



TOWN COUNCIL

Work Session

Town Hall

June 5, 2014

6:00 PM

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, Godwin and Sullivan, and Councilwoman Natali. Councilman Wendell was not in attendance. Also present were Mayor-Elect George Proto, Town Manager Heather Arcos, Assistant Town Manager Bob Panek, Treasurer Deborah Pocock, Code Official Jeb Brady and Town Clerk Libby Hume. There were no members of the public in attendance.

Mayor Sullivan announced the business for the evening would be to review the Fiscal Year (FY) 2013 Audit Report and Commercial Connection Charges.

FY 2013 Audit Report:

Town Manager Heather Arcos stated that the FY 2013 Audit was originally scheduled for January 2014 but Robinson, Farmer, Cox Associates, the auditing firm, postponed the audit on two occasions due to inclement weather. The audit was performed in April 2014.

Treasurer Deborah Pocock reviewed Exhibit 3 – Balance Sheet, Exhibit 5 – Statement of Revenues, Expenditures, and Changes in Fund Balance, and Exhibit 8 – Statement of Revenues, Expenses, and Changes in Fund Net Position.

Councilman Bennett suggested that the Town's total net position of \$25,795,177, which was shown on Exhibit 1, be noted for the record.

Deborah Pocock explained the Fund Balance to the Council.

There was some discussion regarding the issue of the utility clerk performing the billing and collections on said bills. Deborah Pocock stated that this was an issue when the Town had combined the utility billing and accounts payable positions into one position. In 2013, these positions were split again into two positions, but the Town's four person finance staff did not allow for dedication of staff duties to the degree recommended. Although the Utility Clerk billed and accepted payments, the remainder of the finance department staff also received payments. If a customer paid with cash, procedure dictated they be given a receipt.

The issue regarding the Clam Slam event accounting was briefly discussed. Heather Arcos stated that cash prizes were given out in August 2012, but in August 2013, checks were used for the prizes.

Commercial Connection Charges:

Assistant Town Manager Bob Panek stated that the Town Council reviewed a commercial water and wastewater facility fee comparison at the February 8, 2014 Retreat and this issue was briefly reviewed again at the March 6, 2014 Budget Work Session when the Council agreed that a more in depth study of the issue was needed. As directed by Council, staff completed additional research and drafted proposed modifications to the Town Code §§ 70-35 and 71-42 (please see attached).

The Town Council reviewed the Class II Connection Charges presentation which showed a variety of business types and the current and proposed fees using the current and recommended calculations. (Please see attached.)

There was much discussion regarding the fees using the proposed calculations. Bob Panek stated that the usage rates would have to be reviewed every couple of years and necessary adjustments would have to be made depending on the actual usage factors for each business type.

Councilman Sullivan brought up the issue of a change in use from a typically low usage type of business to a higher usage business and asked how that would be handled. Councilwoman Natali suggested language be added into the ordinances that tied the fees to the use and that if the use was changed, the fees would be re-evaluated.

There was also some discussion regarding the possibility of a connection charge rebate as a Tourism Zone incentive.

Councilman Sullivan suggested grouping businesses in tiers. Tier 1 would be for low usage businesses and the charge would be equivalent to a one-bedroom residence. Tier 2 would be equivalent to a regular residence. Tier 3 would be for higher usage businesses such as restaurants and hotels and the proposed calculation would be used. Bob Panek stated that a table of business types would be created and language would be added for extremely high usage businesses stating that the Town Manager would evaluate the usage and present the information for Town Council approval.

Heather Arcos stated that staff would make the necessary changes as discussed this evening and another work session would be scheduled.

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

Mayor Sullivan

Town Clerk

Sec. 70- 35. Connection Charges.

- (a) Connection charges shall consist of a connection fee and a facility fee. The connection fee contributes to the costs associated with maintaining the waterworks. The facility fee covers the capital cost of creating waterworks capacity.
- (b) Class I - The connection fee shall be \$875 and the facility fee shall be \$4,000, for a total charge of \$4,875. For residences having fewer than two bedrooms, the charge shall be one-half of that amount.
- (c) Class II – The connection fee shall be \$875. The facility fee shall be calculated on a consumption based formula as follows: Class I facility fee x residential equivalent. Residential equivalent shall be the estimated daily water consumption rate for the building, as shown below, divided by the residential daily water consumption rate of 125 gallons per day. For buildings with a proposed use not shown below, the Town Manager will develop an estimated daily water consumption rate for approval by the Town Council.

| <u>Building Use</u> | <u>Gallons Per Day</u> |
|--|--|
| Food and Beverage, principally sit down | 8 per seat |
| Food and Beverage, principally carry out | 113 |
| Lodging | 44 per lodging room |
| Retail Sales | 16 up to 5,000 sq. ft., 4 per 1,000 sq. ft. above 5,000 |
| Office sq. ft. | 23 up to 5,000 sq. ft., 5 per 1,000 above 5,000 |
| Medical Office | 46 per provider |
| Manufacturing*, Distributing, Servicing | 134 up to 30,000 sq. ft., 5 per 1,000 sq. ft. above 30,000 |

*excluding water incorporated into a product

For buildings qualifying under chapter 66, article VIII of this Code, the facility fee used in the consumption based formula shall be \$1,375, rather than the Class I facility fee, if construction activity is commenced after the submission of the application or within the ten-year period of tax exemption.

- (d) Such charges, plus \$100 for inspection and review fees, shall be paid to the Building Department at the time of building permit issuance, or to the Town Treasurer pursuant to any payment programs authorized by Town Council, prior to the initiation of connection related construction activities.

Sec. 71- 42. Connection Charges.

- (a) Connection charges shall consist of a connection fee and a facility fee. The connection fee contributes to the Town’s costs associated with maintaining the treatment works. The facility fee covers the capital cost of creating treatment works capacity.
- (b) Class I - The connection fee shall be \$875 and the facility fee shall be \$6,600, for a total charge of \$7,475. For residences having fewer than two bedrooms, the charge shall be one-half of that amount.
- (c) Class II – The connection fee shall be \$875. The facility fee shall be calculated on a consumption based formula as follows: Class I facility fee x residential equivalent. Residential equivalent shall be the estimated daily

water consumption rate for the building, as shown below, divided by the residential daily water consumption rate of 125 gallons per day. For buildings with a proposed use not shown below, the Town Manager will develop an estimated daily water consumption rate for approval by the Town Council.

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- (c) Class II – The connection fee shall be \$875. The facility fee shall be calculated on a consumption based formula as follows: ~~Class I facility fee + (Class I facility fee x residential equivalent x 10%)~~. Residential equivalent shall be the estimated daily water consumption rate for the building, as ~~shown below defined by the Virginia Department of Health Waterworks Regulations~~, divided by the residential daily water consumption rate of 125 gallons per day. For buildings with a proposed use not shown below, the Town Manager will develop an estimated daily water consumption rate for approval by the Town Council.

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| <u>Food and Beverage, principally carry out</u> | <u>113</u> |
| <u>Lodging</u> | <u>44 per lodging room</u> |
| <u>Retail Sales</u> | <u>16 up to 5,000 sq. ft., 4 per 1,000 sq. ft. above 5,000</u> |
| <u>Office</u> | <u>23 up to 5,000 sq. ft., 5 per 1,000 sq. ft. above 5,000</u> |
| <u>Medical Office</u> | <u>46 per provider</u> |
| <u>Manufacturing*, Distributing, Servicing</u> | <u>134 up to 30,000 sq. ft., 5 per 1,000 sq. ft. above 30,000</u> |
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Class II Connection Charges

Council Work Session

June 5, 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 Council Retreat (2-8-2014) and Work Session (3-6-2014).
- Consensus to use realistic usage factors and eliminate inequity between high and low volume users due to Class I floor.
- Council requested refinement of current water usage factors and draft revision to Town Code.

Class II Connection Charges

Proposed Factors Based on Current Usage

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|--|-------------------------|
| Food & Beverage, sit down | 8 per seat |
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| Lodging | 44 per room |
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| Office | 23 up to 5,000 sq ft* |
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| Manufacturing**, Distributing, Service | 134 up to 30,000 sq ft* |

*plus an increment per additional 1,000 sq ft

**excluding water incorporated into a product

Class II Connection Charges

Sample Facility Fee Calculations

Current vs. Proposed Usage Factors (GPD)

| | <u>Current</u> | <u>Proposed</u> |
|------------------------------------|---------------------|-------------------------|
| • Food & Beverage, sit down | 50 per seat | 8 per seat |
| • Food & Beverage, carry out | 50 per seat | 113 |
| • Lodging | 130 per room | 44 per room |
| • Retail Sales | 250 per 1,000 sq ft | 16 up to 5,000 sq ft* |
| • Office | 25 per person | 23 up to 5,000 sq ft* |
| • Medical Office | 500 | 46 per provider |
| • Manufacture**, Distrib., Service | 25 per person | 134 up to 30,000 sq ft* |

*plus an increment per additional 1,000 sq ft

**excluding water incorporated into a product

Current vs. Proposed Facility Fees

| | <u>Current</u> | <u>Proposed</u> |
|-----------------------|----------------|-----------------|
| • 50 seat restaurant | \$ 31,800 | \$ 33,920 |
| • Ice cream parlor | \$ 19,080 | \$ 9,582 |
| • Retail store | \$ 21,200 | \$ 1,357 |
| • Accountant's office | \$ 11,448 | \$ 1,950 |
| • Doctor's office | \$ 14,840 | \$ 3,901 |
| • Automotive service | \$ 11,448 | \$ 11,363 |
| • 100 room hotel | \$120,840 | \$373,120 |
| • 200 room hotel | \$231,080 | \$746,240 |

ROM Estimates For On Site Wastewater Treatment

- Southern Node PER construction estimate for 90,450 gpd decentralized treatment and disposal - \$2.616M
- \$28.9 per gpd
- Estimates:
 - 100 room hotel w/CC usage = $100 \times 44 \times \$28.9 = \127.2K
 - 100 room hotel w/VDH usage = $100 \times 130 \times \$28.9 = \375.8K
 - 200 room hotel w/CC usage = $200 \times 44 \times \$28.9 = \254.3K
 - 200 room hotel w/VDH usage = $200 \times 130 \times \$28.9 = \751.4K

Class II Connection Charges

- Draft revision of Town Code, redline & smooth, attached for review.
- Next steps:
 - ✓ Prepare ordinance with revisions.
 - ✓ Set public hearing at June 19 Council Meeting.
 - ✓ Hold public hearing; consider adopting ordinance at July 17 Council Meeting