

WORKSESSION

Monday, June 14, 2010

PRESENT: Mayor Taylor, Council Members Baker, Le Vine, Mauck, Redmon, Ritenour, Terndrup, and Vena.

OTHERS PRESENT: Town Manager Fauber, Town Planner Rex, and Town Clerk Keller.

Minutes were approved as presented.

There were no general topic comments from the public.

DISCUSSION ITEM:

- Utility Rate Structure

Mr. Spriggs, representing Signal Knob Condominiums, said he had a letter he wrote in 2007 and so it has been three years they have been asking for this. Those in attendance wanted to know why nothing is being done in regards to their proposal/position in allowing citizens who live in this development be charged at the residential rate and not commercial. He reminded Council these are not “garden apartments,” but condominiums which are owned by individuals.

Town Planner Rex said Staff presented five scenarios earlier in the year to the Finance Committee regarding rate structure. These five were “widdled” down to two which were studied more and one of these addresses situations such as this.

It was stated the impact on the budget if the billing were changed to accommodate these customers would be approximately \$40,000. This is an option that Staff had presented and was recommended by Staff to do, at least as an interim solution. (The \$40,000 is the net loss that would occur if this option is decided upon).

Council Member Baker asked what this \$40,000 would do to each individual user and Council Member Le Vine said it would cause an increase of ~\$1.75 per month. Council Member Baker fully believes the request is reasonable and he thinks it should be done, but it comes down to an issue of timing. The budget was passed with an increase to water and sewer rates and he does not think an additional increase of \$1.75 should immediately be added in August or September. He is fully supportive of making the rates fair, but he can't support reducing the condominium owners rate now.

Council Member Mauck asked Mr. Spriggs if all residents paid the exact same amount each month and Mr. Spriggs said they do, regardless of usage and discussed laws regarding this.

Mayor Taylor, in reference to Council Member Baker's comments on not addressing this now, asked when it then should be addressed. Council Member Baker said he has no problem doing this if the new users the Town will be picking up will make up the difference in the loss to the budget. (The new users spoken about are the churches that will be charged for water beginning in July and Town Manager Fauber said they will only be charged for water and not sewer).

Mr. Spriggs said the analogy includes apartments and the difference is the condos are individually owned. Planner Rex stated only the use of the property was looked at. Council Member Terndrup asked if these are stacked units and if so, are they apartments or condos; Planner Rex said they are stacked, but considered condominiums and that stacked units usually have multiple users and only one meter and so this is a standard practice. Council Member Terndrup said then when people bought they should have known this was going to cause higher utility charges if this is standard practice. Council Member Terndrup asked if this is a fairness issue because of the pipe size versus the usage. Mr. Spriggs reiterated statements about the difference between the condo owners and apartments. He also said there are condominium standards that are controlled by the State of Virginia and they cannot charge more or less depending on the number of people living in the unit. Planner Rex added to the discussion that in the study, the apartments currently over commercial units would be switched to commercial rates and the percent of increase to user bills would be 1.2% for water and 1.3% for sewer. More discussion followed on pipe size and how this would be billed and also about the size of the pipe in accordance to the amount of pressure.

In a letter received from Mr. Spriggs, he said the Town had an operating budget of \$18 million; Council Member Le Vine said the operating budget is actually \$4 million. He continued by saying his concern is the rates have already been raised, and others will have to make up the difference. He thinks enough burden has already been placed on the citizens. If this was good economic times, this could be absorbed by the Town, but it cannot be now. Mayor Taylor asked if this is an item that could be addressed in the 2010/11 budget cycle. Council Member Baker said the owners are residential owners and should be treated the same as all others. He feels they are being treated unfairly, but does not want to make a promise that an adjustment will be made in the next few months, but that an adjustment will be made in the next budget cycle.

Council Member Terndrup asked if this would solve the problem. By ordinance, a townhouse or duplex will not have this problem as they will have individual meters so the problem is the stacked unit with only one meter. Town Manager Fauber said the condos (or future condos) could have one meter and then individual meters off of this.

Council Member Le Vine said he feels the consensus is the rates should not be raised now. To solve this later, the entire Town must be studied. A policy must be developed and then have consistency throughout the entire Town on this policy. Council Member Baker feels this should be made a priority in the next budget cycle. Mayor Taylor said the main reason this was not done in the 2010/11 budget cycle was because Council did not want to raise rates more. If it is felt this is how Council wants to go, then it will have to be absorbed by all users in the next year. Council Member Redmon agrees with this and thinks if fees are raised 1% along with the other increases, this will be easier to deal with.

Council Member Ritenour agreed and said the structure of the billing needs to be looked at. Council Member Vena said she does not think Council can wait 12 months on something that has been decided is unfair. She asked if this brought to Council's attention three years ago, why hasn't it been looked at before this. Council Member Mauck said it was looked at in 2006 and has been continuously looked at since then. She agrees this needs to be made equitable and maybe a solution could be come up with by January.

Council Member Terndrup said the problem occurred when a 2” pipe was used when a 1” pipe would have worked, but Town Manager Fauber said a 1” pipe would still be charged the commercial rate.

Council Member Le Vine stated this is embarrassing, but it is a question of money and the Town has to receive revenue. Council Member Baker argued that fairness is fairness and the Town needs to bite the bullet. He believes Council should commit to coming up with an equal rate for all residents.

After additional discussion, Council Member Vena was the only Member who felt it should be dealt with right now. Council Member Ritenour asked for Staff’s recommendation and Town Manager Fauber said the rates would either have to be adjusted for all or the difference would need to come from the reserve accounts.

Council Member Mauck would like to evaluate this thoroughly and have a policy set in January - it would not have to be implemented then, but it would be ready to go in the next budget cycle.

Council Member Baker felt that instead of putting this decision off, the decision should be made now to say the rates are going to be uniform. Mayor Taylor said this could prove to be a “hollow promise” if it is dealt with right now. Council Member Terndrup said the scenarios were looked at six months ago. Mayor Taylor asked if Council was willing to increase all residential rates to offset the unfairness to the condo owners.

Planner Rex explained the scenario on this and said the usage fee would be based on the primary use of the building.

Council Member Mauck said she is looking at making this more equitable. Mr. Spriggs gave the amount the condo homeowners association paid without the increase that will be coming in July. The water lines are on private property and this makes a difference as they are responsible for more lines. He again said they are different, but being lumped with commercial.

Council Member Le Vine asked if maybe there were some services the town could provide to the condo owners that could compensate for the increase in fees. He thinks the only thing to do is to make a “good faith” promise to come up the an answer by a certain date and added the entire structure might have to be changed.

Mayor Taylor said he wants this to be a priority. Various options on how to deal with this will be looked at and brought back to the next Work Session; Mr. Spriggs is willing to meet at any time on this.

Council Member Mauck asked when the homeowners association would be meeting and Mr. Spriggs said there is an executive meeting each month and they had a full meeting of the association in May. He feels Council has to look at how they are entirely different as they are responsible for their own property and none of the owners knew they would be paying commercial rates when they moved in.

- ACTION ITEM: VRS Plan 2 Employee Contribution

This was briefly touched on this at the last Finance Committee meeting. Since then, Staff has received a new update regarding timing of this and because of this, Council needs to take action before the end of June and a resolution be sent to VRS by August 1, 2010. Town Manager Fauber explained the proposal and said he has checked with several localities and they are going to pick up the 5% for new employees. This “contribution” is only for new hires or those not on VRS currently. Staff’s recommendation would be to pay for 5% contribution.

Council Member Baker asked how much will this cost the town to pay this on the one new position proposed and the answer was ~\$800.

Council Member Le Vine said Council should not focus on one particular position, but on the actual item being proposed. He added that in the future, fringe benefits might have to be looked at. He likes Option 3 which phases in the contribution. Planner Rex said the phasing is not necessarily on years of employment, but on the years of implementation.

Council Member Vena believes this might be a benefit a prospective employee might be looking for and it might be to the best interest of the Town to not make them pay for this.

Town Manager Fauber reiterated Option 2 would have the Town picking up the full 5% contribution and a resolution must be passed on this. The consensus of Council was to go with this option.

Mayor Taylor read the resolution. Council Member Mauck moved to adopt the resolution of Option 2 with the Town paying the full 5% contribution; second by

The motion passed on a roll call vote with the following results:

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| Council Member Baker | No |
| Council Member Le Vine | Yes |
| Council Member Mauck | Yes |
| Council Member Redmon | Yes |
| Council Member Ritenour | Yes |
| Council Member Terndrup | Yes |
| Council Member Vena | Yes |

Discussion Items:

- Debt Ceiling for Water and Sewer Funds:

Council Member Terndrup said when the audit is done, there is a limit as to how much can be borrowed using the General Fund as the basis with borrowing being limited to 10% of assessed values of real estate in the Town. He would like to set a limit on borrowing using the Water and Sewer Fund as the basis and suggested the same 10% or what would currently be a limit of ~\$55 million.

The total amount that will be borrowed for projects that are “on the books” now was

reviewed. It was said setting this limit would only be binding on the present Council as you cannot bind future Councils to something like this. Council Member Terndrup felt if this was added to the Code, then it would force future Councils to be prudent in spending. Discussion centered on what would happen if the limit had been reached and then there was an emergency.

Comments from Council Members were:

Council Member Terndrup said it is easy to spend other people's money, but need to have choices in how we spend it.

Council Member Mauck thinks it is healthy to have a cap.

Council Member Ritenour feels it is a good strategy, but with the Town being so close to the limit, he has concerns with emergencies.

Council Member Vena said putting a cap on borrowing is putting your feet to hot coals and feels restrictions that do not allow for flexibility are not good.

Council Member Redmon sees the point of Council Member Vena and Council Member Ritenour and understands Council Member Baker and Council Member Terndrup's position, but the growth of the resources should be looked at, too.

Council Member Le Vine thinks it is a good idea and Council can get around the limit in emergencies with an ordinance. Said this would be a budgeting tool and would make Council stop and think about additional borrowing.

Mayor Taylor said you could have this limit, but that it can be changed.

Council Member Terndrup said he has no problem with adding a catastrophic limit.

Staff: Town Manager Fauber said the Town's financial picture and borrowing power changes all the time. This will need to be looked at yearly or as capital improvements come up.

Planner Rex added the value of the dollar changes all the time so if something is created, you have to index it somehow. Flexibility must also be built in.

Council Member Redmon added the interest rates of today might look really good down the road and Council must be prudent in borrowing.

Mayor Taylor asked if this would make Council more prudent in making decisions on borrowing. Council Member Ritenour said the intent of this looks good, but it has no function. He feels Council needs a strategy or business plan and he added he feels Members of Council already are prudent when considering borrowing.

Council Member Terndrup said two years ago there were seven members of council with less than two years of experience. He feels this would force Council to make priorities.

Mayor Taylor added as a part of the process, a procedure needs to be laid out.

Council Member Baker said to have this policy says all of Council is fiscally irresponsible. If we can get something that is in the long run in the best interest of the Town, then this should not be limited to a cap.

Council Member Le Vine said Council Members are legislatures, but people expect commitment to fiscal prudence.

It was asked if it was really necessary to have an ordinance or if, when borrowing is being considered, it could be stated how much debt the Town currently has so all will be aware of the amount.

Council Member Mauck suggested Staff re-visit this issue. The consensus was to do this. Council Member Redmon suggested maybe raising the limit from the 10% suggested amount.

- Park Manager Position: This will be looked at in the next Work Session.

CLOSED MEETING:

Council Member Baker moved to go into a closed meeting in accordance with Section 2.2-3711(A)(3), of the Virginia State Code, to discuss or consider the acquisition of real property for a public purpose; second by Council Member Ritenour. The motion was approved unanimously.

Council adjourned to closed meeting at 8:34 p.m. and reconvened at 8:56 p.m.

Mayor Taylor said, “The Council of the Town of Strasburg hereby certifies by Roll Call vote that to the best of each member’s knowledge (1) only public business matters lawfully exempted from open meeting requirements by Virginia Law were discussed in the closed meeting to which this certification resolution applies and (2) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Council of the Town of Strasburg.”

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| Mayor Taylor | “I so certify” |
| Council Member Baker | “I so certify” |
| Council Member Le Vine | “I so certify” |
| Council Member Mauck | “I so certify” |
| Council Member Redmon | “I so certify” |
| Council Member Ritenour | “I so certify” |
| Council Member Terndrup | “I so certify” |
| Council Member Vena | “I so certify” |

Being no further business, the Work Session adjourned at 8:57 p.m.