TOWN COUNCIL
Strategic Planning Session
January 2, 2020
Civic Center
6:30 PM

1. Call to Order: Roll Call

2. Order of Business:

    i. Personnel / Organizational

        a. Request for Additional Police Officer in FY 2021 – Chief Jim Pruitt

    *ii. Harbor Management Company

    iii. Regulation of Parking of Certain Vehicles on Town Streets

    *iv. Policy Statements re: Rainy-Day Fund

    *v. Capital Improvements Plan

3. Adjournment

TOWN OF CAPE CHARLES	**AGENDA TITLE:** Harbor Management Company	**AGENDA DATE:** January 2, 2020
	SUBJECT/PROPOSAL/REQUEST: Harbor Management Group	**ITEM NUMBER:** 2.ii
	ATTACHMENTS: None	**FOR COUNCIL:** Action (X) Information ( )
	STAFF CONTACT (s): William “Smitty” Dize	**REVIEWED BY:**

BACKGROUND:

The U.S. Army Corps of Engineers (USACE) is authorized to maintain the Cape Charles City Harbor Federal Navigation project to its authorized depth, width, and length. Maintenance dredging occurs every five to seven years and removes approximately 750,000 cubic yards (CY) of material each cycle. The project includes dredging of the Cherrystone Bar and Inlet Channel, Cape Charles Harbor Basin, and Mud Creek Basin, and the Harbor of Refuge (see Figure 2).

• Cherrystone Bar and Inlet Channel was authorized by the River and Harbor Act of 1890 (modified by the River and Harbor Acts of 1938 and 1945). The channel is maintained to a maximum depth of -22 feet mean lower low water (MLLW) including a minimum depth of -18 feet MLLW plus -3 feet paid overdepth and -1 foot non-paid overdepth. The channel is 300 feet wide from the 18-foot contour in the Chesapeake Bay, through Cherrystone Bar and Inlet, to the harbor entrance. The dredged material from the channel was historically placed by pipeline as beach nourishment along the Town of Cape Charles Public Beach (Beach Site A and Site B).

• Cape Charles Harbor Basin was authorized by the River and Harbor Act of 1890 (modified by the River and Harbor Acts of 1938 and 1945). The harbor is maintained to a maximum depth of -22 feet MLLW including a minimum depth of -18 feet MLLW plus -3 feet paid overdepth and -1 foot non-paid overdepth. The harbor is 1000 feet to 400 feet wide and 3,000 feet long. Dredged material from the outer portion of the basin was historically placed by pipeline as beach nourishment along the Town of Cape Charles Public Beach (Beach Site A and Site B). Dredged material from the inner/eastward portion of the basin was historically placed at the confined upland placement site.

• Mud Creek Basin was authorized by the River and Harbor Act of 1890 (modified by the River and Harbor Acts of 1938 and 1945). The channel and basin are maintained to a maximum depth of -14 feet MLLW including a minimum depth of -10 feet MLLW plus - 3 feet paid overdepth and -1 foot non-paid overdepth. The channel ranges from 100 feet to 180 feet wide and 260 feet long to the basin which is 180 feet wide by 420 feet long at the head of Mud Creek. Dredged material from this basin was historically placed at the confined upland placement site.

• Harbor of Refuge Basin was approved by the Chief of Engineers under the authority of Section 107 of the River and Harbor Act of 1960. The entrance channel and harbor of refuge is maintained to a maximum depth of -11 feet MLLW including a minimum depth of -7 feet MLLW plus -3 feet paid overdepth and -1 foot non-paid overdepth. The entrance channel is 60 feet wide and connects the harbor of refuge to the north side of Mud Creek. Dredged material from this basin was historically placed at the confined upland placement site.

Over the last several years the town has made great strides at improving the town owned harbor on lot 19. Below is a breakdown of some of the work that has been done.

1. Replaced all the bulkheads in the Harbor of Refuge
2. Added 38 slips to the Harbor of refuge
3. Signed an agreement with the VDGIF to rebuild the public boat ramps

4. Added a new temporary Harbor Masters office with restrooms
5. Purchased its own fueling facility
6. Added a 10ft boardwalk with lighting around the perimeter of the Harbor of Refuge
7. Replaced the pilings and fenders around the western dock area
8. Added 4 new offshore breakwaters
9. Added 44 new floating slips to the western dock area
10. Added a new bath house to the western dock area
11. Leased out property at the western dock area to the Shanty
12. Created an easement for the waterman's memorial
13. Created a BMP for the western dock area
14. Added a new 10 ft boardwalk with railings, benches and lighting to the western dock area.

Since the adoption of the Harbor area conceptual plan and the Harbor Master Plan there have been many changes within the business of the fund and around the harbor area in general.

Notable changes that have affected the harbor fund balance that we really haven't recovered from yet are;
In 2008 the VMRC voted to suspend the crab dredge season, which has continued through today. This has reduced the harbor fund revenues by over $400k gross annually and by $150k net annually (Enough to pay the debt service) Town staff had no way of knowing this was going to happen. This year the VMRC voted to put such limits on the striped bass season that it has greatly reduced slip rent and fuel sales, again town staff had no way of knowing this was going to happen.

In 2009 when the first two breakwaters where initially financed there where stipulations for the Davis/Bacon wage act not put in the bid package, the Town had to go a different route for financing and instead of the note being 30 years it was 7 for 500k. this placed a huge strain on the harbor fund.

In 2010 the harbor fund (Instead of the water fund) ran a new water main through the harbor for the floating docks, bath house and shanty area, for $120k with the BIG grant picking up $56k.

In 2011 the harbor fund constructed a BMP on the western dock area to catch run off from the bath house but mostly the parking lot and the shanty.

In 2011 the harbor fund repaired the concrete bulkhead so the shanty could be constructed.

In 2011 the town leased a portion of lot 19 to the Hungary Crab LLC, at that time the Harbor Staff recommended that the funds from the lease should go into the harbor fund to help offset the other occurrences. The Harbor staff told council that the harbor fund would not be sustainable without it. Council elected to put the whole lease in the General Fund.

In 2014 council agreed that the base lease should go in the harbor fund. The percentage portion is still going to the General Fund.

On January 31, 2017, Oasis Management Group gave a presentation to council to manage the Harbor. Council again heard from Oasis on June 6th, 2019.

DISCUSSION:

Over the pass few years there have been a couple members of council advocating for a management company to either lease or manage the harbor. We have heard from Oasis Management group twice since January 31, 2017. Vice Mayor Bennett and I now know of another possible group that may be interested in managing the harbor as well.

The main reason for even entertaining the outsourcing of the harbor is the fund has been under performing for quite some time. It is however now covering operational cost but not the debt service. Some has to do with what was mentioned in the background. An Enterprise fund needs to fund itself. This enterprise fund is different and needs to be operated as a business.

There are Pros and Cons associated with outsourcing to a management group. I have sent all of our agreements to our attorney for review.

A Harbor Master is considered in the industry as a government employee with the authority to administer the rules and regulations of the Harbor. There are Federal Documents (The United States Coast Pilot) and also our Town Code reflects some of the duties of the Harbor Master.

There was also a considerable jump in Tourism related taxes from 10/11 to 19/20 budgeted. In 10/11 all taxes together where budgeted at $188,506, this year we budgeted $565,000 for meals tax alone. Although the harbor may not have been directly involved in this jump, it certainly has contributed greatly as it is the second largest area for lodging in town.

Revamping the Harbor area has had major impacts on the town growth and businesses located in the Harbor.

Possible Pros:
1. Out of the one company we have heard from, Marketing and networking to bring boats in.
2. Staff sourcing and training
3. Possible steady revenue stream to the town (depending on the agreement)

Possible Cons:
1. The possibility of one company having a monopoly on the Harbor
2. The possibility of losing part of our heritage (watermen)
3. Still having to cover the Debt service.
4. Still having to put capitol dollars in the harbor with minimal return
5. The possibility of town employees losing their jobs
6. Changing town code to reflect these changes.

RECOMMENDATION:

For Council to make a motion to either direct the Mayor to develop an RFP for a Harbor Management Group or make a motion not to pursue a Harbor Management Group.

<table>
<tr><td rowspan="4">TOWN OF
CAPE CHARLES</td><td colspan="2">AGENDA TITLE: Regulation of Parking of Certain Vehicles on Town Streets – Draft Ordinance</td><td>AGENDA DATE:
January 2, 2020</td></tr>
<tr><td colspan="2">SUBJECT/PROPOSAL/REQUEST: Draft Ordinance for Regulation of parking of certain vehicles on town streets in the Town of Cape Charles</td><td>ITEM NUMBER:
2.iii</td></tr>
<tr><td colspan="2">ATTACHMENTS: Draft Ordinance</td><td>FOR COUNCIL:
Action ( )
Information (X)</td></tr>
<tr><td>STAFF CONTACT (s):
Councilwoman Cela Burge</td><td colspan="2">REVIEWED BY:
Mayor William “Smitty” Dize</td></tr>
</table>

BACKGROUND:

During the council retreat last year it was identified that parking of certain vehicles on town streets opposed some issues. As a Dillon Rule State, the Town is unable to impose ordinances that doesn’t reflect in the State Code. The Town petitioned the General Assembly during its 2019 session for the state code to give the Town of Cape Charles some control of the parking of certain vehicles within the streets of Cape Charles. The General Assembly approved the request.

DISCUSSION:

Councilwoman Burge took on the task of creating the attached draft ordinance for council’s discussion.

RECOMMENDATION:

This draft ordinance for discussion only unless Council feels that the draft ordinance requires no change and wishes to make a motion to have it changed from an information item to an action item and vote to schedule a public input session to allow interactive discussion with residents prior to adoption of the ordinance.

ORDINANCE 2020-________

REGULATION OF PARKING OF CERTAIN VEHICLES ON TOWN STREETS IN THE TOWN OF CAPE CHARLES

WHEREAS, the streets in the historic district of the Town of Cape Charles are narrow with parallel parking permitted on both sides; and

WHEREAS, the storage of watercraft and their trailers on the Town's streets creates a public safety issue with vehicles having to cross the center lines to navigate the streets; and

WHEREAS, the Commonwealth of Virginia is a Dillon Rule state where local governments have limited authority and can pass ordinances only in areas where the General Assembly has granted clear authority; and

WHEREAS, Town Code § 42-90 addresses this issue by prohibiting the parking of "travel trailers, coaches, motorized dwellings, tent trailers, boat trailers, amphibious houseboats and the like" on "any public street or public right-of-way for more than 48 hours," it cannot be enforced without the Town being granted the authority to do so; and

WHEREAS, Code of Virginia § 46.2-1222.1 currently authorizes the Town of Cape Charles and certain other localities to regulate or prohibit the parking on any public highway "of any or all of the following: i) watercraft; ii) boat trailers; iii) motor homes; and iv) camping trailers;"

NOW, **THEREFORE, BE IT RESOLVED**, that the Town Council of the Town of Cape Charles hereby repeals Town Code Sec. 42-90, replacing it and adding a new section, Sec. 42-91, as follows:

Sec. 42-90 - Parking of watercraft, boat trailers, motor homes and camping trailers and other devices prohibited on public streets.

(a) Definitions. The following words and phrases, when used in this section, shall have the meanings ascribed to them in this subsection, except in those instances where the context clearly indicates a different meaning:

Boat trailer means any trailer that is designed to be drawn by a motor vehicle on a public highway and to carry one or more watercraft.

Camping trailer has the meaning set forth in Code of Virginia, § 46.2-100.

Motor homes has the meaning set forth in Code of Virginia, § 46.2-100.

Restricted vehicle means watercraft, boat trailer, motor home, camping trailer, or any other trailer or semitrailer, regardless of whether such trailer or semitrailer is attached to another vehicle; any vehicle with three or more axles; any vehicle that has a gross vehicle weight of 12,000 or more pounds except school buses used on a current and regular basis to transport students; any vehicle designed to transport 16 or more passengers including the driver, except school buses used on a current and regular basis to transport students; and any vehicle of any size that is being used in the transportation of hazardous materials as defined in Code of Virginia, § 46.2-341.4.

Watercraft means any vessel used or capable of being used for navigation or floatation on or through the water, but the term "watercraft" does not include any vessel that has been licensed to operate on public highways as a motor vehicle.

(b) It shall be unlawful for any person to park a restricted vehicle on any public street or highway in the Town, provided that a restricted vehicle may be parked on such street for the purpose of actively loading or unloading or for performing emergency repairs. Any person convicted of violating any provision of this section shall be subject to the penalties set forth in Sec. 42-91. Vehicles parked in violation of these provisions may be towed at the owner's expense.

FIRST DRAFT

(c) The Treasurer of the Town of Cape Charles shall collect and account for all uncontested payments of parking citation penalties under this section and any contest by any person of any parking citation shall be certified by said Treasurer in writing, on an appropriate form, to the Northampton County General District Court. The Treasurer shall cause complaints, summons, or warrants to be issued for delinquent parking citations.

Sec. 42-91. - Penalty for violation.

1. The parking of any vehicle or the use of any parking permit in a manner contrary to the provisions of section 42-90 is prohibited and the same is hereby declared to be unlawful and a misdemeanor. Any person violating this section shall, upon conviction thereof by a court of competent jurisdiction, be fined not less than $50.00 nor more than $200.00 for each violation. Any person being so convicted of violating this section for a second time within a period of 12 months shall, for the second and all subsequent convictions within said period, be fined not less than $200.00.

2. Immobilization of vehicles.

    a. Whenever there is found a vehicle parked in violation of section 42-90 against which there are three or more outstanding unpaid or otherwise unsettled parking violation notices for violation of section 42-90, such vehicle may be immobilized by or under direction of a police officer of the Town in such manner as to prevent its removal or operation except by authorized officers, or members of the Town Police Department.

    b. The officer under whose direction such vehicle is immobilized shall place on such vehicle in a conspicuous manner, a notice warning that such vehicle has been immobilized, and that any attempt to move such vehicle might result in damage thereto and shall inform, as soon as practicable, the owner of the immobilized vehicle of the nature and circumstances of the prior unsettled parking violation notices.

3. The owner of an immobilized vehicle, or other duly authorized person, shall be allowed not less than 24 hours from the time of immobilization to repossess or secure the release of the vehicle. Failure to repossess or secure the release of the vehicle within this time period may result in the removal of such vehicle to a storage area for safekeeping under the direction of a police officer or members of the Police Department.

4. The owner of such removed or immobilized motor vehicle, or other duly authorized person, shall be permitted to repossess or to secure the release of the vehicle by payment of the outstanding parking violation notices for which the vehicle was removed or immobilized and by payment of all reasonable costs incidental to the immobilization, removal and storage of the vehicle, and the efforts to locate the owner of the vehicle. Should such owner fail or refuse to pay such fines and costs, or should the identity or whereabouts of such owner be unknown and unascertainable, such vehicle may be sold by the Town as an abandoned vehicle as otherwise provided by law.

This Ordinance is effective upon passage and adopted by the Town Council of Cape Charles on this ____ day of ________, 2020.

____
Mayor

ATTEST: ____
Clerk of the Council

FIRST DRAFT

<table>
<tr><td rowspan="4">TOWN OF
CAPE CHARLES</td><td colspan="2">AGENDA TITLE: Rainy Day Fund</td><td>AGENDA DATE:
January 2, 2020</td></tr>
<tr><td colspan="2">SUBJECT/PROPOSAL/REQUEST: Resolution for Rainy Day/Stabilization Fund</td><td>ITEM NUMBER:
2.iv</td></tr>
<tr><td colspan="2">ATTACHMENTS: Draft Resolution & GASB 54 Summary Sheet</td><td>FOR COUNCIL:
Action (X)
Information ( )</td></tr>
<tr><td>STAFF CONTACT (s):
Deborah Pocock</td><td colspan="2">REVIEWED BY:
William “Smitty” Dize</td></tr>
</table>

BACKGROUND:

On June 6, 2019, staff presented to council a resolution for policy of creating and maintain a rainy-day/stabilization fund. Staff also presented a GASB 54 summary sheet and GOFA short fund balance report. At the time, Council had no comments on the resolution.

DISCUSSION:

Council, in the past has expressed interest in creating a rainy-day/stabilization fund to cover certain shortfall in the budget. The proposed resolution is very clear in how the proposed rainy-day fund will be utilized. It lays out that each year during the process of creating the next year fiscal budget, council must adopt the resolution and appropriate an amount to the fund. There are also stipulations in the resolution on how the funds may be utilized and this must pass by a super majority vote.

Council may wish to add $0 to the rainy-day/stabilization fund if there are severe budget constraints, but the resolution will still be required each fiscal year.

RECOMMENDATION:

This draft resolution is for action only to use policies within the draft resolution while creating the budget.

Staff recommends that council make a motion to approve the policies and draft resolution to use while creating the budget beginning with FY20/21.

TOWN OF CAPE CHARLES, VIRGINIA
RESOLUTION ___________

A RESOLUTION TO CONFIRM THE TOWN'S POLICY GOVERNING THE TOWN'S RAINY DAY/STABILIZATION FUND AND TO FORMALLY COMMIT FUND BALANCES TO THE RAINY DAY/STABILIZATION FUND IN ACCORDANCE WITH GASB STATEMENT NO. 54

WHEREAS, the Town Council recognizes the importance of maintaining a Rainy Day/Stabilization Fund to react to emergency situations and unanticipated revenue shortfalls; and

WHEREAS, the Town Council has historically recognized the importance of designating a fund balance for a "Rainy Day" and has discussed taking formal action through resolution to commit funds to the Rainy Day/Stabilization Fund and take formal action to adopt policy to guide Fund withdrawals and additions; and

WHEREAS, the Town Council now desires to formally commit funds to the Rainy Day/Stabilization Fund as outlined in the policy below and to adopt policy to guide additions, withdrawals and general maintenance of the Rainy Day/Stabilization Fund; and

WHEREAS, only the Town Council has the authority to commit funds to the Rainy Day/Stabilization Fund and establish policy regarding maintenance of the Fund; and

WHEREAS, the Town hereby establishes that all fund balance commitments be made through the passage of a resolution,

NOW, THEREFORE, BE IT RESOLVED that the Town Council of the Town of Cape Charles adopts the Rainy Day/Stabilization Fund Policy below and commits fund balances to the Rainy Day/Stabilization Fund as specified in the policy.

RAINY DAY/STABILIZATION FUND POLICY

i. General: Maintaining a financial stabilization or Rainy-Day Fund to meet unexpected revenue shortfalls or financial emergencies is a necessity for sound financial management and fiscal accountability. The Town Council has the authority to establish a Rainy-Day Fund and has exercised this authority through the passage of a resolution.

ii. Level to Maintain: The Town's goal is to maintain the "Rainy Day" fund at an amount equal to no less than $250,000.00. This goal however may not be achieved until FY _________ due to financial constraints. In the interim, the Town Council has established the following minimum ratios.

    At the close of each fiscal year the Town will review and, as needed, adjust the "Rainy Day" Fund based on actual fiscal results by moving such amounts from unassigned fund balance to the Rainy Day Committed Fund Balance as may be necessary and appropriate to reach the goal above.

iii. Permitted Uses: Withdrawals from the Rainy-Day Fund will be made only by appropriation of the Town Council and require a supermajority vote. Rainy Day Funds will not be used to compensate for structural budget deficits. Withdrawals from the fund are only permitted for the following reasons:

1. To address a projected revenue shortfall that is greater than 1% of General Fund, or
2. Operating Revenue excluding transfers, or
3. To mitigate damage caused by a natural disaster, or
4. To address an urgent event that jeopardizes the safety of the public.

iv. Maximum Withdrawals: The amount that may be appropriated from Fund during any one year cannot exceed more than half of the balance of the Fund.

v. Restoration: Any proposed appropriation that would result in the balance of the fund falling below the minimum fund balance ratio must be accompanied by a restoration plan that brings the fund back to the minimum within three (3) years.

vi. FY _____ allocation: The Town Council hereby commits $_______ in FY ________ to the Rainy Day/Stabilization Fund.

Adopted by the Town Council of Cape Charles on __________, 20___.

By: ________________________________
Mayor

ATTEST:

____
Town Clerk

Summary of Statement No. 54
Fund Balance Reporting and Governmental Fund Type Definitions
(Issued 02/09)

The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable,* such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Early implementation is encouraged. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented.

How the Changes in This Statement Will Improve Financial Reporting

The requirements in this Statement will improve financial reporting by providing fund balance categories and classifications that will be more easily understood. Elimination of the *reserved* component of fund balance in favor of a *restricted* classification will enhance the consistency between information reported in the government-wide statements and information in the governmental fund financial statements and avoid confusion about the relationship between reserved fund balance and restricted net assets. The fund balance classification approach in this Statement will require governments to classify amounts consistently, regardless of the fund type or column in which they are presented. As a result, an amount cannot be classified as restricted in one fund but unrestricted in another. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. The clarifications of the governmental fund type definitions will reduce uncertainty about which resources can or should be reported in the respective fund types.

<table>
<tr><td rowspan="4">TOWN OF
CAPE CHARLES</td><td colspan="2">AGENDA TITLE: Capital Improvements Plan</td><td>AGENDA DATE:
January 2, 2020</td></tr>
<tr><td colspan="2">SUBJECT/PROPOSAL/REQUEST: Capital Improvements Plan</td><td>ITEM NUMBER:
2.v</td></tr>
<tr><td colspan="2">ATTACHMENTS: Capital Improvements Plan</td><td>FOR COUNCIL:
Action (X)
Information ( )</td></tr>
<tr><td>STAFF CONTACT (s):
Councilman Paul Grossman</td><td colspan="2">REVIEWED BY:
Mayor William “Smitty” Dize</td></tr>
</table>

BACKGROUND:

Council had made it a priority to have criteria for a capital improvement plan in place before creating a CIP. Councilman Grossman took the lead and created a draft for criteria. This was sent to the Mayor, Council, Treasurer and Capital Projects Manager for remarks in September of 2019. This was presented to Council at an open special meeting on December 5, 2019.

DISCUSSION:

After hearing remarks, Councilman Grossman has made the changes to the criteria reflecting the remarks and discussion by council.

RECOMMENDATION:

Council to make a motion and approve the criteria for the Capital Improvements Plan as presented.

TOWN OF Cape Charles

CAPITAL IMPROVEMENTS PROGRAM

January 2,2020

Tables of Contents

INTRODUCTION

A Capital Improvements Program (hereinafter referred to as a CIP) is a tool to assist the governing body of a municipality in planning and managing major equipment and facilities required to maintain or improve services or to respond to anticipated growth. A CIP is intended to provide a complete picture of the town's major development needs (i.e., capital projects) over at least the next six years by showing when, and at what cost, the town expects to expand or provide services and facilities in that period. The reason for undertaking this overall approach to capital improvement planning is to balance the varying equipment and facilities needs of the Town of Cape Charles and to assess these in comparison to other Town needs.

A CIP must be updated each year. Adopting a CIP does not end with the first year. Changing needs and priorities, emergencies, cost changes, mandates and changes in technology all require the CIP to be updated annually. The Town's public facilities, streets, parks, infrastructure, equipment, etc., are constantly in need of repair, replacement or expansion. A growing population will require additional or new facilities. These reasons require that the CIP be updated to maintain the financial solidity of the Town. The CIP achieves the following objectives as a component of the Town's budget and financial planning process:

- Reduces the need for ad hoc programs to finance the construction of Town facilities
- Focuses attention on community goals, needs and capabilities
- Achieves optimum use of taxpayer dollars
- Responds to future community growth and development
- Ensures that projects are well thought out in advance of construction
- Provides for the orderly replacement of capital items
- Encourages more efficient administration
- Maintains a sound and stable financial program

CAPITAL IMPROVEMENT PLAN –FISCAL POLICY

The Town of Cape Charles adopts the following fiscal policy regarding the CIP:

- The Town will prioritize all capital improvements in accordance with an adopted Capital Improvement Plan (CIP).
- The Town will develop a five-year plan for capital improvements and review and update annually.
- The Town will coordinate development of the capital improvements program with development of the operating budget.
- The Town will maintain all its assets at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.

- The Town will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
- The Town will attempt to determine the least costly alternative on a life cycle basis for all projects.
- The Town Council will review the status of capital improvement projects six months after adoption of the CIP to determine what adjustments, if any, are required in project scheduling and funding. However, emergent urgent needs not previously identified can be reviewed at any time by Town Council and the CIP can be adjusted accordingly.
- Operations of the town's Enterprise Funds are intended to be financed or recovered primarily through user charges.
- Enterprise Fund revenues are to support construction costs or debt service for capital facilities for the respective operations whenever possible. General Fund transfers may be used to support the development of Enterprise Fund capital facilities

DEBT LIMITS/POLICIES

Any debt limits associated with capital improvements will be captured under a separate fiscal policy established by Town Council.

DEFINITION OF A CAPITAL PROJECT

The Town of Cape Charles' definition of a capital project uses one or more of these criteria;

- An estimated total cost of $20,000 or more (Capital items under $20,000 are generally included in the various operating budgets.)
- Studies pertaining to capital improvements that require the employment of outside professional consultants at a cost of $20,000 or more
- Construction of buildings or facilities, including design, engineering and other pre-construction costs with an estimated cost of $20,000 or more
- Purchase of major equipment and vehicles with an estimated cost of $20,000 or more and with a life expectancy of five years or more [Note: if a vehicle purchase is recurring each year, this will be captured under the department's operating budget.]
- An extended useful life at least 5 years of the facility or equipment
- An infrequent recurrence of the expenditure
- Bonded debt maybe required for its financing
- It involves acquisition or development of real property
- It creates or expands utility systems, a public building, or other public infrastructure

There is an important fiscal principle underlying the distinction between capital and non-capital expenditures. The distinguishing feature of non-capital or operating expenses are recurring costs for on-going functions of government, such as personnel, supplies and the like.

COMPONENTS OF A CIP

A CIP must have the following components or characteristics:

1. Addresses capital improvements over a period of at least six years.
2. Classifies projects according to urgency and need for realization.
3. Includes a timetable for implementation of projects.
4. Takes into account needs that are indicated in the master plan or which are permitted under the local zoning ordinances and regulations
5. The estimated cost of each project
6. Probable operation and maintenance costs
7. Probable revenues from individual projects
8. Suggested funding sources

For large projects, the project will be broken into components such as land purchase, design/engineering services, and construction into appropriate years. The project will not front load the entire cost in the first year.

LIMITATIONS OF A CIP

It is also important to understand the limitations of a capital improvements program (i.e., what it is not).

1. Neither the CIP nor the process of developing it is a means to micro-manage the process of developing the budget. Preparation of annual budgets for the town is the responsibility of elected officials and professional administrators. The CIP is a tool to aid these groups in evaluating and prioritizing items for inclusion in the budget for a given year.

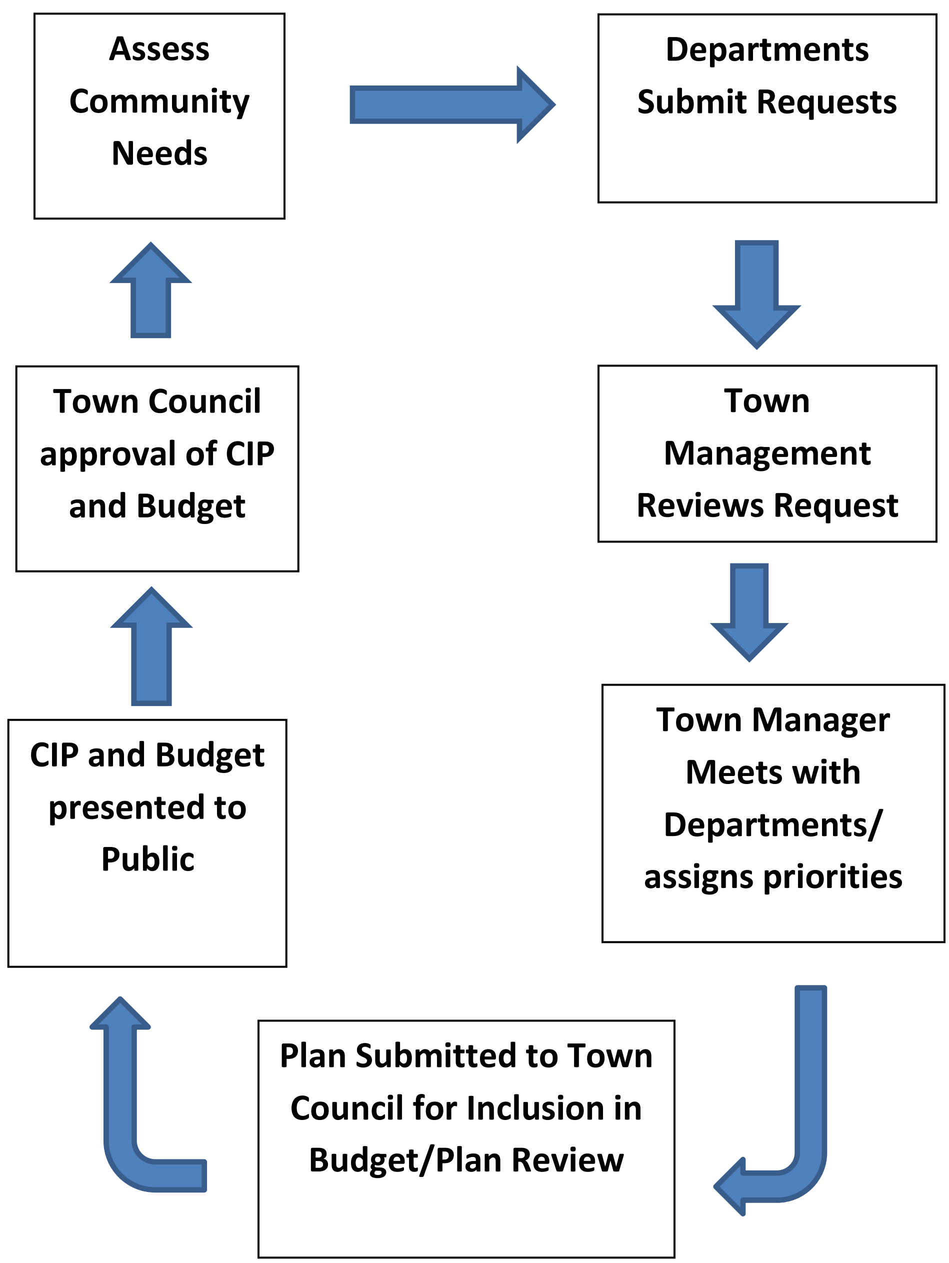
2. The CIP is not a vehicle for the promotion of "wish list" projects that are either unnecessary or are unlikely to receive public funding or support.

3. Although a CIP is intended to provide a framework to guide activity, it should not be rigid and inflexible. The CIP process cannot anticipate unusual changes in growth, economic conditions, or political consideration. Similarly, the CIP process must allow changes for emergencies, opportunities, or other unpredictable events.

4. Town Council's approval of the CIP does not authorize money for any of the projects in the program, but will provide the Town Manager direction to proceed with inclusion of first year CIP items in the Town Manager's recommended town budget

CAPITAL IMPROVEMENT PLAN PROCESS

Capital project planning is an ongoing process. Each year the CIP document is updated. The need or idea for capital improvements can originate from the Mayor, Council members, Boards, citizens, or Town staff. Ultimately, Departments are responsible for identifying, documenting, and justifying CIP requests. Departments are also responsible for obtaining project cost estimates and identifying appropriate revenue sources for the project (the Finance Dept. shall assist in identifying costs and appropriate revenue sources). These items are compiled into this document and presented to the Town Council on an annual basis. The Town Manager, in conjunction with the Finance staff, shall be responsible for coordinating the CIP process and submission of the CIP to the Mayor and Town Council. Through the annual planning retreat, Town Council meetings and/or work session(s), the Council focuses on prioritizing the projects. Once the CIP is approved, it outlines the Town's official commitment to funding these expenditures in the appropriate budget year. During the annual budget process in the spring, the first-year projects are refined and a financing plan is put into place within the budget to fund those expenditures.



MAINTENANCE OF TOWN ASSETS

Capital assets include government facilities, infrastructure, major equipment and networks that enable the delivery of public sector services. The performance and continued use of these capital assets are essential to the health, safety, economic development and quality of life of those receiving services. Budgetary pressures often impede capital program investments or expenditures for maintenance and repair, making it increasingly difficult to sustain the asset in a condition necessary to provide expected service levels. Ultimately, deferring essential maintenance or asset replacement could reduce the organizations ability to provide services and could threaten public health, safety and overall quality of life. In addition, as the physical condition of the asset declines, deferring maintenance and/or replacement could increase long-term costs and liabilities. It is with this in mind that the Town staff includes planned maintenance projects that bear significant financial implications in the operating budget. This will allow management to better plan for the Town's future needs. While the CIP is utilized to plan future capital project, the need to properly maintain our existing aging assets remains.

VEHICLE REPLACEMENT

In addition to the other capital improvement projects included in the CIP, there are other major types of vehicles and equipment which are a substantial financial investment and need to be handled in the most economic manner. Therefore, the Town chooses to incorporate these items into the CIP. Vehicles and/or equipment are evaluated primarily based on age, mileage, operation & maintenance cost. There are, however, several additional factors which must be considered in determining these replacements: fuel costs, condition, safety, life of equipment, etc.

PRIORITIZATION SYSTEM MATRIX

The priority system includes a matrix shown below. This system was developed to assist in the setting of priorities for capital expenditures because not all requests can be funded in any given year due to budgetary constraints.

CRITERIA/PRIORITY	HIGH	MEDIUM	LOW
I	LEVEL A		
II		LEVEL B	
III			LEVEL C
IV			

The matrix contains a measure of priority on the horizontal axis and a determination of criteria category on the vertical axis.

PRIORITIES of the capital projects are measured as high, medium or low as follows:

HIGH: Project mandated by local, state, or federal regulations, or
Project is a high priority of the Town Council, or
Project substantially reduces losses or increases revenues.

MEDIUM: Project maintains existing service levels, or
Project results in better efficiency or service delivery, or
Project reduces operational costs, or Project improves work force morale.

LOW: Project is not mandated, or
Project improves service levels, or
Project improves quality of life.

CRITERIA CATEGORIES

I. **Health/Safety/Welfare** - projects that protect the health, safety and welfare of the community and the employees serving it.

II. **Maintenance/Replacement** - projects that provide for the maintenance of existing systems and equipment.

III. **Expansion of Existing Programs** - projects which enhance the existing systems and programs allowing for expansion of existing services.

IV. **Expansion of New Programs** - projects that allow for expansion into new programs and services.

LEVEL OF FUNDING: The grid is further divided into levels: Level A - highest consideration for funding, Level B - moderate consideration, Level C - least consideration for funding resources.

IMPACT ON OPERATING BUDGET

Capital funding requires planning as careful and as deliberate as the planning that goes into the CIP itself. It is important to note that as the plan is implemented, the Town should be aware of additional budgetary costs, if any, that may arise from the project such as future payments of debt service on general obligation bonds (i.e. interest payments), lease payments on certain capital improvements, and increased operating costs (for example, if a new facility requires more staffing). On the other hand, there could be savings that may result from decreased operating costs (for example, a new facility that requires less maintenance and less staffing).

PROJECT DETAIL SHEET

The Project Detail Sheet (Attachment A) is used to summarize the project that is requested for consideration. If the Town Manager ultimately recommends a project to the Town Council for consideration, this form is used for presenting information on the project to Council and the public.

Project Title: Brief title of the proposed project.

Project Status: Each project should have a status. They are New, Continuing, In Progress or Previously Requested. The project is defined as "New" if it is the first year that the project is in the CIP. The project is "In Progress" if it is currently programmed in the CIP. The project is “Previously Requested” if it has been requested and approved in previous years but is not in progress or has not yet begun. This status is not a project that was previously submitted and denied. Continuing should only be used on projects that are continuing beyond the five years such as replacement funds.

Description and Justification: This information should include a brief description of the project including such things as the size of the facility (e.g., square feet) or infrastructure improvement (e.g., linear feet), the kind of vehicle to be purchased, the number of facilities to be improved, the names of the facilities to be improved, and the constituency to be served by the project. A brief justification of the project should also be included, including alternatives which were considered as applicable, explain the tie of the project to established Council Strategic Goals. The priority of the project will be identified using guidelines above.

Planned Financing of Project: The Source of Funds should be identified. The sum of Prior Allocation (expenditures), and Future Years must add to the Total Project Estimate.

TOWN MANAGER SUBMITTAL OF CIP

By December 1st of each year, prior to the proposed budget submittal by March 1st, the Town Manager will submit an updated proposed CIP to the Town Council for review and comments. The submittal will contain the following, as a minimum;

- Cover transmittal memorandum that includes a tabulation of next year’s budgeted project titles grouped by Town Council Strategic Goals.
- Financial summary table of all capital projects that includes;
    - Project Title
    - Project Priority
    - Strategic Goal being addressed
    - Status of Project (New, Continuing, In Progress or Previously Requested)
    - Source of Funding by Town and amount
    - Source of Funding by other (e.g., grant) and amount
    - Prior Year Expenditures (cumulative through end of current budget year, actual expenditures plus estimated expenditures for remaining months in current budget year)
    - Next Budget Year Projected Expenditure (Year 1)
    - Each of the Years (2-6) and consolidated future years > 6 years Projected Expenditures
    - Total Capital Expenditure for the Project
    - Yearly Operating Expense as a result of the Capital Project once implemented
- Individual Project Detail Sheets (Attachment A)

TOWN COUNCIL APPROVAL OF CIP

Once the Town Manager has delivered the proposed CIP and the Town Council and public have reviewed the material submitted, the Town Council will ultimately adopt a final CIP for that year. A resolution will be used for adoption, as depicted in Attachment B (sample resolution).

PERIODIC REVIEW OF CAPITAL PROJECT STATUS

Capital projects that have been authorized for the budget year will be reviewed by Town Council on a semi-annual basis. The Town Manager will prepare a document summarizing project status that will include, as a minimum;

- Expenditures
- Schedule adherence
- Issues that the Town council needs to be aware of

Attachment A

Town of Cape Charles
Project Detail Sheet

DEPARTMENT	Criteria	Priority	LEVEL

PROJECT TITLE

PROJECT DESCRIPTION:

JUSTIFICATION:

TOWN **COUNCIL STRATEGIC INITIATIVE:**

PROJECT ALTERNATIVES CONSIDERED	OPERATING IMPACT/OTHER COMMENTS

PROJECT STATUS

CAPITAL COST BREAKDOWN	Prior to July ____	Next fiscal year (Yr 1)	Year 2	Year 3	Year 4	Year 5	Year 6	Future Years (7+)
Planning & Engineering	$ -							
Equipment								
Construction								
Other								
Yearly Project Cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

FUNDING SOURCE(S)	Prior to July ____	Next fiscal year (Yr 1)	Year 2	Year 3	Year 4	Year 5	Year 6	Future Years (7+)
General Fund	$ -							
Yearly Funding Source	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Total Project Cost Estimate (Actuals + Forecast) $

Attachment B

The Town of Cape Charles

Resolution of the Town Council to Amend and Adopt the Capital Improvement Program as presented.

WHEREAS, a Capital Improvement Program (CIP) involves the scheduling of the cost of public equipment and infrastructure over several years,

WHEREAS, a well thought out and comprehensive CIP serves as a valuable municipal tool designed to anticipate and meet the needs of the community, while at the same time scheduling the costs in a deliberate approach,

WHEREAS, on xx, xx, 2019, the first official Capital Improvement Plan was adopted by the Town Council,

WHEREAS, on xx, xx, xxxx, the Cape Charles Town Council conducted a public hearing to consider the Five (or Six??) Year Capital Improvement Plan for the years xxxx through xxxx;

WHEREAS, the Town Council has considered the input of the public and the recommendations of its staff and has determined it to be in the public interest to adopt the (or Six??) Five-Year CIP for years xxxx through xxxx;

WHEREAS, the proposed updated CIP represents municipal projects to be addressed over the next six year implementation period.

THEREFORE, BE IT RESOLVED that the Town Council of the Town of Cape Charles hereby amends and adopts the Town of Cape Charles' CIP as presented.

Submitted by: XXX –Town Manager

Submitted: xx, xx, 20xx

[This is only a sample resolution]

Responses to draft Capital Improvements Program Comments (1/2/20)

	Submitter	Comment	Response
1	Cela	Page 4 - any particular reason for 6 year window?	Most plans typically have entering fiscal year plus future 5 years projection although the table can be extended even further.
2	Cela	Page 4 - Fiscal policy; need to explore these further, but am not sure that we would want to limit using intergovernmental assistance for CIP and town priorities (not identified how those priorities are determined)	These limits and policies were extracted from other town/city programs as examples only with the intent for town staff to propose limits and/or policies, or alternatively, put them in a separate fiscal policy document, perhaps with other fiscal policy limitations proposed by Davenport. Per discussions at TC, have removed these limits and added a sentence pointing to external fiscal policy document.
3	Debbie	Page 4 - I would add '*and the comprehensive plan*' at the end. • The Town will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan *and the comprehensive plan*.	Per discussion with Deb P, phase has been removed entirely.
4	Cela	Page 5 – Debt Limits/policies - We need to further discuss and determine the proposed debt limits and debt policies. (I think the actual limit is 10% of assessed value of taxable property.)	See response to comment 2 above.
5	Debbie	Page 5 – Debt Limits/policies - more research needed on debt ratio percentages, etc. See Bob's comments.	See response to comment 2 above.
6	Steve	Page 5 – Debt limits/policies – seems to be a lot of competing policies. Do we need all of these?	See response to comment 2 above.
7	Steve	Page 6 – *Capital items under $20,000 are generally included in the various operating budgets.* Can this be $30k?	Yes, this can be changed pending TC discussion. Per separate discussion with Treasurer, $20,000 appears appropriate for our size budget.
8	Steve	Page 6 – *Purchase of major equipment and vehicles valued in excess of $20,000* …. All exceed this.	See response to comment 7 above.
9	Cela	Page 6 - Q: Is $20k a capital item dollar value that just we use or is it a standard?	Various CIPs used different values and usually depended on the size of their budgets. See comment 7 above.
10	Debbie	Page 6 - 6 The definition of a capital project , This definition may mean different things to council and to the audit/accounting world. It is dollar amount driven in the accounting world, and that dollar amount	See response to comment 7 above. Per discussion with our Treasurer, the current $5,000 will need to be changed in our office policies.

Responses to draft Capital Improvements Program Comments (1/2/20)

		becomes part of the procurement policy. The current amount is $5,000, with a useful life of several years. The capital project threshold drives whether or not a purchase/expenditure is expensed or amortized over the useful lifetime of the item. This is less important to the general fund as we expense it all and just keep a separate schedule for amortization – however it is very important to the enterprise funds. We must book depreciation expense and amortize the item using GAAP. Therefore, we should choose a dollar amount and general description ($20,000 and a useful life of 5 years or more.)	
11	Debbie	Page 6 – Definition of capital project: We purchase a new police vehicle almost every year, but since they cost $35K, they really are a capital expenditure by accounting definition (page 6 Definition of a capital project, item # 4) . They MAY be excluded from the CIP, however, with an annotation in the CIP document about recurrent purchases that were previously approved, such as with a stated replacement policy.	Per discussion with our Treasurer, we can include a recurring purchase of the vehicle in operating budget but will still have to depreciate annually accordingly.
12	Debbie	Page 6 – Definition of capital project; I don't understand this line: Capital projects can also be defined to accumulate funds in a capital reserve fund to spread the cost of a large future purchase over several years and/or eliminate or reduce the cost of a bond	Deleted.
13	Cela	Page 7 - Excellent section of limitation of a CIP.	Condensed down to a sentence per other comments.
14	Steve	Page 8 – reference is made to *Board*. Should be Council. Change town council to Town Council.	Correction made.
15	Cela	Page 9 - In the process, we may also want to include Planning Commission review and recommendation (in concert with the Comp Plan), per Virginia Code 15.2-2239.	[§ 15.2-2239. Local planning commissions to prepare and submit annually capital improvement programs to governing body or official charged with preparation of budget. A local planning commission **may**, and at the direction of the governing body shall, prepare and revise annually a capital improvement program based on the comprehensive

Responses to draft Capital Improvements Program Comments (1/2/20)

			plan of the locality for a period not to exceed the ensuing five years……..] Per our recent discussions at TC, this responsibility may be turned over to PC in some future date with further discussion.
16	Steve	Page 10 – Change *Board* to Council.	Correction made
17	Cela	Page 11 - good point that impact on operating budget should be considered when funding capital projects	No response required.
18	Cela	Page 12 - Same note as item #15	See response in item 15.
19	Bob P	Attached is a Word Track redline (provided to P Grossman) of the proposed CIP document, containing my recommended revisions and some questions/commentary. Overall, I think it is an excellent and comprehensive document. Some parts could be a bit redundant; might benefit from some additional editing after other comments are considered. No comments on the item detail sheet. It is a good refinement of what we have used in the past Debt limits/Fiscal policies – suggestions are provided for this section.	Accepted all comments.

Paul Grossman

December 27, 2019