that the same projects kept coming up year after year as justification for the loans but the projects were never completed and the money was used for something else. Mr. Gay concluded by stating that the Town needed a Town Council that was fiscally responsible and could be trusted with the people's money.

Roger Munz, 315 Harbor Avenue

Mr. Munz urged the Town Council not to borrow additional funds. He realized that Council had priorities that needed to be taken care of but he didn't believe this was the right way to do it. Juggling the payments so that the Town had lower payments now and higher payments later was misleading. Mr. Munz stated that the Council members wouldn't take a variable interest rate mortgage loan because it was unknown what it would hold in the future, so why would they force the Town to get caught in the same problem. Individuals would accomplish a few things every year and the Town should do the same thing. Mr. Munz concluded by asking Council not to indebt the Town any more.

George Proto, 607 Pine Street

Mr. Proto stated that he was in the minority and speaking tonight as an individual citizen not as the president of the Cape Charles Business Association. Although he did not like the idea of borrowing money with a rate that could change in 10 years, he was willing to trade off the risk of the rate in 10 years vs. the rate of inflation to do the projects that need to be done. There was more risk in delaying the projects or waiting until they fail and having to borrow money later and having to pay more because of inflation. Mr. Proto stated that, at this time, he was in support of moving forward to finance the necessary projects and minimizing the risk to the Town and its citizens.

Motion made by Councilman Sullivan, seconded by Vice Mayor Bannon, to close the Public Hearing portion of the meeting. The motion was approved by unanimous consent.

A. General Obligation Bond Issuance

Heather Arcos introduced Mr. Kevin White as the bond counsel who reviewed the bond resolution by paragraph with the Council.

Heather Arcos stated that a work session was held on December 3, 2013 to review and discuss the capital needs and prioritize the projects which were reviewed during the public hearing. If the Town Council approved moving forward with the new financing for capital needs, the

projected total debt service for both the refinanced loans and the new projects would be less than the Town currently paid for the two water and wastewater loans.

Motion made by Vice Mayor Bannon, seconded by Councilwoman Natali, to move forward with the new financing up to \$1,020,000 for capital improvement projects. Mayor Sullivan forewent reading of Resolution 20131205 – Resolution of the Town Council of the Town of Cape Charles, Virginia, Authorizing the Issuance of a General Obligation Public Improvement Bond and providing for the Form and Details Thereof, since it was reviewed by Mr. White, and asked for a roll call vote. The motion was approved by majority vote. Roll call vote: Bannon, yes; Bennett, yes; Natali, yes; Sullivan, yes; Wendell, no.

B. Capital Improvement Projects

There was no more discussion regarding the capital improvement projects.

C. Governor's Designation of Additional Holiday

Heather Arcos stated that on November 26, 2013, Governor McDonnell announced that State offices would be closed on Monday, December 23, 2013, to give employees more time to spend with their families during the holiday season. The Virginia Department of Human Resource Management had updated their 2013 holiday calendar to reflect this additional day off. Northampton County had not made a determination as of yet but has closed in the past if the Circuit Court closed for the holiday. The Sheriff's Office was observing the additional day and the Town was awaiting official notification from the Northampton County Circuit Court.

Motion made by Councilman Wendell, seconded by Vice Mayor Bannon, to follow the Commonwealth of Virginia and designating Monday, December 23, 2013, as an additional day off for the 2013 Christmas Holiday.

There was some discussion regarding this additional day.

Councilman Bennett stated that he felt the Town had a generous compensation package with the number of days off and did not see the need of a third day off over the holiday and the loss of a day of productivity.

Councilman Wendell stated that he preferred the productivity of the other 300+ days during the year and added that the holidays were different. It would improve the morale of the staff to allow then an additional day to spend with their families over the holiday.

The motion was approved by majority vote with Councilman Bennett and Councilwoman Natali opposed.

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

Mayor Sullivan

Town Clerk

**Town Council Public Hearing
December 5, 2013
Comments Submitted in Writing**

Deborah Bender, 300 Fulcher Street

My husband calls Cape Charles "little Detroit" – the city that filed for bankruptcy a few years ago. We are not there yet but in a few years after the interest rates have gone up and we have to start paying principal and interest -- who will pay those bills? Or is the plan to raise taxes, water and sewer bills to cover that?

Back in 2006 when Mayor Dora Sullivan took office the town had a debt of less than \$3 million. Today the treasurer tells us that the debt is about \$11 million. In fact, we have yet to find out just how much money the town owes in bonds and loans and car payments. How can we borrow more money when we don't know what we owe right now?

Our banking advisor is giving us tables full of information about interest rates and costs of borrowing but no straight answers about what the money we borrow will cost us in the future. Right now the plan is to only pay interest and perhaps not all of that. It is borrow, spend, borrow, spend, borrow, spend. Hello Detroit, we're on our way to join you. Our town just spent \$19 million on a sewer treatment plant, and guess what? We did not build in the cost of keeping inflow and infiltration out of the system. So now we have to borrow \$100,000 to fix that. Five years ago two nor'easters caused the sewer plant to have to handle 750,000 gallons per day. We also have to borrow \$460,000 for pump stations not thought of during the sewer project. Even though there is not a check valve that is more than three years old in the pump stations that we have according to Dave Fauber.

How is it that Onancock built their sewer plant which is three times bigger and paid \$12 million?

We need a grinder pump for the Mason Avenue pump station. Didn't we just redo the force mains and other infrastructure on Mason Avenue? Why not the grinder pump?

We need \$300,000 to connect the Keck Wells -- an increase of \$100,000 since we took the \$200,000 borrowed for them to buy the Bank of America building to make into a library. In the process we removed \$40,000 per year from the town tax base.

We need breakwaters for the pleasure boats that come over for the day from Virginia Beach and Norfolk. I know the old ladies on Jefferson Avenue will be happy the town did that.

Finally, the town budgeted \$150,000 for the multi-use trail. But no, we must take that \$150,000 to spend somewhere else and borrow it instead.

I would also like to know why with a full time manager and a part time manager did we have to pay an advisor \$37,500 to tell us where to borrow the money? Perhaps we should take that \$37,500 out of the town managers salary. Add to that the advisor advised them to get this loan that the first 10 years is a fixed rate and then it turns into a variable rate loan. A variable rate loan is a BAD move. Usually the only people that have to get variable rate loans are folks with bad credit. No one knows what the interest rates will be in 10 years. The advisor claims the interest rates won't go up too high in 10 years. What is he psychic?

Again I ask why Cape Charles needs so many employees? Onancock has more full time residents than Cape Charles does and somehow they manage to run their town with half the amount of employees. Maybe our town managers need to go to Onancock for the day and get some lessons in how to run a town.

Just be clear that you are borrowing from our children and our grandchildren; because it is they who will have to pay for your borrowing and spending later.

Deborah Bender