



TOWN COUNCIL
Work Session
Cape Charles Civic Center
May 5, 2022
6:30 PM

At 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 Vice Mayor Bennett, Councilmen Buchholz, Follmer and Grossman, and Councilwomen O’Brien and Holloway. Also, in attendance were Town Manager John Hozey, Treasurer Deborah Pocock and Town Clerk Libby Hume. Interim Planner/Zoning Administrator Katie Nunez was in attendance for a portion of the meeting. There was one member of the public in attendance.

WORK SESSION ORDER OF BUSINESS:

FY 2023 Town Budget Review and Discussion:

Town Manager John Hozey stated that a series of work sessions were scheduled through the month of May and as long as needed to complete the budget review. The revenue was presented with the current real property tax rate and assessments, but for planning purposes a rebalanced rate plus 1% was used. This was the amount permitted by the state without having to hold an additional public hearing for a tax increase. The target date for the public hearing was June 9th. He went on to review the proposed FY 2023 budget items as follows:

A. *Potential Use of American Rescue Plan Act (ARPA) Funds:*

The Town received a total ARPA authorization of \$1,057,230. As of May 2022, the Town had already obligated \$121,380 for the repair of the inshore harbor breakwater, leaving \$935,850 available to additional allocation. Staff recommendation was to allocate i) \$584K for the design and engineering associated with the new municipal building and library projects for FY 2023. \$550K for the municipal building and \$34K for the library; and ii) \$42K for a new police vehicle in FY 2022. The Town had been purchasing a new police vehicle each year but skipped a year due to lack of funding, and with supply chain issues, were three cars behind. All three police vehicles were shown in the proposed FY 2023 budget to be purchased using USDA Rural Development grants/loans. The purchase of a vehicle this year was already approved, and the only change would be the revenue source if Council agreed. This would leave \$309,850 still to be allocated.

B. *Finalize the Capital Asset Management Program (CAMP) Schedule:*

General Fund: i) If the \$550K Municipal Building and \$34K Library projects were funded using ARPA funds, there was enough in the capital program to cover the expenses. Councilwoman Holloway stated that Cape Charles was a beach town and all the marketing and exposure focused on the beach. The beach restroom was in poor condition, and she asked that the renovation project be moved from FY 2024 to FY 2023 if possible. Councilman Follmer agreed that both restroom projects needed to be included in the FY 2023 CAMP.

Harbor Fund: i) \$105K of projects were included for FY 2023 but was probably not enough to repair and maintain everything unless ARPA funds were used; ii) There was some discussion regarding the Virginia Port Authority Aid to Localities grants, but the Town missed the application submittal deadline for FY 2023 funding. We would apply for funding for FY 2024. There was some further discussion regarding this grant and the process; iii) The projects shown in the CAMP for the Harbor were from the top priorities in the engineering analysis completed by Langley & McDonald.

Utilities Fund: i) The water plant projects were broken out into two projects – the connection of the Keck wells at \$25K and the expansion/refurbishment of the plant at \$35K. These system expansion projects could be funded from the facility fees; ii) The annual sewer pod replacement at \$14,500 was included. Our goal was to replace one sewer pod each year. The cost for this project had to be rolled into the rates; iii)

There was some discussion regarding the timing to connect the wells. We expected to receive the capacity study report within the next three to four weeks. We had an issue with our permit capacity and allocation. If the wells could be brought online, we could increase our permit capacity. Two studies were currently being performed. The Town was doing the capacity study and Bay Creek was doing the flow model study. The initial results from the flow model study were received last week and looked promising. Our consultant would review the study information to validate the results; iv) There was much discussion regarding new construction and the estimated number of houses being added to the system; v) The sewer line extension to the Keck properties was not included in the CAMP, but he was working with a potential developer regarding how the lines could be extended to those properties.

C. *Detail Review of Proposed FY 2023 Budget:*

General Fund Revenue: i) The projected revenue was based on the current tax rates and assessments. If the real property tax rate was reduced to an equalized rate plus the 1% allowable increase, the property real property revenue would decrease by about \$644,555; ii) Personal property was also reassessed so John Hozey recommended rebalancing that rate as well. He would like to see this tax eliminated eventually but recommended a reduction to the rate at a minimum to equal last year's revenue. Council could make the decision regarding the personal property tax (PPT) rate after completing the review of all materials. Councilman Follmer stated that he had polled citizens about the PPT, and most were opposed to any reduction citing that renters did not pay real property tax; iii) Councilwoman Holloway noted that transient occupancy tax (TOT) revenue would be levelling off in the future. John Hozey agreed that at some point, we would reach saturation in tourism. There was some discussion regarding the additional flat fee for short term rentals. Councilwoman Holloway suggested that the language related to the additional fee be changed to show short-term rental houses at \$4 per night and Bed & Breakfasts (B&B) at \$1 per night per room, since a four-room B&B paid \$4 per night. Councilwoman Holloway added that she had not received any questions or comments from her guests related to this added fee; iv) Rental Inspections: The Code Official currently performed annual inspections of accessory dwelling units (ADUs). If the new proposal being reviewed by the Planning Commission for ADUs was approved, this revenue would decrease. If a similar process was approved for short-term rentals, this revenue would be further impacted; v) There was some discussion regarding the projected revenue from Building Permits. The Code Official preferred to remain conservative in the projections since the economy could change at any time; vi) \$80K was proposed to be carried over from FY 2022 to FY 2023 from unused training, consulting and contingency items; vii) The projected funding from the USDA RD grant would be reduced if ARPA funds were used to purchase one police vehicle in this fiscal year; viii) The proposed Building and Zoning Fee changes were reviewed with no additional changes.

General Fund Expenditures: John Hozey stated that a 3% COLA has been factored into all salaries. He was working on an ongoing program to get salaries in line. He had proposed several additional salary adjustments which were presented to Council. Council expressed their agreement with the proposed adjustments. Council also agreed that the town manager should also receive the 3% COLA.

Legislative: Staff proposed an increase to the Mayor and Council stipends since the current amount had not increased since the 1970s. There was a general consensus of Council to omit the proposed stipend increases.

Town Manager: i) The former Recreation budget was moved into the Town Manager budget; ii) The number of concerts in Central Park was increased to 12, so \$2K was added to the budget, \$1K per concert; iii) Lines 100-4121-3410 and 3420 were combined into one line for Professional Services; iv) Last year, the Town cut back on all community support funding. This year, some items were added back in at the amounts traditionally funded. There was some discussion regarding the items and recommended funding. Councilman Follmer stated his preference for the \$10K allocated for new air packs for the Cape Charles Volunteer Fire Company to be funded by ARPA funds. The \$5K proposed allocation for the Cape Charles Museum was cut; v) There was much discussion regarding fireworks and its funding sources. Councilwoman Holloway stated that she was on the County's Tourism Grant Committee and would bring up the possibility of obtaining some funding from the county. Mayor Dize stated his preference to add fireworks on New Year's Eve. The majority of Council were not in favor of

having fireworks on New Year's Eve; vi) Support for Cape Charles Main Street was increased by \$10K to \$90K for an additional staff member to manage marketing; vii) Mayor Dize noted that two requests had been received from the Eastern Shore Library Heritage Center and the Eastern Shore Coalition Against Domestic Violence for ARPA funding. There was much discussion regarding these requests along with the other funding requests received as well as amounts previously funded. The general consensus was not to fund these two requests as they were also asking the county for funding; viii) Funding was increased for Program & Event Supplies and Event Departmental Equipment to expand the Halloween event possibly to an all-day festival. There were also plans to expand the Dropping of the Crab Pot. Tents, which could be used for multiple events, would be purchased. A dedicated storage container would be purchased for event equipment and supplies.

Police Department: The Vehicles & Equipment line included the costs for three vehicles. One would be removed as previously discussed.

Public Works: i) A new Public Works Foreman position was created when Ralph Bowen was moved from the Utility Department; ii) Grounds Maintenance was increased 8.3% for an increased scope of work and fuel charges. The Town would be taking over maintenance of Mason Avenue, Pine and Peach Streets; iii) The IT Services line included the new work order software; iv) Mosquito spraying would be done once a month beginning in June through October. September would be skipped due to the monarch butterfly migration; v) This year, the Town would receive sand from the Kings Creek dredging project, possibly in September or October.

Planning: The Management Consulting line included consulting services for the comprehensive plan, future land use map/zoning, harbor area, etc.

John Hozey stated that the next budget work session was scheduled for May 12th and would begin with the General Fund Capital Projects.

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

The meeting adjourned at 8:27 p.m.

Mayor Dize

Town Clerk