TOWN COUNCIL
Work Session
Cape Charles Civic Center
October 29, 2020
6:30 PM

At approximately 6:30 p.m. Mayor William "Smitty" Dize, having established a quorum, called to order the Work Session of the Town Council. In addition to Mayor Dize, in attendance were Councilmen Bannon, Buchholz, Follmer and Grossman, and Councilwoman Holloway. Vice Mayor Bennett was not in attendance. Also, in attendance were Town Manager John Hozey, Treasurer Deborah Pocock, Capital Projects Manager Bob Panek, and Town Clerk Libby Hume. There were two members of the public in attendance.

A moment of silence was observed followed by the recitation of the Pledge of Allegiance.

WORK SESSION ORDER OF BUSINESS

A. FY 2021 Budget Review

Town Manager John Hozey stated that when the FY 2021 budget was adopted, he had promised a review in the fall. The good news was the revenue was up from what was projected. The bad news was that it wasn't enough. The Town had longer term problems to deal with and he would get into those during the work session next week. This was a one-year budget and we needed to grit our teeth to get through it. John Hozey went on as follows:

General Fund Budget History & Tax Rate History: Over the last 13 years, there had been no significant tax rate increases. The real estate tax rates had been equalized down several times and there was a small increase in the transient occupancy tax rate six years ago.

John Hozey noted some corrections and changes that were made to the worksheets during this past week: i) The SCADA system was in the wrong place on the Capital Project spreadsheet but was shown correctly in the budget; ii) In the past week, the Town had the opportunity to upgrade the internet service for the Public Works, Library, Water and Wastewater facilities adding about $1,200 to the General Fund and $1,200 in the Utilities Fund; iii) Allocations were made for about $3,500 for upgrades to the Civic Center; and iv) The deficit was down to $222K from $248K.

Capital Asset Management Program (CAMP) Schedule: i) The Citizens for Central Park offered more funding to replace the zip line. The total cost was estimated at $14K but would probably be less; and ii) The street sweeper ($150K) was removed since Council wasn't in favor of purchasing a sweeper. John Lockwood got innovative and planned to build one for less than $20K. We were hopeful that the unit would be completed by December. The Town planned to contact VDOT to ask them to sweep the streets by Thanksgiving in preparation for Festive Fridays. The sweeper was replaced with the Central Park fountain upgrades, which were not on the list before. $20K was included as a placeholder for this project.

John Hozey stated that if Council was okay with the project list, it would be posted to the Town's website and included in the public hearing notice for November 19, 2020.

Councilwoman Holloway noted that the Central Park Gazebo upgrades were scheduled for FY 2022, but there were some immediate needs since the columns were in bad shape. John Hozey stated that funds were included in the Public Works budget for general repairs. He would take a look at the gazebo.

Harbor Fund: i) The Inner Harbor project was moved from FY 2022 to FY 2021. Existing funds would be reappropriated, and the cost was reduced to $21,400; and ii) The Pergola was moved from FY 2023 to FY 2022and was replacing the shade sails.

Public Utilities Fund: There were no changes to the projects in this fund.

Councilman Follmer asked about the water tower mixers stating that he was unclear whether they were the issue with water quality. John Hozey responded that the mixers were a placeholder. The Town would not commit to anything until after the proposal deadline and Council would be notified prior to anything being spent.

Sanitation Fund: There were no changes to the projects in this fund.

General Fund Revenue: i) Business License (BPOL) projections were increased about 10% largely due to deferred revenue. At the beginning of the pandemic, an extension was given to business owners from FY 2020 to FY 2021; ii) Initial Transient Occupancy Tax (TOT) and Meals Tax projections were low due to the pandemic. The projected TOT was increased to $178K and Meals Tax was increased to $494K. Councilwoman Holloway added that the Town had an exceptional fall for vacation rentals; and iii) $845K was added for the Community Development Block Grant (CDBG) and $172K was added for the two CARES Act grants from Northampton County.

General Fund Expenditures:

Legislative: $427 was added for Spectrum internet services for improved online Council and Board meetings, and $3,500 was added as a placeholder for Civic Center improvements for speakers, microphones, and an audio-visual system. These projects qualify for funding under the CARES Act.

Clerk: The budget was reduced by $30,709. This amount was transferred to the Planning Department budget with Tracy Outten's reassignment to Planning.

Town Manager: i) The Legal Services budget line was increased by $20K due to pending cases; ii) Management Consulting line item was increased by $110K for evaluation of the water/sewer proposal(s); and iii) The amounts of the CDBF and CARES Act grants were added.

There was some discussion regarding the Town's contribution to the Eastern Shore of Virginia Tourism Commission (ESVTC). i) Councilwoman Holloway requested a re-evaluation of the Town's donation to the ESVTC adding that the Welcome Center referrals were significant as well as their overall marketing of the Shore. She would like to see at least $3,500, which she thought was the amount of the contribution in recent years; ii) Councilman Follmer agreed but felt that $3,500 was too low. He saw customers in his stores every day who told him that the Welcome Center sent them into Cape Charles. Council needed to prioritize their contributions based on the amount of return. Any contribution to the ESVTC came back to the Town several fold. Cape Charles benefitted from the ESVTC disproportionately compared to the rest of the County; iii) There was some discussion regarding past donations, which at one time amounted to a percentage of the TOT revenue; iv) An amount of $5K was suggested; v) John Hozey cautioned Council, advising them to review the Fund Balance before adding more expenditures back in to the budget. He went on to explain that based on the FY 2019 financial audit, the Town had $1.264M in the fund balance. With funds that were earmarked for other items, the Town actually had about $45K available for any adjustments across the entire budget; and vi) The majority of Council was in agreement with adding a $5K contribution to the ESVTC.

There was also some discussion regarding a possible contribution to the YMCA which would provide a benefit to the residents of the Town. Council was in favor of supporting the YMCA in the future, possibly in the FY 2022 budget.

Finance: A $.50 per hour increase was added for the bookkeeper as it was included in her offer letter.

Police: All increases were grant-covered expenses.

Code Enforcement: There were no changes.

Public Works: i) Costs for the grounds maintenance contractor were not included in the FY 2021 budget since Public Works staff was taking over the duties. Unfortunately, the Town was awaiting the grant/loan funding to purchase the equipment, so the grounds maintenance was still being performed by the contractor; ii) There was some discussion regarding brush pickup; iii) $45K was added to Buildings & Improvements to evaluate the Town Hall and the installation of heaters in the Public Works building; iv) $14K was added to Infrastructure – Open Space-Parks & Outdoor Equipment for a zipline in the Central Park playground. The Citizens of Central Park (CCP) were donating $8K for the project so the actual cost to the Town would be $6K; and v) Infrastructure – Streets & Walkways included the close-out of Phase 2 of the trail project and a portion of the Mason Avenue parking study. The amount of the parking study was reduced to $5K from $15K.

Events & Recreation: i) The wages for the beach attendants were covered by the CARES Act grant; ii) $10K was added for the CCP Summer Concert Series. $5K of the amount was moved from the Program & Event Supplies & Awards since the majority of events weren't held this year due to the pandemic. Councilwoman Holloway stated that the concerts brought the residents and visitors together. Councilman Follmer added that he saw this as an investment which brought money back to the Town; iii) A decision had not yet been made regarding the Dropping of the Crab Pot; and iv) Councilman Grossman asked about the continuation of the beach attendants in 2021. John Hozey stated that he had received good feedback regarding the beach attendants and agreed that if Council wanted to have beach attendants in 2021, funding would have to be located and adjustments could possibly be made later in the fiscal year.

Library: There were no significant changes.

Planning: i) This department was beyond overwhelmed with the current workload. Their weekly report was two and a half pages long. Moving Tracy Outten into the department was the minimum that could be done. Another planner was needed for Allyson Finchum to train. If Council was okay with the hiring of another planner, the advertisement could go out tomorrow and the new planner could start in January; ii) $20K was added in Management Consulting for the comprehensive plan. Councilman Grossman expressed his agreement with this addition; iii) Additional funding was added for the employment advertisements for the new planner; iv) Miscellaneous costs associated with the new position and Tracy Outten's reassignment were added; v) In total, $88K was added to the planning budget; and vi) Council was in agreement with the hiring of a new planner.

John Hozey stated that the total General Fund deficit, including changes made this evening, was now about $227K. This was the amount to be transferred from the fund balance.

Utility Fund Revenue and Expenditures:

Utility Fund Revenue: i) The water sales and sewer charges were increased based on summer usage; ii) The water and wastewater penalties and interest were reduced since penalties weren't currently being assessed; and iii) The Bay Creek Water and Sewer facility fees were increased due to the increased construction in the development.

Utility Fund Expenditures: i) $55K was included for water tower mixers; ii) Deborah Pocock added that an additional $1,200 would be added for Spectrum internet service. This cost would be covered by the CARES Act grant; iii) John Hozey stated that the Utility Fund Balance included connection fees. The reserved amounts needed to be formally restricted. There was a total of approximately $110K in the fund; iv) The $55K for the mixers would not be spent until it was necessary to do so; and v) The total deficit for the Utility Fund was approximately $69K.

Capital Projects Manager Bob Panek stated that, like the real estate tax rates, the utility fees had not been raised since 2012. The deficit could be covered by a modest increase in water and sewer rates.

John Hozey added that this issue would be discussed during next week's work session regarding fiscal policies.

Harbor Fund: i) The revenue was increased adding grant funding and carryovers; ii) Expenditures for the Wi Fi, camera, and lighting projects were carried over from FY 2020; and iii) Phase 4 of the Inner Harbor Rehabilitation was added.

Sanitation Fund: There were no changes to the Sanitation Fund.

There was some discussion regarding having to purchase additional trash cans if Bay Creek's goal of building 100 houses came to fruition. John Hozey agreed that the Town needed to be prepared adding that the additional houses would also affect the water and wastewater plant expansions. Bob Panek was working on this issue.

John Hozey stated that the reports would be updated, and the public hearing notice would be submitted to the newspaper for publication on November 6. He hoped to have the policies finalized for Council review tomorrow.

There was further discussion as follows:

Councilman Follmer stated that several items struck him as he was reviewing the materials:

i) If a project didn't get completed one year, it was carried over to the following year. He didn't think it was fiscally responsible to put money aside and the project not being completed. This was public funds that could have been used for another project. It was not a responsible approach.

ii) When he looked at the budget, it seems like we're just keeping the wheels going. We needed to look at key performance indicators. If a lot of projects and funding were carried over every year, the Town was tying up money for activities and projects that wouldn't get done. If staff and Council was talking about increasing taxes, the information provided did not give him the information to defend doing so. The Town operations were opaque to a lot of residents. People needed to know where they were getting the bang for their bucks. A strategic staffing exercise was needed, and the right people needed to be in the right positions. We need to get the right output and value for our money. When looking at the library and events, it was difficult for people to see where that money went. What were they getting that justified $100K a year? He would like to see more discussions like this down the road.

John Hozey responded that it was his job to monitor staffing. There were a lot of things to be worked on and staffing was one of them, but it was low on his priority list. He was watching things but wasn't planning to make any changes in his first year, since his first six months was spent dealing with COVID-19. He would be taking a significant look at how things were done and to make things more efficient. He could see who was overworked and who could do more. There were some adjustments to be made. There were so many unknowns and variables like the Harbor and Water/Wastewater plants.

Councilman Grossman stated that a staff evaluation was completed several years ago.

Councilwoman Holloway stated that at her first strategic planning session, former Councilwoman Burge introduced a document that was used for planning the projects/activities for the year. It was very effective, and she would like to see it put back in place. Council came up with six priorities and every time something came up, Council reviewed it to see where it fit in the priorities.

Mayor Dize agreed and added that it was used for managing resources and included preventative maintenance.

John Hozey stated that, as part of the normal budget process, this type of exercise needed to be done in January.

There was much discussion regarding the budget process: i) Councilman Follmer stated that, for next year's budget, Council needed to prioritize the proposals presented by the departments for justification for funding. The budget should be balanced without having to transfer money from the fund balance; ii) Mayor Dize stated that it was the town manager's responsibility to do this prior to drafting the budget that was presented to the Council; iii) John Hozey stated that the majority of costs were people. If Councilman Follmer was talking about reducing staff, the level of service also needed to be reduced; iv) Councilman Buchholz sated that the staff received raises every year amounting to about 2% annually. John Hozey responded that there had been raises in recent years to get the staff into acceptable pay ranges. Councilman Buchholz countered by stating that if the taxes weren't increased and staff continued to get raises, the Town would have less money for other expenses. Councilman Follmer stated that he was not a fan of salary freezes. Councilman Grossman expressed his opinion that the employees came first, and the remaining funds were for projects; v) John Hozey stated that a budget had to be sustainable. The current budget was not sustainable in that there were no raises, no cost of living adjustments, and no training. It did not include anything to keep a quality workforce. There would be discussion next week regarding how to build a realistic plan and fund. Council would make the decisions of service levels in the community; and vi) Councilman Bannon added that workers needed a living wage. The Town had good benefits, but the wages weren't very good.

TOWN MANAGER COMMENTS

John Hozey had no additional comments.

MAYOR AND COUNCIL COMMENTS

Councilmen Bannon, Buchholz, Follmer and Grossman did not have any additional comments.

Councilwoman Holloway stated that Cape Charles Main Street (CCMS) was moving forward with Festive Fridays after much discussion by their board regarding whether it was the right thing to do. Many changes were being made to ensure a safe experience. The theater wasn't available, so hay bales were being set up for outdoor movies. The beer garden was cut since people would have to remove their masks to drink. Mason Avenue, from Peach Street to Pine Street, was a mandatory mask zone. Santa would not be at the Santa House, but there would be a receptacle there for children to put in their letters to Santa. Santa and Mrs. Claus would be in the hotel window so kids can walk by and see Santa. There would be snow and music but no gathering spot. The live entertainment was cut since people would gather around them. There would be activities for children and carriage rides. The businesses were surveyed and 80% of them wanted Festive Fridays to move forward. The board would discuss this again next Monday to make the final decision. CCMS would try to communicate everything to the residents. The feeling was that it was no different than a Saturday or Sunday during the summer and fall and would actually have less people. If the COVID-19 numbers got worse, Festive Fridays would be called off. It was so important to the merchants in Town, especially this year.

John Hozey stated that the Town had received comments asking why Trunk-or Treat was canceled but Festive Fridays was moving forward. There must be a responsible party to ensure precautions were taken. CCP stepped up for the summer concerts. The Town stepped up with hiring beach attendants so the beach could remain open. CCMS was stepping up for Festive Fridays. If it was strictly a Town event, like Trunk-or-Treat, we didn't have enough staff or volunteers. Staff had thought about things this entire year. If someone was available to take charge to ensure safety and that precautions were being done, the event was approved.

Councilman Follmer stated that the locals expressed a relief and high degree of confidence in the Town and the fact that we survived the tourist season without any negative impact.

Councilwoman Holloway added that people didn't differentiate the Town and CCMS's events. Each business owner was responsible for their business. People were abiding by the protocols in place.

Mayor Dize thanked staff for their work but had no additional comments.

Motion made by Councilman Buchholz, seconded by Councilman Grossman, to adjourn the work session. The motion was approved by unanimous vote.

The meeting was adjourned at 8:05 p.m.

____
Mayor Dize

____
Town Clerk