TOWN COUNCIL
Work Session
Cape Charles Civic Center
May 25, 2021
6:30 PM

At 6:39 p.m. Vice Mayor Steve Bennett, having established a quorum, called to order the Work Session of the Town Council. In addition to Vice Mayor Bennett, in attendance were Councilmen Follmer and Grossman, and Councilwomen Holloway and O'Brien. Mayor Dize arrived at 6:46 p.m. and Councilman Buchholz arrived at 6:49 p.m. Also, in attendance were Town Manager John Hozey, Treasurer Deborah Pocock, and Town Clerk Libby Hume. There were no members of the public in attendance.

WORK SESSION DISCUSSION: Continuation of FY 2022 Town Budget Review

John Hozey went through the changes from the last meeting as follows: i) Reappropriations were being made to the zip line ($2,600), Mason Avenue Parking ($4,240), and police department body armor ($1,270); ii) Deborah Pocock reviewed another month's worth of actuals for the Utility and Sanitation Funds, and the projected revenue was increased; iii) As discussed at the last meeting, community support grant funding was reduced. The funding for the Cape Charles Museum was deleted pending funding from the American Rescue Plan Act (ARPA); iv) The Town Manager membership dues were reduced deleting the membership for the International City/County Management Association (ICMA); v) There was some discussion regarding grounds maintenance for Mason Avenue. Councilman Follmer asked that the same amount spent this year be put in the budget as a placeholder, and contributions could be solicited from the merchants along Mason Avenue. John Hozey asked Deborah Pocock to research the amount invoiced this year for Mason Avenue.

Council reviewed handouts showing various options to balance the budget. There was discussion as follows: i) The Transient Occupancy Tax (TOT) rate history was reviewed showing that the Town charged a 4% TOT in 2008, 3% was charged from 2009 to 2014, and 3.7% from 2015 to present. At the last meeting, the TOT rates from other localities in Virginia were reviewed and it was noted that several cities and a town charged a flat nightly rate in addition to the percentage. John Hozey contacted the Town's attorney to discuss whether the Town had the authority to charge an additional flat rate and whether different rates could be charged for hotels and bed & breakfasts (B&Bs), and residential vacation homes. The attorney informed him that nothing could be found prohibiting the Town from adding a flat rate or charging different amounts but advised that the rates should be justified in case they were challenged. Hotels and B&B rooms typically were rented for one or two people. Residential vacation homes rented out the whole house and the number of people varied depending on the number of bedrooms, beds, sofas, etc. Another rationale was the renters of residential vacation homes had kitchen facilities and the ability to prepare meals, whereas patrons of hotels and the B&Bs were more likely to frequent the restaurants. If Council opted to move forward with the additional flat rates, several sections in the Town Code would need to be updated; ii) A breakdown of facilities showed 3 hotels, 5 B&Bs, and 251 residential vacation homes; iii) Any changes to the TOT rates would become effective January 1, 2022 to allow the property owners to update their websites, adjust any reservation software and point-of-sale systems. Many of the facilities also had booked reservations through the year; iv) Council had previously discussed and reached a consensus on a .5% meals tax increase with the additional revenue allocated for the General Capital Projects Fund; v) Two Sanitation Reserve options were reviewed. Option 1 showed the Town subsidizing the trash collection rates for approximately six or seven years, the value to residents was estimated at $21 per year. Option 2 showed a portion of the reserve being transferred to the Capital Project Fund to offset the capital deficit, which would relieve some of the required real property tax increase. The estimated value to residents with a home assessed at $400K was $134 per year, and $157 per year for a resident with a home assessed at $500K. Council was in agreement

to go with Option 2 to help minimize the real property tax rate increase; vi) The Cape Charles tax rate history was reviewed. The Town had not had a real property tax increase in over 10 years but had raised or lowered the rates to equalize after the county's property reassessments.

After some discussion, Council reached a consensus on the following increases: i) real property tax rate would increase by $0.0403 for a total of .3134 per $100. This rate was still less than the .3260 charged in FY 2018. John Hozey explained that the actual rate could change after updating the proposed budget numbers; ii) Meals tax would increase by .5 for a total of 5.5%; iii) TOT would be increased to 4.0% plus $1 per night for hotels and B&Bs, and $4 per night for residential vacation homes. The changes to TOT would be effective January 1, 2022; iv) The water rate would increase by 52¢ for a total of $33.46 monthly; and the sewer rate would increase by $1.12 for a total of $63.12 monthly; v) The sanitation rate would increase by $1.81 for a total of $16.68 monthly.

There was further discussion about other potential revenue sources such as a special tax district, tourism district zones, parking meters, etc. A budget amendment would be necessary upon receipt of ARPA funding. Information was still being received regarding potential uses for the ARPA funding.

John Hozey would prepare a memorandum to explain the rationale for the various increases. The communication would be issued as soon as possible on the Town's website and Facebook page. Council was asked to share the notice on their Facebook pages as well and other organizations would be asked to help disseminate the information in order to get it to as many as possible.

The public hearing notice would be prepared and submitted to the newspaper for publication. The public hearing was scheduled for June 17, 2021, and the budget would be adopted at a special meeting on June 24, 2021.

John Hozey noted that boat ramp revenue was not included in the proposed budget. The Town had reached a reasonable agreement that would be brought to Council in the near future. The proposed agreement would be for five years and the Department of Wildlife Resources (DWR) would perform some maintenance and repair work to the ramp estimated to be about $40K. John Hozey added that, as suggested by Mayor Dize, a Freedom of Information Act request was submitted to the Department of Conservation and Recreation asking for the boat ramp revenue for Kiptopeke State Park from 2018 to present. The average yearly revenue was about $13K.

John Hozey informed Council that the COVID procedures were discussed at this week's department head meeting and staff requested that Town operations go back to normal on June 1, 2021. Everyone was excited about unlocking the front doors.

Staff was thanked for their work in putting the budget proposal together and providing options to balance.

John Hozey stated that he was encouraged regarding the Town's future adding that there were a lot of good options going forward to reduce taxes and increase revenue.

Motion made by Councilman Buchholz, seconded by Councilman Follmer, to adjourn the Town Council Work Session. The motion was approved by unanimous vote.

The meeting adjourned at 7:43 p.m.

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Vice Mayor Bennett

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Town Clerk