



TOWN COUNCIL

Budget Work Session

Town Hall

March 6, 2014

6:00 p.m.

At approximately 6:00 p.m., Vice Mayor Chris Bannon, having established a quorum, called to order the Work Session of Town Council. In addition to Vice Mayor Bannon, present were Councilmen Godwin, Sullivan and Wendell, and Councilwoman Natali. Mayor Sullivan and Councilman Bennett were not in attendance. Also present were Town Manager Heather Arcos, Assistant Town Manager Bob Panek, Harbor Master Smitty Dize, Code Official Jeb Brady, Public Works/Utilities Director Dave Fauber, Accountant Jerry Murphy and Town Clerk Libby Hume. There were three members of the public in attendance.

Vice Mayor Bannon announced the business for the evening would be to review the proposed Fiscal Year (FY) 2014/2015 Enterprise Fund budgets which include Waterworks, Wastewater, Sanitation and Harbor.

Town Manager Heather Arcos began by reviewing the budget assumptions and highlights and Council discussed the following:

Personnel: i) All Personnel Services included a proposed 2% COLA for existing employees. FY 2013/2014 did not include any COLA increases. FYs 2012/2013 and 2011/2012 each included a 1% COLA increase.

Sanitation: i) In FY 2013/2014, the Town decreased the Trash Collection Fee to \$12.57 (from \$14.00) per month. On September 1, 2013, as a result of the new contract with Davis Disposal, the residential price for trash pickup increased from \$12.57 to \$13.00 per residence. The Town did not raise the cost to the residents but offset the increase from the Fund balance as of June 30, 2012. Per the contract, Davis Disposal's prices were increasing from \$13.00 to \$13.50 per month for FYs 2014/2015 and 2015/2016. The proposed budget reflected the increased costs; ii) Re-allocated wages include 10% for two Public Works employees to the General Fund.

There was some discussion regarding alternatives to Davis Disposal. Heather Arcos stated that the Town put the contract out for bid and Davis Disposal was the only company that responded. Dave Fauber added that Waste Management provided dumpster services in Northampton County but residential services were only available in Accomack County. Another possibility was to bring the trash collection services back in-house but the Town would have to purchase a trash truck, along with the maintenance, insurance, and other related costs, and possibly hire additional staff. Heather Arcos noted that in FY 2005/2006, the Town provided the trash collection services in-house and the cost per resident was \$13.00 per month and the costs decreased when the Town contracted with Davis Disposal.

Councilman Wendell asked about a recycling program. Heather Arcos stated that last year the Town looked at the possibility of providing curbside recycling services to the residents and the quote from Davis Disposal was \$5 per residence but Davis could not accept glass. The Town residents paid taxes to Northampton County and the County provided a number of convenience centers, the closest one in Cheriton, where residents could take their recycling.

Harbor: i) Included a request to reclassify the part-time harbor assistant position to a full-time head dock hand/maintenance position. The request included a \$.50 increase per hour to offset the mandated 5% employee VRS contribution. The individual in this position had 28+ years of experience with Bayshore Concrete and was very mechanically inclined and performed the

majority of the required maintenance at the Harbor vs. having to hire an outside contractor. This would make three full-time positions at the Harbor including the Harbor Master and Assistant Harbor Master. The proposed budget reflected this new full-time position. Harbor Master Smitty Dize stated that during the summer, the Harbor was open 80 hours per week with two employees on duty at all times. The budget also included four seasonal part-time assistants for the busy months; ii) The proposed budget reflected a rate increase from \$1.50 to \$1.75 per foot in docking fees; iii) The Resale Expenses were primarily for estimated fuel sales. The year-to-date fuel sales was down compared to this time last year with four months left in this FY; iv) The Debt Service reflected a decrease of \$66,865 from the current FY; v) Contributions/Special Events included a proposed increase of \$40,109 for a total of \$73,183 (Blessing of the Fleet - \$1K; July 4th Fireworks - \$5K; Clam Slam - \$47,683; Haunted Harbor - \$1K; Holiday Decorations - \$2,500; Misc. Event Contributions - \$1K; Dropping of the Crab Pot (for New Year's Eve) - \$15K); vi) The Capital Projects of \$575K included the breakwater and attenuator which were funded by the Virginia Port Authority. The matching funds were included on the list for the long term financing in place but these projects were low priority due to the existing debt service capacity of the Harbor Fund; and vii) The proposed allocation for consumption of water and wastewater usage was included in this budget. In the past, the Harbor had not paid for usage.

It was explained that all expenses in the Harbor Fund were supported by Harbor revenue and was not subsidized by the General Fund.

Meter & Utility Billing: i) Included one full-time utility clerk; and ii) Postage and office supplies were increased to allow for a new bill format using 8.5" x 11" sheets vs. the postcard. This would enable the Town to provide users with additional account information as well as the ability to include other informational notices, flyers, etc.

Councilwoman Natali agreed that the utility bills should include when the last payment was received, the new charges, etc. Heather Arcos stated that Edmunds, the Town's accounting software, defaulted to an 8.5" x 11" bill but when the Town contracted with Edmunds, it had the billing format customized for postcards.

Public Utilities Administration: i) Personnel Services and Employee Benefits included two-thirds of the Director's salary, 10% of the Treasurer, 10% of the Accountant and 10% of the Town Manager.

Prior to the discussion on the Waterworks Dept., Council reviewed information regarding the Class II connection charges. (Please see attached.)

There was much discussion regarding the recommendation and the consensus was to move forward as recommended and the issue could be revisited after more dealings with high volume users such as hotels.

There was some discussion regarding the connection charges for residential, currently \$12,350 (\$4,875 for water and \$7,475 for sewer), compared to the cost for septic system which were approximately \$20K for a conventional system and \$25K - \$30K for an aboveground system.

Waterworks: i) Included three full-time employees (two in operations and one in maintenance); ii) Included a request for half of a new full-time position to support the distribution system. This position would be shared with the Wastewater Dept. It was noted that the Town had lost two positions in Public Utilities over the last several years and was unable to perform some of the required maintenance due to lack of staffing. The Public Works crew assisted on a routine basis but they were stretched with their own responsibilities of maintaining Town public properties, streets and alleys. The Town's systems were aging and were very high maintenance; iii) A Capital request for the installation of five automatic flush systems which would help with the issue with the TTHM levels in the water. Currently the Town staff performed quarterly Town-wide water system flushes and this would alleviate that process. Councilman Wendell asked that

the Fig Street Pump Station be added to the list for an automatic flush unit; iv) A request for a replacement vehicle (truck) in the Public Utilities Dept to be shared by waterworks and wastewater. Currently, the Public Utilities Dept drove an old Dodge Intrepid that was formerly a police vehicle. The vehicle was in bad shape and was not reliable. A pickup truck would be more feasible to carry equipment, tools, etc. Some of the workers had been driving their personal vehicles for this purpose; and v) Included a carryover from FY 2013/2014 for the Keck Wells Design.

There was some discussion regarding the Town-owned vehicles and that if an employee used their personal vehicle they should be compensated for mileage. Heather Arcos stated that currently, staff only submitted mileage reimbursement requests when travelling outside of Town on business. Councilman Wendell asked that a list of Town-owned vehicles be emailed to Council.

Wastewater: i) Included four full-time employees (three in operations and one in maintenance); ii) Also included a request for half of a new full-time position to share with the Waterworks Dept.; iii) A Capital request to upgrade controls at the Mason Avenue Pump Station; iv) A Capital request for a pickup truck to share with the Waterworks Dept.; v) Capital Projects included repair work on the manholes throughout Town. Dave Fauber stated that each manhole would be assessed and a bid would be advertised for up to 100 manholes. This project was necessary to improve the Inflow & Infiltration issue.

Heather Arcos informed Council that the insurance rates for the next plan year had been received and the cost for the benchmark plan (PPO) had decreased. In FY 2013/2014, the Town had allocated \$544.98 per month per employee for health coverage which included medical and dental. The difference in premiums for employees who chose an HMO plan was credited into a health savings plan. The premium amount for the PPO for FY 2014/2015 was \$535.15 per month and staff recommendation was to keep the Town's contribution at the current rate of \$544.98 unless Council wanted to reduce the amount. Under the Affordable Care Act, the rates were based on an individual's age and health. The rules were still changing and staff was following the updates. Council reviewed the Employee Insurance Benefit Comparison and no changes were made.

Heather Arcos continued to state that staff was looking at the disability plans through the Virginia Municipal League. Employees had to make a decision regarding their disability plans on whether they opted to stay with their current plan or convert to the hybrid plan which would enable the employee to make additional contributions to their account, similar to a 401K or IRA.

The next Budget Work Session was scheduled for March 13, 2014 beginning at 6:00 PM.

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

Vice Mayor Bannon

Town Clerk

Class II Connection Charges

Council Work Session

March 6 2014

Class II Connection Charges

- Class II water and wastewater connection charges apply to construction of new commercial or industrial buildings.
- Most of it is the Facility Fee to generate funds for plant capacity.
- Developers view it as a barrier to bringing economic activity to town.
- Reviewed at the Council Retreat on February 8, 2014.
- Council requested further study.

Class II Connection Charges

- Facility fee calculation problems:
 - Overstated VDH usage factors.
 - Inequity between low and high volume users due to residential fee floor.
- Reviewed charges by other small towns:
 - Cape Charles in the middle.
- Reviewed "meter size" method used by some other towns:
 - Poor estimation of demand on water and wastewater facilities.
 - Might generate pressure for inadequately sized building supply.
 - Not recommended as an appropriate methodology.

Class II Connection Charges

- Staff has continued to refine actual usage factors (gpd) for CC businesses:

<u>Type</u>	<u>VDH</u>	<u>Actual</u>
Restaurant	50/seat	8/seat
Lodging	130/room	44/room
Retail	1,000/4,000 ft	14/4,000 ft

Class II Connection Charges

- Sample calculations using realistic usage estimates and eliminating both the residential floor and discount factor (Class I Facility Fee X Residential Equivalent):
 - 4,000 ft retail - \$1,187 vs. \$19,080 now.
 - 50 seat restaurant - \$33,920 vs. \$31,800 now.
 - 100 room hotel - \$373,120 vs. \$120,840 now.
- Eliminates inequity between low and high volume uses.
- Calculation for high volume uses appears reasonable. Former developer of hotel on US 13 proposed paying \$250K, plus an existing well, to connect to town water and wastewater systems.

Class II Connection Charges

- Recommended way ahead:
 - ✓ Continue to refine usage data for various types of businesses.
 - ✓ Develop estimated usage table for Council approval.
 - ✓ Revise town code, via ordinance, to change the formula; reference table.
 - ✓ Update table if usage patterns appreciably change.