



TOWN COUNCIL

Budget Work Session

Town Hall

May 1, 2014

Immediately Following Special Meeting

At approximately 6:15 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, Godwin, Sullivan and Wendell, and Councilwoman Natali. Also present were Town Manager Heather Arcos, Assistant Town Manager Bob Panek, Treasurer Deborah Pocock, Harbor Master Smitty Dize and Town Clerk Libby Hume. There were three members of the public in attendance.

Mayor Sullivan announced the business for the evening would be to review the proposed Fiscal Year (FY) 2015 Budget.

Town Manager Heather Arcos stated that there were very few changes in the budget since the last review and continued as follows:

1. The 2% COLA remained. Councilman Wendell asked Council whether the 2% COLA should be included in light of the ongoing compensation study. Councilman Bennett asked for the total cost to the Town for the 2% COLA. Heather Arcos stated that the COLA amounted to \$24,084.98. There was much discussion. Heather Arcos gave an overview of COLA increase over the last 6 years and explained that the 1% COLA given in FY 2012-2013 was a result of the VRS mandate which required localities to increase employee salaries by 5% to compensate them for having to contribute 5% of their earnings toward their retirement. The 1% COLA was given to offset the impact of the taxes and other deductions so employees did not have a net decrease in take-home pay. Councilman Sullivan noted that the Social Security Administration approved a 1.5% increase effective January 1, 2014. He was unsure of the amount in 2013, but since the Council did not approve any COLA increase in 2013, a 2% COLA this year was acceptable to him. Councilman Sullivan went on to recommend that Council review the amount approved by the Social Security Administration each year to consider an appropriate COLA for the staff.
2. Sanitation and Harbor: No changes were made to these budgets.
3. General Fund Revenue: The FY 2015 proposed budget showed a projected \$111,524 increase of revenue over expenses. The inclusion of the \$295K match for the Trail project in the long-term financing contributed to the reduction of expenses. The Shanty was planning to remain open for 10 months this year, so the Town was anticipating an increase in meals tax revenue. Also, in this FY, as part of the lease agreement, the Shanty would be responsible for paying the Town 1% of gross revenue vs. .5%.
4. Town Manager Budget: i) The Tourism Initiative funded by the Transient Occupancy Tax (TOT) was decreased from \$74,700 to \$68,700 to reflect the change to the effective date of the .7% increase to January 1, 2015. Council reviewed the updated TOT report for revenue and tourism related expenses and discussed 2 options for the funding of various initiatives. After much discussion, Council agreed on Option 2 as presented which amounted to funding assistance to tourism-related initiatives in the amount of \$62,480. The remainder of the TOT revenue would be held in a TOT contingency fund; ii) There was a projected surplus balance based on decreases in several departments and overall operating expenses were down from last year. Staff recommendation was to keep the surplus amount as a contingency. Council agreed that it would be good to have a contingency and it could be the start to the rainy day fund. Heather Arcos stated that staff had drafted a Rainy Day Fund policy for Council review at a future meeting and Council could allocate the Fund Balance toward a Rainy Day Fund

and/or a Capital Improvement Fund. Currently, a budget surplus did not automatically carryover from year to year. A policy needed to be in place in order to designate the funding of a Rainy Day Fund; iii) Staff received a request from VDOT for the Town to submit another map/plan showing sidewalks in need of repair and areas where new sidewalks were needed. The submission deadline was May 15, 2014 and Public Works Foreman Pete Leontieff and Planner Rob Testerman were working on the plan. When VDOT had the necessary funding, the next sidewalk would commence. The sidewalk repair project completed by VDOT last year, was a result of a plan submitted by the Town approximately 8 years ago. Cape Charles was the only Town that submitted a plan so we benefitted from the entire amount of the available funding which totaled over \$1M. There was much discussion regarding sidewalks; iv) The Cape Charles By the Bay Website & Marketing Transition Plan was reviewed. Heather Arcos stated that she had spoken to Cape Charles Business Association (CCBA) President George Proto who informed her that the CCBA was supportive of working with the Town regarding the reorganization of the Board and website transition. The CCBA felt that, at this time, it was premature to create a Cape Charles Tourism Board. With the conclusion of the Our Town grant, next year would be a transition year for the Cape Charles By the Bay website. The Town could act as the agent during the transition of the website to another entity. CCBA was considering assumption of the responsibility for the site but would have to either re-charter or form a new IRC Sec. 501 (c) 6 non-profit entity which would allow them to operate an enterprise for the commercial gain of their members. This process was expected to take between 6 to 9 months to incorporate and gain IRS approval. As such, the CCBA had not yet decided to assume responsibility of the website and marketing effort. There was much discussion regarding the Transition Plan and several Council members expressed their opposition to the Town taking ownership of the website effective July 1, 2014 as stated in the plan. Council agreed that there was no problem with the Town sponsoring the website, but felt that a legal opinion was needed regarding the Town owning a “for profit” website. There was much discussion regarding other entities that might be able to assume the responsibility for the website. Staff would obtain a legal opinion regarding this issue. In the interim, the “Website Ownership” line would be removed from the plan and language allotting 1 year for the transition would be added; and v) The FY 2015 Summary of Capital Projects was reviewed. Councilman Bennett suggested that the \$10K proposed for Public Parking Design and Plan be deleted since the Town did not have the funding to complete the construction at this time. Several of the other Council members agreed. There was much discussion regarding parking. Heather Arcos distributed a report showing a number of parcels in the Town which would be conducive for parking. Only 2 of the privately owned parcels were available for sale. One property was available for \$205K and would provide 17 parking spaces but would require a substantial investment to convert to parking. The other property was available for \$140K and would provide 40 parking spaces which were pre-existing.

5. Utilities: i) The Wastewater and Water Funds were reduced by \$40,282 in personnel services and benefits for a new position which was cut per the recommendation of the Director; and ii) The Utility Fund was balanced with no overall rate increase.

Mayor Sullivan left during the meeting.

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

Vice Mayor Bannon

Town Clerk