



**Minutes of the
Colonial Beach Town Council**

**A Special Meeting
For the Purpose of Discussion regarding
Fiscal Year 2015-2016 Budget**

Thursday, May 7, 2015 at 10:00 a.m.

Colonial Beach Town Center
22 Washington Avenue
Colonial Beach, VA 22443

Present

Mayor, Mike Ham
Vice Mayor, Eddie Blunt
Member, Wayne DiRosario
Member, Burkett Lyburn
Member, Mike Looney

Absent

Member, Tommy Edwards
Member, Wanda Goforth

Also Present

Town Manager, Val Foulds
Town Clerk, Kathleen Flanagan
CFO, Joan Grant

Call to Order

Mayor Ham called the meeting to order at 10:00 a.m.

Roll Call of Members

Mayor Ham announced that all members were present, with the exception of Ms. Goforth and Mr. Edwards.

Discussion regarding Fiscal Year 2015-2016 Budget

Mayor Ham passed out a work sheet.

Mayor Ham reported that, between the town budget and the school costs, there is a deficit of \$404,633. There is a 2% increase over last year's general fund budget and a 9-1/4% increase over last year's school contribution.

Mayor Ham further noted if both the general fund and the school budget were to go up 2%, the deficit would be cut by about \$150,000.

There are two options: either a tax increase or take money out of reserves.

Mr. DiRosario asked what is the cost for the police officers to take home their police cars. Ms. Foulds answered the cost has been estimated at \$3,400 per officer.

Mr. Blunt asked Ms. Foulds if she was aware of any item that could be cut in the police department's budget.

Ms. Foulds answered that several cuts have been made, including cutting the accreditation consultant.

Mr. Blunt then asked how successful the town was at capturing delinquent taxes.

Ms. Grant reported that the collection rate for real estate taxes is between 97% and 98%, which leaves 2% to 3% uncollected, which is approximately \$50,000 to \$60,000.

Ms. Grant further noted that personal property taxes are tougher to quantify because of abatements. Collection of delinquencies in personal property tax is on an upswing.

Mayor Ham reported that in 2013 the town collected \$97,000 in real property taxes; and in 2014 the town collected \$150,000. For 2015 the estimated real property tax revenue is \$92,000.

Mayor Ham then reported that, for personal property taxes, the average collected is approximately \$25,000 per year for delinquent taxes and \$40,000 to \$50,000 per year in penalty and interest.

Mr. Looney asked two questions about the final totals. For revenue, explain why the totals change from under \$6 million to over \$10 million and back to under \$7 million.

Ms. Foulds answered there were several transactions that impacted the bottom line, such as insurance proceeds from the school, the recent bond proceeds and lease equipment proceeds.

Mayor Ham noted that last year the town council passed a \$.04 cent tax increase. Mayor Ham recommends a five-year plan increasing taxes \$.02 cent per year.

Mayor Ham proposed that a 2% decrease on both sides, general fund and school fund, that would cut the deficit from \$400,000 to \$250,000.

Then, a \$.02 cent tax increase would further reduce the deficit by \$100,000. That put the deficit down to \$150,000. The Town Manager would then be able to cut \$50,000 out of the general fund budget. The result would be taking \$100,000 out of reserves.

Mayor Ham then asked Ms. Foulds about the proposed part time position to enforce parking, saying that parking revenue needs to increase by approximately \$3,600.

Mayor Ham then noted that a 2-1/2% cost of living raise is included in the town's budget. Ms. Foulds recommended if council wishes to delay until January to begin the raises, then Ms. Foulds recommends a 5% increase.

Mayor Ham recommends a 2-1/2% raise this year and another 2-1/2% raise next year.

Mr. DiRosario stated that before council passes a tax increase, council needs to close some loopholes, such as out of town real estate agents who do not pay taxes to Colonial Beach and vendors who do not pay meals taxes.

Mr. Looney asked for a systematic study to uncover loopholes. Mr. DiRosario agreed with Mr. Looney. Ms. Foulds noted it would take about 6 months to perform the study.

In response to a question by Mr. Looney Mayor Ham confirmed the school has asked for a 9-1/4% increase over last year from \$3,903,198 up to \$2,297,916. Mayor Ham recommended the school receive \$2,145,682, which is \$150,000 less than their request.

Mr. Looney asked if there is a system in place to help out senior citizens on a fixed income. Ms. Grant answered there is a relief program for both real estate taxes and utility payment.

Mayor Ham answered a question posed by Mr. Looney, saying that a \$.02 real estate tax increase will cost \$20.00 per year per \$100 assessed value, or \$1.56 per month or \$.05 per day.

Mr. Looney asked why the town is being asked to cut \$50,000 and the school system is being asked to cut \$150,000. Mayor Ham noted it was because the school's budget increased 3-1/2 times over the increase in the town's budget.

Tracy Tunstall, Colonial Beach School System noted that \$150,000 is generally 4-5 full time positions that would have to be cut. The budget is based on ADM projections for next year.

Mr. Blunt noted he does not understand why the town, with 45% of its homes owned by out of town property owners, charges such a high personal property tax rate.

Mr. Blunt believes lowering the personal property tax would capture a lot more money from the citizens that currently don't pay the personal property tax.

Ms. Grant noted the Town Manager needs to look at the revenues and if there are any issues especially regarding revenue streams and funding, before making a recommendation on lowering the personal property tax.

Mayor Ham noted personal property tax brings in 10.08 cents.

Ms. Foulds reported that our insurance rate is going up by \$35,000. The increase is based on the value of property, which has gone up.

Mayor Ham summarized saying it will be (1) \$.02 tax increase and \$100K from reserves and shorting the school \$150,000; or (2) \$.05 tax increase and \$100K from reserves.

Mayor Ham recollected that last year's Council advertised worst case scenario. Council needs to decide what tax increase to advertise and look at lowering the personal property tax.

Ms. Grant reminded Council that next year is the scheduled re-assessment.

Mayor Ham noted that a penny increase in real estate tax roughly averages a \$.40 decrease in personal property tax.

Mayor Ham further noted that the budget does not include funds for a new roof for the fire department.

Mayor Ham further reminded Council that the school has requested a \$.05 cent real estate tax increase to fund construction of a new elementary school. Currently the schools pays \$265,000 per year in rent for the mod pods.

Mr. Blunt urged Council members to keep in mind public safety infrastructure needs which will increase as the town grows.

Mayor Ham noted that currently 5% of the money from any town property sold goes into a restricted fund for the fire department.

Recess

At 11:40 p.m. Mayor Ham called a five minute recess.

Reconvene

At 11:56 p.m. Mayor Ham reconvened the meeting and announced that Mr. Edwards arrived to the meeting.

Mayor Ham suggested Council advertise a ‘worst case scenario’ which includes language saying if the town agrees to build a new elementary school building it will take a 5-1/2 cent real estate tax increase that should be earmarked to pay for the new building.

Mr. Blunt agreed, but would also like to see lowering the personal property tax issue remain on the table.

Mr. Lyburn asked Ms. Foulds about the vendor program. Ms. Foulds noted that there is a vendor program that was proposed by Mr. Jay Jarvis that did not make it through the last Council.

Mayor Ham asked Ms. Foulds to email current Council Mr. Jarvis’ proposed vendor program.

Adjournment/Recess

Mr. Lyburn made a motion to adjourn. Mr. Blunt seconded the motion.

At 12:05 p.m. the meeting was adjourned.

Kathleen Flanagan, Town Clerk

Mike Ham, Mayor