

**MINUTES OF SPECIAL MEETING HELD
THURSDAY, MAY 14, 2009 – 5:30 P.M.
COLONIAL BEACH TOWN CENTER**

Mayor Rummage called the Special Meeting to order on Thursday, May 14, 2009 at 5:30 p.m. at the Colonial Beach Town Center and stated the purpose of the meeting was for discussion of the Boat Tax. Town Council Members present included: Mr. Coombes, Mr. Ridgely, Ms. Payne, Mr. Kennedy, and Mr. Lyburn. Vice Mayor King was absent. Others present included Ms. Foulds, Town Manager; Ms. Grant, Chief Financial Officer, Chief Hawkins, Chief of Police and Barbara Goff, Town Clerk.

Mr. Geddes, President of the Colonial Beach Chamber of Commerce, thanked everyone for inviting us to the meeting to provide information on the upcoming budget and specifically the personal property tax on boats located within the limits of the Town of Colonial Beach. The past five years have been a challenge for the marina owners. Events such as marina fires, Hurricane Isabelle and Ernesto have taken its toll on our boat population. To top it all off, the economic downturn this past year has increased concerns of marina owners and businesses alike. With the ever increasing fuel prices, maintenance and insurance costs, boat owners have their eyes and ears pointed to the overall cost of operating their vessels. The real concern of marina owners, operators and businesses alike is the personal property tax in the locality where their boat is berthed and operated. The Colonial Beach Chamber of Commerce, 130 members strong including marina owners and other businesses are strongly against implementing an increase in the personal property rate above the current level of one cent per \$100 of value. We believe any increase will result in boats leaving the Town of Colonial Beach to other marinas that are more tax friendly. The loss of these boats will have a devastating effect on the marinas and other businesses in the Town of Colonial Beach. Once again, I would like to thank the Town Council for inviting us this evening.

Mr. Ralston stated we, the marina owners and operators of Colonial Beach, are very concerned about the Fiscal 2009 Town budget and the possible increase of the personal property tax rate on boats. These are hard times, especially on the businesses that depend on the disposable income of recreational boaters. Let us state up front that any increase of the personal property rate on boats would be devastating to the local marine industry and to the economy of the Town of Colonial Beach. The number of boats registered in the town of Colonial Beach increased by 95 boats from 2004 to 2008. The increase in boats shows the true effect of the reduction in the boat tax. Town records show that this modest increase in the quantity of boats registered in the Town has brought about a tremendous increase in the quality of boats that have chosen Colonial Beach as their home. The 2004 total value of boats registered in Colonial Beach was 1.4 million; by 2009 the value had increased to just over 3.8 million. Some of this increase was due to the increase in the number of boats registered; but, when the table is further examined, it will show that the average value of a boat registered in Colonial Beach is more than doubled from \$3,500 to just over \$7,800 per boat. This good news is a direct result of the reduction in the boat tax. First, we would like to clear up any misinformation regarding what some believe to be projected tax revenue lost of about \$142,000 due to reduction of

the tax rate. This assumption is false for the following reasons: 1. Trends prior to 2004 were in a downward pattern with a 7% decline from 1980 to 2002. 2. The assessed value would not have more than doubled; and, in fact, would have decreased if trends prior to 2004 continued. 3. More valuable boats came to Colonial Beach because of the combination of relatively low slip rent and low personal property tax on boats. The correlation of slip income to the value of registered boats has increased, showing that the higher the value of the boat, the higher amount per slip is paid. According to a Virginia Institute of Marine Science study "for every dollar spent in the marina, another \$2.71 is generated in additional revenue in the area". Based on this study, the Town can anticipate that if a boat owner spends \$2,000/year in a marina, the area would benefit from an additional \$5,420. We do not want to lose this potential income to our Town businesses. Secondly, an increase of the personal property rate on boats would effectively double the cost of keeping a boat in the Town for a boat owner. Currently, the slip prices in Colonial Beach are competitively priced with marinas in the county and across the river in Maryland. If boaters were willing to pay 50% to 100% more for a slip in Colonial Beach, marina owners would have already been charging those rates. The only thing that keeps boats in our marinas is good service at a competitive price. An increased boat tax will drive boats out of Colonial Beach. Boaters need a reason to bring their boat to Colonial Beach, not at a tax that would keep them away. Last, and most importantly, the Town has a reputation of not being business friendly. This is supported by the Town's high tax and licensing policies. Also, the Town's climate of constantly changing its planning and zoning sends a negative message. Boaters and businesses alike have learned not to trust the Town's dedication to marinas and boat owners. The Town must change this negative perception and win back trust by permanently eliminating the personal property tax on boats. We all need to stand together for the one thing this Town is all about, the river! In conclusion, the Town of Colonial Beach should be depending on the commercial sector for a larger portion of its tax revenue. Marinas, as a large portion of the commercial sector, will have a greater opportunity to be competitive on the river. Boaters can always go elsewhere to dock their boats. We want to attract them to the Town by providing an incentive. Bringing back the boat tax will stifle the growth and success of marinas. Therefore, instead of continuing improvements and increased income, the Town will in effect decrease its own potential tax base. Please vote to eliminate a personal property tax on boats once and for all for us all. Respectfully signed by: Bob & Ed Blunt, Kyle & Relda Schick, Rusty Curley, Gary Ralston, Bob & Jan Swink, Mary Virginia Stanford.

Mr. Schick requested an opportunity to speak to the two Council Members who were not present at the time he spoke. I understand the Town is experiencing a shortfall in its budget. I do not know if the shortfall is due to the decrease in funds from the State, decreased revenue from local sources or poor financial management of the taxpayer's money by certain government groups in Town. I know the shortfall is not directly or indirectly related to the Council's elimination of the personal property tax on the watercraft. In fact, the Town has experienced increased revenues which we have heard in the letters as stated before. We have had a 24% increase in the number of boats and a 175% gives a false conception. In our presentation to Council in 2005, we stated the tax elimination would increase business and revenue for all businesses in Town. The

business license tax for marinas has tripled and the real estate tax has increased over 5% on marinas. The number of boats registered in this Town is lower than the actual number because people still play the shell game trying to eliminate their tax from their budget, so they move it from one marina to another and back and forth from Maryland. We don't have a true sense of what the impact is in Colonial Beach as long as there is a Westmoreland County tax also. When the economy gets tight, we do not have the luxury to raise our prices or add surcharges and extra fees. We must reduce our prices to keep prices and expenses competitive. If boaters were willing to pay 15% to 100% for slips, they would. I have mentioned that to several Council people and they look at me like I am crazy. Giving out handouts, Mr. Schick stated this is an example of three boats that left last year, because the Town Council was talking about the sticker tax, raising personal property tax and they just said they had had it and they were moving out. Believe me it wasn't only three. The first page has a breakdown showing the three boats and the highest is a NADA price which shows the value and it is what the County bases its tax on. The space behind that is highlighted plus a \$10,000 value for that boat. The first column shows what tax they paid in year 2008. The next column shows what they would pay if \$2.99 were added on which is what I hear from the rumor mill that you all are thinking about adding on to the tax or what has been discussed. I don't want to say you have made any decisions yet. As you can see, for a \$10,000 boat, the price increases from \$93.00 to \$242.00 to keep the boat in the Town of Colonial Beach, getting no more additional services, using no more additional services by being here and they have to pay more. They go right across the creek to Westmoreland County, Harbor View or a couple of the other marinas or down to Coles Point where they only have to pay \$150. We would move from the lowest cost to keep your boat on the Potomac River in Virginia to the highest. If you add the slip rent in, Colonial Beach slip rent is much lower and the only other town on the river who charges lower taxes than Colonial Beach is Prince William County. For example on the last budget 2002, a 22 foot catamaran, valued at \$114,000, they would pay a tax of \$558 to the County and zero to Colonial Beach. The combined tax would be \$1,455 for keeping a boat in Colonial Beach. When you add that to the slip rent, it makes it a lot less attractive to come here and this is using my slip rent. Other slips in Town cost less to house the same boat. When you add this with my slip rent, you are looking at 16% of what someone would pay me for slip rent. They also would have to pay the County. The combined tax would make it 40%. I don't know anybody who would go to Hall's over Food Lion or Happy Clam or Dockside and pay 40% more for the luxury of eating in Colonial Beach or buying something in Colonial Beach. That is the exact same thing you are considering. Why would anybody bring a valuable boat to Colonial Beach when they could go right to the County or Maryland and pay zero? When somebody says, that is not true - I have had a marina here for 20 years and prior to the elimination of the Boat Tax that is exactly what was happening. The values in Colonial Beach marinas are a fraction over that of Westmoreland County. That is a fact, that is not a supposition and it not just pondering, it is a fact. Someone can bring a \$5,000 boat to Colonial Beach and pay you hardly anything for personal property tax where that same size boat could cost as much as a \$100,000 and they will keep it in the County. I was hoping this explanation would help with the discussion here. Bringing back the Boat Tax would be the equivalent of 100% of slip increase for some boaters and some marinas here. Everybody knows, especially business owners, that Colonial Beach

with the economic impact cannot support that kind of increase. To bring back the Boat Tax would deliver a message to the Town of Colonial Beach and its boaters that it does not want the new Town business that it has gotten over the last five years. Do we want to be the Town of no Boat Tax or do we want to be the Town of the highest Boat Tax on the river and probably the entire State? No other industry in the Town has a direct impact on all of our businesses as the marine industry. Your previous Economic Task Force, the Chamber of Commerce and the Colonial Beach Foundation all support the continuation of the virtual elimination of the Boat Tax. The general population supports the Town government to increase its efforts to make the business climate better, to attract and retain small businesses. According to the 2008 Comprehensive Plan update and community survey results it shows that an overwhelming support of the population responding to that survey supports economic development and the elimination of the Boat Tax. For example, one question was "If there were two things you would change about Colonial Beach, what would they be"? The number one answer was more economic development, small businesses and retail stores. Another question was, "Should the Town provide additional resources"? Seventy eight percent said yes and these resources were to include: time of administration, a tax incentive for money to attract more businesses. Seventy eight percent said yes. The beaches and water access are ranked number one in importance of this survey. This is an issue that is overwhelmingly supported by the community and also is overwhelmingly important to the community. I hear a lot of statements flying around when you are eating at the local restaurants or standing in line at the Food Lion. Some of the statements are boaters are rich, they can afford the tax. Boaters in Colonial Beach are not any wealthier than any other resident. Boaters chose to spend their money on boating and they have small houses, older cars and take fewer vacations because they want to come to Colonial Beach and spend money. That is what we are here for. We don't have any other industry other than having people come down and enjoy themselves and spend money. Another question I always hear is why are you giving the rich a tax break? The elimination of personal property tax on boats is not a tax break. Boaters have a choice of where they want to birth their boats and like a shopper they are looking for the best value for their money. A good shopper is not going to pay 15% to 100% more to shop in Colonial Beach to buy a slip if they can get it elsewhere. Another statement I hear people talk about and I have heard it from Council Members, boaters do not support the local economy, they just bring food from home and stay on their boats. Later on today in the presentation, you will see several economic impact studies that will address that and put that statement to rest because that is nothing but false. Another statement I have heard from a Council Member is Colonial Beach is a small Town and cannot afford to give away tax dollars. Small towns across the country and those close to us like Kilmarnock have favorable tax and licensing rates which allow the businesses to thrive. The idea that a large county or city has money to waste because they have a large tax base is ludicrous. If anything the cost of dealing with an urban problem will be more costly than less. You must look, in our opinion, beyond the knee jerk and emotional statements of the general public and look at the economic facts and make a decision on those facts. The Town of Colonial Beach is a resort based economy, but the tax burdens are increasingly put on the backs of the residents. The marina industry is a large part of the economic community. Given the opportunity to grow with the existing licensing and tax rates will aid in relieving that tax burden from the residents.

The Town needs to look within itself to solve the budget shortfalls. If the Town cannot eliminate the expenses they should reduce services to citizens. If the public wants to keep the present level of services, then the Town citizens should pay the cost to operate it, not the people who own boats, certainly not the marine industry. Destroying the tax dollar of the future is no way to get your budget satisfied today. A perfect example is if we instituted the sticker last year, you would still have, I heard, up to three quarters of a million dollar shortfall this year. Coming to the boaters and expecting them to solve the economic woes of the Town, won't happen. You may get some additional money now, but next year you will get less and less and less. The more boats that are here, the money is spent and spread around and around and everybody keeps spending money. We hire more people, they spend more money and that entices more people and then they spend more money. The boaters go away and the money is not spent here. You get their tax dollar one time, then you spend that dollar and it's gone and you will never see it again. In your packets, there is a 2008 Economic Impact Report of 490 boats in the Town of Colonial Beach. This report serves as a model that Michigan State University developed. It is a very, very simple model to input. All you do is take the size and type of boat you have in your community, put it into the model and it comes out how those boaters will spend and how that money relates to community and what you can expect in the community. Everyone on Council that I have spoken to has said show me how the boaters can affect the amount of money that comes into the Town coffers. We don't have a lot of money to do a big study on this, but this study was done free online. I think this is very helpful. Other communities have used it. If you look into the fact, it shows that boaters do spend an awful lot of money and it goes around to a lot of different businesses. Boaters of the Town of Colonial Beach contribute to the local economy through spending, upkeep and maintenance of their craft and also spending on their boat trips. Boaters will spend \$2.6 million dollars annually in upkeep alone. That doesn't include fueling. The spending is broken down 19% for storage and slips, 13% for a loan payment, 20% for repair and maintenance, 8% for insurance, 6% on accessories for their boats and 4% on taxes. Boaters will spend an additional \$1.4 million dollars on trips – 2% lodging, 12% marina services, 21% to restaurants, 17% in groceries, 39% for fuel, sometimes that fuel comes from 7-11, sometimes from my fuel dock and 9% for retail. Basically what you are saying here is boaters spend an average of \$8,153 a year in these combined costs. That comes out to \$4 million dollars in expenditures in the Town of Colonial Beach based on 490 boats. It also produces jobs. According to the study, 44 jobs depend on boating spending. If we eliminate boats, we are going to eliminate jobs. If we eliminate jobs, we eliminate the spending that happens in Town. If we eliminate the boater, then the boater can't spend money in Town. If you replace that boat with a less expensive boat, they don't spend as much. For those who want to know how the model was arrived at and the research that makes the models, that is also in there. The complete study with all of the data is in the back and you can also get online. There are individual letters that people have written concerning bringing back the Boat Tax. I don't think it is necessary to read them into the record. I hope that you will take the time to read them.

At this time, Mr. Thomas Murray from the Virginia Institute of Marine Science was introduced. He will explain his study that was done in the City of Hampton. Mr. Schick felt that what makes Hampton attractive could apply here in Colonial Beach. There is

also a study done from the Northern Neck and it relates to the issue of personal property tax for all of the counties in the Northern Neck.

Mr. Murray thanked the Mayor and Town Council for the opportunity to come to Colonial Beach and share some of the work we have been conducting through our Advisory Program. I have to make it clear to everyone in the room that I am representing VIMS, I am not representing the Boat Tax individuals but I do respect all of the individuals and their view points and others who have different view points.

Our role at VIMS whether it is oysters, boating or economic studies, is to try to find objective quantified information so people, like you, have a basis for making decisions. Kyle Schick called me because I have known Kyle since he came to the marina and he had heard about the Hampton Study. He asked me to share with you the findings of the Hampton Study and talk to the people in Colonial Beach about what generated that study and what we found. Even in Hampton the Boat Tax issue is red hot. In 2002, the City of Hampton decided to drop the Boat Tax on recreational boats. The downtown partnership had done a background document which is in the packet as well. That was done in 2002 by a local CPA and some other industry people and civic leaders. That information led to the City deciding to make the plunge and drop the Boat Tax. Five years later, the City realized there was as much pressure fiscally to revisit the no tax situation. It was that interest that caused us to do a full blown study to look at the impacts of recreational boating in Hampton, then look at the change in the economic impact in the City. In January 2003, the tax went out. They wanted us to quantify the economic impact to the City and also the fiscal impacts. We talked about taxes being lost by not collecting personal property tax. It was felt by the trades that they were taxes virtually generated by the boating industry. It was our job to try and tackle those questions. Realizing it was a very challenging issue and it took a lot of time and I couldn't put a 100% of my time on this project we brought in Doug Lipton from the University of Maryland who has done more boating economic studies on the east coast than anyone else. Jim Kirkley, who is a statistician at VIMS with me, is an expert in survey design. There was a lot of money involved but we wanted to make sure that this quantification we did was something people could hang their hat on. The City of Hampton again in 2002 decided as of January 1, 2003 it would drop the property tax on boats. It was our job to go back and look at the changes in the number of factors that were involved. We looked at the number of boats in Hampton, the number of registered boats to Hampton residents and the number of documented vessels which are federally documented large boats that have moved into Hampton since the dropping of the tax. We quantified those changes. The surveys we did with Hampton residents and non-resident boat owners through the 12 marinas in Hampton, documented the average expenditure by boaters by size class. The real take home message is in the City of Hampton, the expenditures are about \$55 million dollars per year on recreational boating for residents and non-residents. The tourist impact is about \$26 or \$27 million dollars. That is where the real economic growth came from for the City of Hampton. It was the non-residents coming in spending their cash flow and that is where the economic growth comes from, where the jobs come from, the tax base. We documented the increase and the number of registered boats based on the average expenditures and we came up with an economic impact from 2002 to 2007. That

is contained in the document. What we found and it is no surprise because we are around marina owners every day, you end up getting about 80% of the economic impact from about 20% of the boaters. Those boats are the ones that are 24 feet, 33 feet and above. Those are the larger boats and are more mobile and according to our survey results are more sensitive to Boat Tax policies, tax rates and assessment evaluation methods. We asked a number of questions in our survey about why people brought their boat to Hampton, what they liked about it, whether it be service, fishing access etc. We ran a number of factors over 2,000 surveys. The results are very interesting for both the residents and non-residents, but particularly the non-residents. Over 80% of them felt the Boat Tax was a major issue in their decision making of bringing their boats to Hampton. It is an expressed view that actually supports the documentation we have with boat registration numbers and documentation numbers. We tried to go at it both ways for the City. On page 2 of the document it shows you a part of the executive summary. It shows you the ropes of economic impact for the City of Hampton for 2002. We estimated it to be about almost \$36 million dollars. The tax went up and as of 2007 the economic impact was around \$20 million dollars. If you go to page 17 of the document, you can see figure 1 and that is the number of boats at Hampton marinas, pre-tax, post-tax, the increase was almost 40% over the period. We have also tried to look at other communities in the Hampton Roads area and how their registration and documented numbers are going. There is a comparison of communities with tax, without tax and the numbers show that the growth in the no tax communities was significantly higher than the taxed communities. There is a model that generates all kinds of economic impacts. Impacts are measured in sales. They are measured in jobs. They are measured in value added income, and also tax generation, what we call indirect business tax, primarily sales, use and excise tax. We obtain the statistics for the City of Hampton and used the model and generated the total increase in tax generation for the State of Virginia from the boating industry in Hampton. With that information, we went back to the City of Hampton with the revenue department and looked specifically of how much of that tax really stuck in Hampton, how much of that \$3.4 million collected really comes to the City instead of going to Richmond. On page 16, it lists the net impact of the City of Hampton. The bottom line is about \$2.3 million dollars in taxes was brought into the City of Hampton by the virtue of the boating activity. The City of Hampton gave up not quite \$400,000 in tax revenue in the year 2002, so they made the decision when they saw sufficient information to show that the increase tax generation was sufficient in their mind to be fiscally responsible to offset whatever was loss by dropping the tax. That is a decision they made based on the findings on the quantifications that we put together and again we took a lot of care in trying to make sure these numbers were highly defensible because we realize it is a real emotional issue. Not every community should have to go through this every time you want to look at a study. I think in reference to what Kyle did on the Michigan State University web using top model, it was done well in terms of boating in the Chesapeake Bay. The average expenditures we found were a little bit higher than what the model shows. The number is low. Having said that, that is really where we came out of the Hampton report. There is another report back in 2002. Actually I did this for the Northern Neck Planning District Commission because Boat Taxes are an issue. All we wanted to do was compare the tax, assess the evaluation methods, the rates between communities in the Northern Neck and that document showed

the level of tax rates. We did some sample boats to match apples to apples for comparison. The numbers are in there. The one thing we were asked to look at was the change in the boat registration because Prince William dropped their tax in 2003. The change in the number of boats registered in Prince William, King George and Stafford were compared and basically Prince William continued to rise 19% over the 1998 level whereas the other counties were level or declined some. I have no reason to believe any of these numbers were askew. We are not looking to beat a dead horse but if there are some things that we can do to add to what you are trying to consider, we will be happy to try and do that. If there are things in the Hampton study that we don't understand, please let us know. We can discuss this as long as you want to and I am happy to answer any questions.

Mr. Schick stated there is a memorandum in which I highlighted some issues which is in the beginning of the packet dealing with Hampton Roads.

Mr. Murray stated the Tax Subcommittee was part of the project. City Council established an advisory committee for our study so we meet with them every month and update them on our findings. The Council oversees the study.

Ms. Payne asked if any of the studies compared, or do you have any information on any comparisons between large communities versus small communities? Does it make a difference on the impact coming in? You talk about comparing apples to apples. It is a little hard to compare Hampton to Colonial Beach. If you have a community that is the size of Hampton obviously, they are going to have more amenities close by that citizens can take advantage of. In a smaller community like ours, we don't have amenities particularly within walking distance unless they rent a golf cart. The fact that we don't have as many amenities and obviously don't have as many slips, do you have any data to quantify whether that would affect how revenue would be coming in?

Mr. Murray responded the more you can get people to spend, the more it is going to impact you. Again, I go back to the question regarding the water quality report and the swimming report and there is a marine service report, a restaurant report and those questions were used in the survey. We have them sorted out rural versus urban, but from what I have seen, particularly Hampton which is a big powerboat town close to the fishing grounds of the Chesapeake Bay and Chesapeake Bay Tunnel, it is it another world up here, you have a lot more sailboats, not just here but in Deltaville. Different people are looking for different products when they boat. The quality of marinas is important, obviously fuel and that type of thing. There are some basic amenities that are a must to boaters. Do you need to have a Busch Gardens here to attract boaters? I can't speak to that.

Mr. Schick stated the model that I presented to you on Page 4, shows the economic impact of 490 boats. The model itself relates to that issue. You can pick one of three different options – rural areas with population less than 100,000. You can also pick the expenditure level – if you were a marina that had no town you couldn't spend much in the area. If you were a marina in Hampton, you would spend a lot. There is a middle

area like Colonial Beach. It is a model for rural, mid-range spending community. The model that it does relate to that a little bit.

Mr. Kennedy stated I have a hard time accepting the statement made by Mr. Ralston, the statement that “boaters and businesses alike have learned not to trust the Town’s dedication to marina’s and boaters owners”. I take a little bit of offense to that. I am a boat owner and we are all trying to work this out. Mr. Schick, twice in a year, I have heard you make the same statement and the next time we meet please come back to me with some idea as to what services to the citizens we are to reduce if any at all. I have to be able to go out and tell the rest of the population that we are going to reduce services to support the taxes and I would like to know which ones we need to reduce.

Mr. Schick responded as I said if the Town’s population does not want to do without the present level of police force, present level of schools, present level of trash pickup and public works, if they want to keep the same level, they have to pay for it. “They” means me and everybody else. I am not suggesting to go without the services and I don’t know where you can cut. I am not privy to the budget. I have no idea what you have already looked at. I am just saying if the Town wants the services, this Town has more services for the small population than any other town in the State of Virginia. We are spoiled. You go to other towns, they don’t have a police department, they don’t have school systems, they don’t have trash pick-up. They don’t have their own public works department. Certainly, none of them have all of them. There isn’t one town that has all of them. When I say to you, if we want to drive a Cadillac, then those monthlies come every month. I am not telling you to cut anything out, all I am saying is if the people of this Town want to continue to have the level of services this government gives them, we have to pay the price and everyone should pay that price, not just an industry or a select part of the population.

Mr. Kennedy stated to talk around this is one thing, but to reduce services to the citizens of this Town that I am responsible to answer to, I need to know what services the Town needs to reduce? I am looking around this room and I see citizens sitting in here who do not live within the Town limits. I don’t have to justify it to them but I have to justify it to the citizens who live in this Town - the citizens that I see everyday in the grocery store and restaurants. Two times in two years you have made this same statement and I asked you about it last year.

Mr. Schick responded I gave you the same response I am giving you now. You have to raise taxes. When you have a \$500,000 deficit, you have to raise real estate taxes. If you cannot cut the budget, the only option is to raise taxes. I don’t know what the budget is and I don’t know if you can cut 5%. I am not privy to your information.

Mr. Coombes stated the budget situation so everyone knows is roughly \$650,000 short for 2010. If we did away with the Boat Tax that deficit would raise to \$800,000. The Boat Tax if we were to put on a Boat Tax, will it come near to satisfying our deficit for next year? We are going to have to do some things and it may very well be we may have to raise some taxes. I was just a little alarmed when you drew the line between

everybody in Town is going to suffer and the boaters are not going to suffer. Somewhere along the line there has to be a happy medium.

Mr. Schick stated the businesses here already pay for their customers. When a customer comes down into the restaurant, they pay a tax. When a customer comes to my marina, they pay a tax. The additional tax that is on boaters for personal property is not the same as paying your fair share. In my opinion when you are paying more than anybody else in the State of Virginia to do the same service, that is not your fair share.

Mr. Coombes asked Mr. Murray to articulate for our benefit, when we talk about Hampton, there is no way we can absorb all of this information you just passed out. Would you talk a little bit about the communities around Hampton, Virginia Beach, Newport News? What is the situation there? Please summarize the impact of no tax that Hampton has on these other boating communities.

Mr. Murray responded the assessment we gave was to look at the impact in the City of Hampton.

Mr. Coombes responded that he understood that but any research effort should also have some inkling in terms of what kind of impact there is on the general region of boating.

Mr. Murray responded the general impact on the region is that it made Hampton more competitive in terms of businesses. There are certain areas of Hampton and Virginia Beach that have no tax. They moved into Portsmouth where their taxes dropped. There has been a whole litany over the last 10 years of changing tax policies.

Mr. Coombes stated they moved in significant numbers is what you are saying.

Mr. Murray responded that is what we documented in the report. The number of vessels in Hampton have nearly tripled over a five year period with the overall in Virginia went up 5% or 6%. The impact is pretty clear.

Mr. Coombes asked do you know why the other communities, Portsmouth and Newport News have not lowered their Boat Tax?

Mr. Murray responded Portsmouth tried it for awhile and it allowed other marinas to develop and expand. My understanding is they are not collecting a tax right now. I am not an expert in every County, but I can tell you that over the years Gloucester and Virginia Beach were waiting to see what happened before they would make a decision. It is competitive.

Mr. Coombes asked if other communities were suffering?

Mr. Murray responded I just told you the boats were leaving the area to go areas with a low tax.

Mr. Coombes stated you said boats are leaving. What is the quantification of it?

Mr. Murray responded it is in the report. You will have to read it.

Mr. Coombes stated he could not absorb all of this right now. I just thought maybe you would know.

Mr. Murray responded your question is very broad.

Mr. Coombes asked are other communities boating communities?

Mr. Murray responded the businesses are at a disadvantage because of the tax issue. We have Gloucester who is losing boats to Hampton. We have boaters in Yorktown that move boats to Hampton. We surveyed all the boaters who have marinas in Hampton and the residents and many of those have chosen to move their boats to Hampton because of the taxes. The extent of what each of those boats represents in economic activity takes awhile. It is the whole inequality of tax rates between communities that creates a real unfriendly mess for the industry people. We don't know what the tax rate is that you could put in that would scare boats away.

Mr. Schick stated what is in your packet is the last thing that I have and I could not get someone from Prince William County to speak on such short notice, but I put in their information. Their tax was eliminated since 1997. I called the County Administrator's Office in Prince William County and asked them what type of information they used to eliminate their tax. Prince William County and Hampton are considering taking the tax off all of their recreational vehicles, rv's trailers, four wheelers, motorcycles and dirt bikes. They are thinking in this economic time of expanding their no-tax policy on recreational vehicles. Something to turn your attention to is Boat Tax Facts. Basically with the whole concept of eliminating the tax, you will bring more money in through expenditures in the local economy than you will collect in the tax. The total tax figure that Hampton was talking about was \$440,000. We are talking about in the Town of Colonial Beach, \$120,000. Hampton is a whole lot bigger than we are. They were talking about a lot smaller tax per boat per population. When you are talking about apples and oranges, \$140,000 is not a real figure. \$100,000 is not a real figure. You will never collect it the first year, you certainly won't the second year. That is a fictitious figure. At your convenience I invite you to read those tax facts and I think you will find that they are not backed up in this document as much as it is in the Hampton Roads document. In the memorandum, I highlighted some things for you. The most important thing that the document says is boats will leave, that is what boaters say and what statistics show when taxes come back. That is what people have asked me, show me the figures. Show me the data. I apologize for piling all of this in one day. My intent was to talk to one or two Council Members at a time so they could digest this information and then bring Mr. Murray up to talk to you at one time, unfortunately you all couldn't do that because your time is strained.

Ms. Payne asked how many people are employed in the marinas around Town?

Mr. Schick responded with the survey done through the Planning Commission, I think it is probably around 30 employees.

At this time the public was asked to speak.

PETER FAHRNEY – 3419 RIVERVIEW DRIVE

Mr. Fahrney stated in 2007 there was an Economic Development Committee and it was composed of representatives of various factions of the community including the Colonial Beach Foundation and our Town Council. One of the final recommendations of the Economic Development Committee was that the Boat Tax remain at its current level at .1 cent per \$100. We were assured when we met over the course of a year with hundreds of volunteer hours that in fact the Economic Development Committee would be heard and would be recognized and would be honored. I think this would go back and be a slap in the face to all of those citizen hours we put in legitimate time to making recommendations which were accepted. My second comment concerns the Colonial Beach Foundation. The Colonial Beach Foundation strongly opposes any measure that the Council may entertain which would decrease retail commerce, restaurant use and real estate in Colonial Beach, thus decreasing the quality of life in Colonial Beach. We construe that an increase in Boat Tax would be one of those things that would decrease the quality of life in Colonial Beach. I personally question, as someone else did the consistency of Town government when in one year you can say we are going to do this because we feel it is good for the long term venture of Colonial Beach and then two years later, say “no” let’s look at that again. Do we have to go through this every two years? Do we have to go through this process of long term planning and development for Colonial Beach every two years because either the Council changes, the leadership changes or the tax base changes. I personally find the personal property tax a repugnant thing. You pay tax when you buy a car, why should you pay tax every year? You pay tax when you buy a boat, why should you pay tax every year? The same thing goes for everything we pay tax on. I would personally urge this Council not to reinstate a heavy boat tax because it is detrimental on many levels and many fashions for the citizens of Colonial Beach.

ART BUSWELL – 2058 MONROE BAY CIRCLE – COLONIAL BEACH

Mr. Buswell stated he is the founding member of the Westmorland Yachting Association and a 15 year member of the Yacht Club, plus I am a boater and proud to be a boater. I am speaking to you this afternoon on behalf of the Commodore of the Westmoreland Yachting Association, Ms. Ruth Lovelace. WYA was formed in 2005 and currently has 50 active members, many of whom live in the Town of Colonial Beach. The impact of actions to return the Boat Tax will present unnecessary hardships for several of our members and will cause several to leave Colonial Beach. WYA has 14 vessels currently docked in the Colonial Beach area. The economic impact of these boats leaving the Town will be felt by several businesses. Other members of the business community are not looking forward to these boaters leaving, as boaters who come to Colonial Beach keep their boat and fortunately they decide they need a golf cart to get around Town. That would be a direct loss to my business. Boaters are a group of people who are

willing to pay for services and they do. They are hard working people who are impacted by the economy of the current time. Singling out this group to cover shortfalls in the Town's budget is inappropriate and unfair. We justify that the means would not be there at the end. "I stand with the area marinas supporters offering my time and experience to assist in looking into reputable and reliable proposals as several other Virginia communities have encountered such as we heard this afternoon and I am willing to be part of a solution to this very sensitive and concerning problem. Ruth A. Lovelace".

CHARLIE ROBERTSON – 15 1ST STREET

Mr. Robertson stated he was speaking on behalf of Edward and Bobby Blount, owners of Bayside Marina, which is an attachment to the Happy Clam Restaurant and Happy Clam Seafood Company. Eddie has asked me to make it clear that he is opposed to reinstatement of any Boat Tax. We have already heard from a number of our slip renters they will leave with the arrival of such a tax. When we see boats come in day after day that tie up and go to the restaurants, go to the seafood market, we know we have something special that is starting to grow and we are beginning to see more and more of the same people. We are just beginning to see people who were with us last year when there was no tax. They are back here again this year because there is no tax. If the Boat Tax comes back, there is a really good chance we are going to lose some friends, some income and for a business who has just invested an awful lot of money just to meet sometimes very arduous and controversial requirements, they have done everything that has been asked of them up to this point. The Blount's would like you to know that they are opposed to reinstatement of the Boat Tax.

DAVE JOHNSON – 220 WIRT STREET

Mr. Johnson stated that he had been with the Colonial Yacht Club for 10 years, and I have seen the club grow. In the last couple of years we have had a couple of people leave and I would hate to see the Boat Tax come back in. Everyone who docks goes to breakfast, lunch and dinner here. Mr. Johnson was opposed to bringing the Boat Tax back.

BOB SWINK – 101 MONROE BAY AVENUE

Mr. Swink stated he was here in hopes that the Boat Tax is not reinstated. You asked us to pontificate. Can you pontificate what advertisement does for you. You know it works, you know people come, but you do not see the last step of what you just said. You ask us to do that and we can show you the same theory that works. These people spend money. You can use the study from the City of Hampton and bring it down to our level. Why would we pay for a study that would cost thousands of dollars when you can use a model that works? It is nothing more than common sense to say the Playground on the Potomac will not be for boaters. Those people will go to Prince William County where they have no Boat Tax. They come here because our slips are cheaper. They come here to spend all of that money they bring and they bring it continuously. People say they bring their food with them, I can tell you for a fact that is not true. They go to every store around here and they love doing it. It is part of their entertainment. They rent golf carts, some have their own. They ride around and spend their money. They hit every restaurant in Town. I think it is wrong. You can look at the boat marinas and the people coming in

and out. If we can't figure out how it works, we are not opening our eyes and looking at the truth. We pay our taxes and we don't want to burden people with more taxes. Look at the Cigarette Tax. You figured that on a theory that you have "x" amount of smokers in this Town. A wise smoker will probably drive to Hall's Market and save a quite bit of money. You need to think about it and not reinstitute it.

CARY GEDDES

Mr. Geddes read a letter from Jon Natelson from Monroe Point. "Please advise the Colonial Beach Town Council that the developers of Monroe Point are opposed to a personal property tax on boats. We are predominantly a second home community, and our residents can keep their boats elsewhere during the winter. But having the option to leave a boat on a lift in Colonial Beach is attractive for many people who are thinking about buying a home and a boat slip at Monroe Point. If there is no personal property tax penalty associated with keeping a boat in Colonial Beach year round, it will be an added incentive to buy a home here and to spend money locally on repair and maintenance. In this market we need to use every incentive we can to sell homes. We hope the Town Council will not take any action that might bring in a few pennies in personal property taxes but will cost many dollars in lost real estate and business tax revenues'. Jon Natelson

MARY VIRGINIA STANFORD – STANFORD'S MARINA RAILWAY

Ms. Stanford stated she has owned Stanford's since 1945. We have always encouraged people to come to our marina. We depend on outsiders for our business. We have had our friends to say if there is a tax on boats, they will leave. Everyone loves our Town and the impression we give to the outsiders is important. I oppose the Boat Tax.

RUSTY CURLEY – 554 LAFAYETTE STREET – WINKIE DOODLE POINT

Mr. Curley stated his family has been in business here since 1932. We are not afraid of competition and the fact that we have other marina's here is a good thing. We are all playing on the same field. To encourage this tax is going to put all of us on a different level of all of the other marinas in Virginia. We have to be able to at least compete. With this tax you can't do it. A friend of mine, Doug Cooper, who owned this building, told me when he had Cooper's Store here how hard it was when WalMart opened and Spotsylvania Mall opened he didn't think he could make it. Then for a year later Colonial Beach had a transit system that would bus people to the Mall. That is when Doug Cooper gave up the store. To me, this tax is our transit bus. You put this tax on us and we are not going to be able to operate. We are not going to be able to compete with other marinas that offer the same thing as us. I would hope that you give this a lot of thought before you put us on that playing field.

With no further discussion, the special meeting of May 14, 2009 was adjourned at 6:50 p.m. at the Colonial Beach Town Center.

Respectfully submitted:

Barbara A. Goff,
Town Clerk

Frederick C. Rummage,
Mayor