



TOWN COUNCIL
Special Meeting
Cape Charles Civic Center
via Electronic Communications
April 30, 2020
5:30 PM

This Special Meeting of the Cape Charles Town Council was held by video conference in accordance with Code of Virginia § 2.2-3708.2, subsection A.3, resulting from Governor Northam's March 12, 2020 declaration of a state of emergency for the Commonwealth of Virginia arising from the Novel Coronavirus (COVID-19) pandemic. It was deemed impractical and unsafe to assemble physically due to the highly contagious nature of COVID-19.

The purpose of this meeting was to review the proposed fiscal year 2021 budget as recommended by Town Manager John Hozey. An audio recording was made of the meeting, and the meeting was also live-streamed on Facebook, as well as video-taped for viewing from the Town's website after processing. Public comments were accepted in writing prior to the meeting. Viewers could also submit their comments via Facebook Live and emails to the clerk.

At 5:39 p.m. Mayor William "Smitty" Dize, having established a quorum, called to order the Special Meeting of the Town Council. Physically present at the Civic Center were Town Clerk Libby Hume and Community Relations Manager Jennifer Lewis. In attendance via Zoom were Mayor Dize, Vice Mayor Bennett, Councilmen Bannon, Buchholz and Grossman, Councilwoman Holloway, Town Manager John Hozey and Treasurer Deborah Pocock. There was one vacancy on Council. There were no members of the public physically in attendance, but there were 25 viewers on Facebook Live.

PUBLIC COMMENTS (AGENDA ITEMS ONLY):

Town Clerk Libby Hume read six comments submitted in writing prior to the meeting. (Please see attached.)

SPECIAL MEETING ORDER OF BUSINESS:

A. FY 2021 Town Budget Review and Discussion:

Town Manager John Hozey summarized the proposed FY 2021 as follows:

General Fund: i) Preparation of this budget was very challenging in the midst of a pretty extraordinary event with the COVID-19 pandemic. The pandemic had a significant impact on revenue for fiscal year (FY) 2020 and FY 2021. Council recently made major adjustments to keep FY 2020 funded and FY 2021; ii) FY 2021 projected General Fund operating revenue was \$355K less than was budgeted in FY 2020; iii) FY 2021 requested General Fund operations budget was \$140K more than budgeted in FY 2020; iv) The proposed budget recommended cuts of \$267,769 from the FY 2021 requested General Fund operations budget. Any more could have significant impacts on core functions. This still left a deficit of over \$227K for General Fund operations; v) FY 2021 requested General Fund capital budget (non-grants/loans) was \$186K. The proposed budget recommended deferral of \$150,200 from the FY 2021 requested General Fund capital budget but still left about \$32K of necessary, but unfunded projects in the General Fund capital budget; and vi) The combined operations deficit and unfunded capital expense for the General Fund was \$259,159.

Utility Fund: i) The projected FY 2021 Utility Fund revenue was about \$31K less than the budgeted amount in FY 2020; ii) FY 2021 requested Utility Fund operations budget was \$9,498 less than FY 2020 leaving a deficit of \$21,686 in the Utility Fund operations budget; and iii) FY 2021 requested Utility Fund capital budget was \$685,493. The proposed budget recommended deferral of \$670K but left \$15K of unfunded projects in the Utility Fund capital budget.

Harbor Fund: i) The Harbor Fund operational budget had a minor deficit of \$6,834.

Sanitation Fund: i) The Sanitation Fund budget had minor deficits of \$8,831 in operations and about \$12K in capital for new trash cans.

John Hozey continued as follows: i) As presented the proposed budget was very lean and deferred many expenditures that had traditionally been supported or considered desirable. While the Town's most important resource was the staff, staff also represented the Town's greatest expense. Salary increases and COLA was not included in the proposed budget, but this practice could not be sustained as market pressures would continue to erode the Town's ability to recruit and retain quality staff; ii) Other traditional funding, such as community support, was eliminated or reduced; iii) The overdue Comprehensive Plan update was deferred; iv) Proactive maintenance such as the continued storm drain mapping was deferred; v) Ongoing and new capital projects and equipment requiring funding in the General Fund were also cut with the exception of items that qualified for the USDA 35/65 grant/loan program. The debt service for these items would not be due until FY 2022 and did not increase the budget deficit for FY 2021; vi) Traditionally, there were three ways to deal with a deficit – reduce expenditures, increase revenues or draw from reserves. Staff had done their due diligence regarding expenditure reduction and any further reduction would significantly erode the Town's ability to provide required services. Raising revenue by tax increases would be the next reasonable means to tackle the remaining deficit, however these weren't normal times and the effects of the pandemic on the economy were devastating. Taxing a struggling economy would only prolong the economic recovery. The Town had a fairly healthy reserve in undesignated fund balances, so his recommendation was to balance this budget by appropriating funds from the Town's fund balance fulfilling the statutory requirement to put an operating budget in place by July 1, however this budget did not address the long-term needs of the Town; and vii) He recommended re-evaluating the fiscal outlook in September and potentially amending this budget based on revised revenue projections after the summer season.

John Hozey went on to state that he and Treasurer Deborah Pocock had a conference call with the Town's auditor. The audit report was very well written and well laid out but contained some accounting issues that needed to be addressed in the future. The fund balances were very misleading as they contained balances which included unspent bond proceeds and prepaid items. John Hozey explained the fund balances to Council in detail adding that the fund balances needed to be addressed in September with guidelines developed regarding managing the Town's reserves.

John Hozey continued the review of the proposed budget as follows:

Capital Projects: i) The community trail project was originally included at \$255K but had now been deferred; ii) \$6,868 was included to install heat in the Public Works shops. This was a necessity; iii) \$15K was included for Mason Avenue re-striping, but could be deferred; iv) \$10K was included for improvements to the Mason Avenue and Harbor parking lots; v) \$15K was included in the Utility Fund for a SCADA software system for the water plant, similar to the system at the wastewater plant. This could possibly be deferred if Council preferred; and vi) \$11,796 was included in the Sanitation Fund to replace trash cans.

Community Support: i) The Cape Charles Historic Society initially requested \$5K which could not be funded. Their letter read earlier in the evening reduced the amount to \$500 which could be accommodated; ii) \$4,500 was included for GEAR Fine & Performing Arts, formerly Arts Enter, as a match to the Virginia Commission for the Arts Local Government Challenge Grant; iii) \$75K was included for Cape Charles Main Street (CCMS). The Main Street program required Town support in order for CCMS to achieve certification; and iv) The community support requests would be revisited in September and depending on the Town's financial position, support amounts could be increased.

There were no questions from Council to this point.

John Hozey continued the review of the General and Enterprise Funds departmental operating budgets:

General Fund Revenue: i) The real estate tax rate would be reduced to .2731 to equalize after the recent re-assessment of properties; ii) The projected revenue would be reviewed again in September and adjusted accordingly if needed; iii) Councilwoman Holloway clarified for the record that the Short Term Rental Tax shown as line item 100-3050-1700 did not include vacation rentals. Vacation rentals were included in the Transient Occupancy Tax.

General Fund Expenses by Department:

Legislative: There were no questions from Council.

Town Clerk: There were no questions from Council.

Town Manager: i) The capital projects manager's part-time salary (100-4121-1200) was included in the budget since capital projects funding would be re-visited in September; and ii) The \$40K in the Contingency Fund (100-4121-6900) included \$10K for Code Enforcement, \$2K for the police academy, and \$7.5K for fireworks in case a new vendor was needed. \$20.5K was undesignated.

Finance: Vice Mayor Bennett stated that most department budgets were level or showed decreases and asked why the Finance department showed an 8/1% increase. John Hozey stated that Jodi Outland was promoted earlier this year to Human Resources Manager and there had been a recent reorganization of staff duties which included a salary increase for the utility clerk for taking on additional duties. Deborah Pocock added that \$1K was included to replace two older timeclocks, as well as increases in credit card service fees and health insurance premiums.

Police: The 21% increase in the Police department budget was a result of adding a new officer and associated expenses for benefits, equipment, etc.

Code Enforcement: There were no questions from Council.

Public Works: i) Staff would be doing more grounds maintenance in order to reduce the contracted amount to Browder Hite. Overtime was included in the budget to compensate the Public Works staff for performing the additional duties; and ii) Councilwoman Holloway stated that the Town needed to maintain and clean the bathrooms, pick up trash, clean the beach, etc. We needed to ensure adequate coverage to perform these duties.

Parks & Recreation: There were no questions from Council.

Library: There were no questions from Council.

Planning: The position was currently vacant, but several applications had been received.

Public Utilities Fund Revenue: There were no questions from Council.

Utility Admin: There were no questions from Council.

Water: There were no questions from Council.

Sewer: There were no questions from Council.

Utility Billing: There were no questions from Council.

Harbor Fund Revenue: There were no questions from Council.

Harbor Expenses: i) The overall deficit was \$6.8K; and ii) After some discussion regarding the need for a new vehicle, the budget request was cut. There were other departments with trucks and other vehicles which could be used when needed.

Sanitation Fund Revenue and Expense: John Hozey stated that he just learned of a rate increase to \$16.43 per trash receptacle but recommended maintaining the current rate and appropriating the difference from the fund balance.

Mayor Dize asked where the savings from the elimination of the Public Works/Utilities Director position were shown. Deborah Pocock stated the Public Works/Utilities Director salary came from several departments in the budget. The Public Utility Admin budget showed a decrease of almost \$45K and the staff members who were promoted all received raises this fiscal year. The repair and maintenance line items were also increased. Mayor Dize wasn't satisfied with the explanation. Deborah Pocock offered to provide him an itemized list showing the exact breakdown.

John Hozey went on to state the following: i) If Council approved of his strategy, he would work on refining the revenue projections for review in September; ii) Formal proposals would be presented regarding minimum fund balances, establishment of a rainy day fund, and implementation of a long-term capital improvement plan (CIP); iii) In January, Council approved guidance for a CIP, which was a great start, but no one moved it forward. The difficult part was putting an actual plan in place; iv) The Harbor Fund deficit would have to be cleaned up; v) He was reviewing options to refinance existing debt to reduce cash flow needs without extending long-term debt; vi) A previous presentation to Council showed that the Town had the ability to take on additional debt, but added that in this uncertain world, he would be very cautious of taking on any additional obligations; vii) There were longer term things to work on for next year. Budget restructuring was recommended with classification and organization of departments. As the new guy looking at things with fresh eyes, some things didn't seem to be efficient.

There was further discussion as follows: i) Councilman Bannon stated that the concerts in Central Park were fantastic and part of small-town America. He asked whether the funding for CCMS could be reduced until after the September review so some funding could be allocated for the concerts; ii) Councilwoman Holloway spoke on behalf of CCMS stating that the majority of the Town's funding was for marketing the Town and getting people to come back here. CCMS took a \$14K cut this fiscal year so next year's funding was more important than ever to market the Town. It would not be good for the Town's health to cut funding to CCMS. CCMS was trying to co-sponsor one of the concerts with the Citizens for Central Park (CCP). CCMS also did fundraisers and raised \$22K last year, from grants and others. She suggested that CCP reach out to the people who enjoyed the concerts as well as GoFundMe to raise money. CCMS used money they raised for salaries and reserved the Town's contribution for marketing. They had a very lean budget; iii) Mayor Dize expressed his distress of one non-profit organization attacking another non-profit organization. Local bands could be hired for a fraction of the cost; iv) Councilmen Buchholz and Bannon offered to forego their \$50 monthly salaries to help provide some funding for CCP; v) Councilwoman Holloway stated that the Walking Tour maps were more important than ever especially with social distancing. The tours were very popular so it was good that the Cape Charles Historical Society was reproducing the maps. Unfortunately, the Bed & Breakfasts didn't have any money to help with this project this year; and vi) Mayor Dize recommended that if the revenue projections looked more favorable in September, the zip-line in the playground needed to be replaced. There was some discussion regarding the quote of \$12K for a new zip-line. The repeated maintenance issues were with adults using the zip-line which could not sustain the added weight. The playground was still usable without the zip-line.

John Hozey would have the proposed budget updated with the changes made by Council this evening and the public hearing notice would be published advertising the public hearing for May 21, 2020 and possible budget adoption on May 28.

Motion made by Councilman Bannon, seconded by Vice Mayor Bennett, to schedule the public hearing for May 21, 2020. The motion was approved by unanimous vote. Roll call vote: Bannon, yes; Bennett, yes; Buchholz, yes; Grossman, yes; Holloway, yes.

Mayor Dize asked if Council had any other comments.

Vice Mayor Bennett commented as follows: i) He thanked John Hozey and Deborah Pocock for their work on the budget; ii) It was never easy to take money from anyone especially since the Town never had much discretionary spending; iii) Other than the Mason Avenue re-striping, which he felt could be deferred, he agreed with all the recommendations including the community support. He added that the Mason Avenue restroom could be deferred to next year to save an additional \$15K; iv) He thanked John Hozey for the explanation of the fund balance adding that he had asked about the fund balance every year and had never received an adequate explanation; v) He looked forward to continuing discussion regarding the fund balance, especially information regarding the deficit at the Harbor; and vi) He was fully supportive of refinancing existing debt at lower rates.

Councilman Bannon thanked John Hozey for doing a spectacular job with the budget.

Councilmen Buchholz and Grossman, and Councilwoman Holloway did not have any further comments.

Motion made by Councilman Buchholz, seconded by Vice Mayor Bennett, to adjourn the Town Council Special Meeting. The motion was approved by unanimous vote. Roll call vote: Bannon, yes; Bennett, yes; Buchholz, yes; Grossman, yes; Holloway, yes.

The meeting adjourned at 7:09 p.m.

Mayor Dize

Town Clerk

**Comments Provided in Writing
April 30, 2020 Town Council Special Meeting**

Hank Mayer, Citizens for Central Park Treasurer

Good evening,

I would like to express, on behalf of the Board and members of Citizens for Central Park, our frustration and disappointment in the Mayor and Town Council with its disregard of its obligations to maintain the Cape Charles Central Park Playground.

The Town's Public Works Department removed two playground units last Spring (2019), including a very popular Zip-Line. It was our understanding that the Zip-Line would be replaced in the summer, but were later advised that the \$12,000 cost had not been included in the FY 2020 Budget. This compares with the \$100,000 that was budgeted for Main Street staff salaries, office, conferences, and projects.

The proposed FY 2021 again provides no funds to replace the Zip-Line, in spite of our 2008 Memorandum of Agreement that the Town would be responsible for maintaining the Park and Playground. Paragraph 3 (copy attached for the record) states: "Capital Improvements become Town property (both real and personal) when installed. As such, maintenance is the responsibility of the Town."

The proposed Budget again includes a large commitment (\$75,000 vs \$80,000 requested) to Main Street's staff salaries, office, conferences and projects, and another \$15,000 to reline the Mason Avenue parking area, but nothing for the children of Cape Charles.

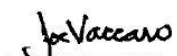
We know these are difficult times, but really?

We are sorry to see that the Harbor for the Arts Summer Concert program will come to an end this summer. It has been very successful and enjoyed by many residents and visitors, and we've been happy to have sponsored and managed this community program. Perhaps the Town can look into reviving it sometime in the future.

Thank you.

**Memorandum of Agreement Between
Town of Cape Charles
and
Citizens for Central Park, LLC**

1. The purpose of this Memorandum of Agreement (MOA) is to define the responsibilities of the Town of Cape Charles (the Town) and Citizens for Central Park (CCP) relative to the improvement and maintenance of Central Park and related facilities. CCP was established to raise funds for the purpose of improving Central Park and related facilities in the Town. Significant progress has been made in this regard. For example, significant tree planting, construction of a pergola, construction of the base for a performance gazebo, construction of a performance hill, crepe myrtle beds, the infrastructure of a sprinkler system, construction of a children's playground by the Women's Club, construction of a basketball court and rehabilitation of the swing sets has been accomplished. CCP also conducts periodic "work days" in the park to help maintain the facility.
2. Capital improvements desired by CCP will be proposed to the Town for inclusion in the Town budget process. CCP will commit to funding a minimum of 10% of the cost of the item not covered by grants or other funding sources external to the Town. The Town may elect to propose and fund any item without a contribution from CCP. Improvements, whether proposed by CCP or the Town, should be compatible with the master plan for the park previously approved by the Town Council. The Town and CCP will coordinate with one another on planning the improvement program. Proposals for improvements by either party will be provided to the other for comment and recommendation.
3. Capital improvements become Town property (both real and personal) when installed. As such, maintenance is the responsibility of the Town. The Town may choose to source both normal and specialty (horticultural, etc.) maintenance via Town staff or by contract, depending on available capability, capacity, cost, etc. CCP may elect to contribute funds and/or effort for maintenance. The Town and CCP will coordinate with one another on planning the maintenance program.
4. All efforts by CCP volunteers, whether for improvements or maintenance, will be cleared in advance by the Town Manager to ensure coverage by the Town's liability insurance.
5. Points of contact for coordination between the parties will be the Town Manager, Assistant Town Manager, Director of Public Works and Utilities, or other person designated by the Town Manager, and the President, Vice President, Secretary, or other person designated by the President of CCP.
6. This MOA may be modified at any time by mutual agreement of the Town and CCP.



Town of Cape Charles

11-14-2008

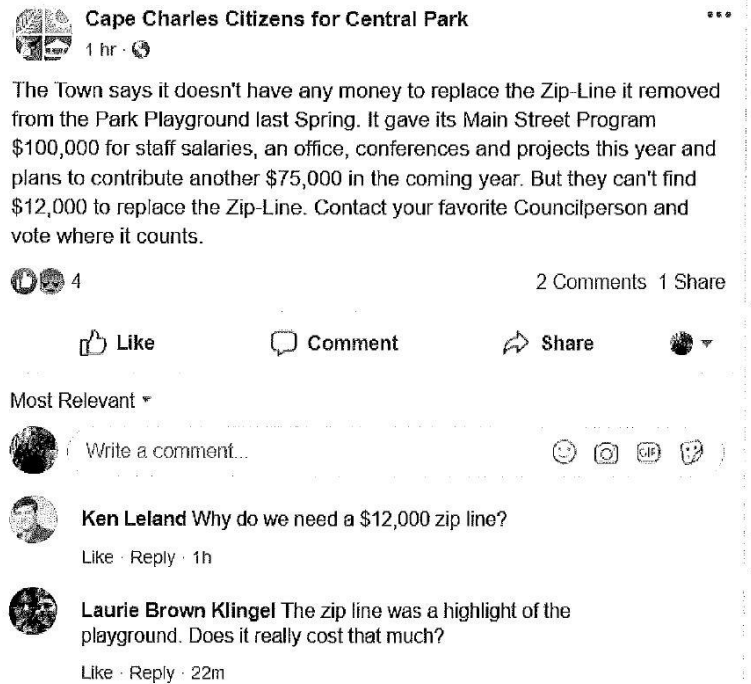
Date



Citizens for Central Park, LLC
10/25/08

Date

Facebook postings:



*John Griffith, President-Cape Charles Historical Society
Marion Naar, Treasurer*

Cape Charles Historical Society request for funds 4/29/2020

It appears from the budget document that CCHS is to receive no funding. I would ask that the town allocate \$500 to cover part of the \$800 printing cost of the Cape Charles Walking Tour. It is unlikely the B&Bs will contribute much if anything due to having to be closed for so long. The printing of this brochure is imperative this year more than ever (we have not had to reprint since 2015). The walking tour will fit perfectly with social distancing. It is something that visitors can do on their own, learn the history and architecture of our historic town. It is a popular brochure and will be more important than ever this year. We have asked CCMS for some support and feel they may be able to support a portion. The brochure really does not directly benefit CCHS, even though we (and Hank Mayer) are contributing volunteer labor to it.

I certainly realize the difficult situation facing the town, but in our case small amounts of assistance would make a big difference. As a suggestion, I note that Arts Enter will receive a total of \$9000 using the Local Govt Challenge grant match together with a \$4500 town grant, even though most performances and classes likely cannot happen. If the town were to allocate just \$4000 to Arts Enter they would still receive \$8000, and the town's \$500 could go towards publishing the WT brochure. Otherwise CCHS will have to fund the entire \$800. Our revenues are of course also down.

We would appreciate your consideration of a \$500-\$800 grant from whatever source.

Thanks very much.

Dora Sullivan (in response to the Cape Charles Historical Society comment)

I hope the town gives something.

Robert Panek (in response to the Citizens for Central Park comment)

Bravo!

Clelia Sheppard and Mary Ann Roehm, The Gear Fine and Performing Arts Team

Re: Financial Support 2020-21

The closures mandated by the Covid 19 pandemic have had a devastating effect on our small nonprofit. Classes and workshops have been cancelled, our Spring musical, *Shrek*, experienced a light turnout and a cancelled performance and we were forced to cancel five other theatre performances including the Virginia Opera, National Virginia Ballet, an in house production of *Don't Dress for Dinner*, among others.

There is question when audiences will want to be in a theatre or whether children and families will search out dance, art and theatre classes. The arts help drive the economy and the culture in a community and it is important to keep them alive. We are confident that the Town of Cape Charles can help us do that.

Gear Fine and Performing Arts (formerly Arts Enter) has been promoting education in the arts and a full theatre season in Cape Charles for over 20 years. The Town of Cape Charles has been very supportive and has traditionally applied for the Virginia Commission for the Arts Local Government Challenge Grant on our behalf.

We depend on the support from the Town, the Virginia Commission for the Arts, other grantors and private donors. The rest of our revenue is generated through programming and ticket sales. We encourage the Town to help us, especially now as we attempt to recover.

Thank you for your consideration.