Public Hearing
June 3, 2008

A Public Hearing of the Elkton Town Council was held to receive comments on the proposed increases to the Water and Sewer User Rates pursuant to Virginia Code Sections 15.2-2111 & 2119 and the Meals Tax pursuant to Virginia Code Section 58.1-3840, both to become effective July 1, 2008.

OLD WATER & SEWER RATES

Sewer rates are calculated based on water usage. Water Flat rate: $5.00. Sewer Flat rate: $9.00. Water Usage rate: $1.35 per 1000 gal. Sewer Usage rate: $1.80 per 1000 gal.

NEW WATER & SEWER RATES

Sewer rates are still calculated based on water usage. The new rates are universal, with no distinction between customers inside or outside Town limits, subject to the new classifications of users. The new flat rates apply to all users and will include the first 2,000 gallons of water or sewer usage with the water flat rate increasing by $2.70 to $7.70 and the sewer flat rate increasing by $3.60 to $12.60. The new rate structure will include three classifications of users as follows:

The **Residential** water user rate will increase by $1.15 to $2.50 and the sewer user rate will increase by $1.45 to $3.25 per 1,000 gal.

The **Business/Retail** water user rates will increase by $1.15 to $2.50 and the sewer user rate will increase by $1.70 to $3.50 per 1,000 gal.

The **Commercial/Industrial** water user rates will increase by $1.15 to $2.50 and the sewer user rate will increase by $2.20 to $4.00 per 1,000 gal.

MEALS TAX

Chapter 148, TAXATION, Article V, MEALS TAX, Section 40, Levy and rate, of the Code of the Town of Elkton shall be amended to increase the Meals Tax by 2% so that the new rate will be 6%.

The Public Hearing was held at 6:00 P.M., on June 3, 2008, in the Elkton Area Community Center. Mayor Wayne E. Printz presided. The following Council members were present:

PRESENT
M. Dearing
M. Isom
M. O'Neill

S. Sigafoose (arrived late)
T. Pence

ABSENT
D. Kite

Public Hearing

Town Attorney M. Christopher Sigler, Treasurer Clairen Sipe, EACC Secretary Diane Johnson and Clerk of Council Denise R. Monger were also present. Dale Lehnig, Engineer, Anderson & Associates was also present for the meeting.

(A copy of the agenda is appended to these minutes and marked as "Appendix A".)

Mayor Printz noted the public hearing had been properly advertised.

Barry Ecroyd, 17155 Mt. Pleasant Road, Elkton, spoke against the increase in meals tax. He noted his mother was a restaurant owner. In his opinion, the tax unfairly targeted businesses and certain entities. He spoke briefly regarding a recent request he had made to the Town for information concerning businesses with delinquent meals tax and business licenses. He noted five were outstanding on meals tax. As an example, Mr. Ecroyd quoted financial figures from C & S Diner in order to illustrate the expenses of a restaurant in today's market. Additionally, he encouraged collection efforts regarding delinquencies.

Vice Mayor Dearing stated the tax on a meal was paid by the restaurant's patrons and was collected by the restaurant owner. He noted the restaurant's owner had received the tax but had not released the funds to the Treasurer's office thereby causing the delinquency.

Mr. Ecroyd continued that leadership was an issue. He encouraged Council not to isolate one entity for increases. Council member O'Neill responded that the other option of an increase in water and sewer rates addressed the issue since everyone would share an increase. He noted the meals tax was one of the few taxes the state allowed localities to charge.

Mr. Ecroyd noted he had introduced a $900,000.00 project to Council over two years ago in which the only stipulation was that the developer be allowed to build whatever he may want to build. Council member O'Neill noted that he agreed that the Kite property needed to be sold. He noted that Council was reviewing the possibility of selling the property in sections. He also noted the Town owed approximately $5.0 million much of which was tied to the Kite property. He considered the property a capital investment that should pay off capital expenses. Therefore, the new increases were needed to address ongoing operational needs of the Town.

Council member Isom noted she had spoken with Jeff Ecroyd regarding businesses delinquent on their meals tax. She also noted there were five businesses

delinquent. She noted that the Treasurer's office had been diligently addressing those issues with the Town attorney. She was in agreement with the prior statement made by Council member O'Neill in that the increase would pass directly to the patron and in turn the restaurant owner would collect the tax on behalf of the Town. Therefore, noting the tax was increased and not any actual price to the restaurant owner.

Carla Pence, Elkton, Rooster's Restaurant, stated she was behind in paying her meals tax. She briefly discussed the financial status of her business. She noted that business had decreased for a number of restaurants in Town. She noted her compassion for her employees and her desire to provide employment for them. She noted the increase could force a further decrease in business. She inquired if the convenience stores were charged a tax on meals. It was noted those establishments were also charged. Mrs. Pence stated her restaurant was for sale as well as Sheila Cave's restaurant.

Sheila Cave, C & S Diner, Elkton, spoke regarding the decrease in her business on weekends and Mondays. She noted a catering business was providing services for employees at Coors which had also caused a decrease in business at her restaurant. She discussed additional expenses. She noted that patrons did not want to pay any additional money. She noted her last increase of $.10 caused a loss of 10-15 patrons. She asked Council to reconsider the increase.

Richard McGregor, Elkton, stated to restaurant owners that the County currently does not charge a tax on meals, but would in the future. He noted property taxes would also increase. He provided a presentation regarding the proposed increase for water and sewer rates as follows:

During the past ten months the following was noted regarding the water department:

Credits:	$244,069.00
Debits:	$214,733.00
TOTAL:	$ 27,363.00
Electric:	$ 10,830.00
Net Gain:	$ 16,533.00

The electric company had been subsidizing the Town's water for many years.

The Town's upcoming water projects totaled $160,000.00 and that amount could not be funded from a net gain of $16,533.00. Therefore, rates needed to be increased.

Schools cost:	$ 60,000.00
Annexation I & II:	$100,000.00

During the past ten months, the outlook for the sewer department was much more "drastic."

Credits:	$275,689.00
Debits:	$273,002.00
TOTAL:	$ 2,684.00
Electric:	$ 33,180.00
Net Gain:	$-30,496.00

The Town's upcoming sewer projects were listed as:

Pump Station Upgrades:	$200,000.00
I&I:	$250,000.00
Sewer Line (Spotswood Trail):	$400,000.00
Blue & Gold Sewer Line:	$ 12,000.00

The above-referenced figures do not include the $1.2 million sewer plant upgrades needed over the next 2-3 years to meet any expansion. The increase should be passed as the increase would be minimal to citizens using 2,000 gallons or less. The Town should increase rates to demonstrate progress in resolving outstanding issues of compliance with DEQ. The government could step-in and increase rates for the Town if advancement was not satisfactory. Mr. McGregor concluded his presentation by stating that he was also on a "set income" since he was retired and he supported the increase.

Mayor Printz queried if the current proposal would be the first of additional increases. Mr. McGregor responded affirmatively and noted the last increase was in 1993. Mr. McGregor noted all departments would be reviewed.

Mayor Printz stated he would pay a higher bill for his car wash to support the Town. But he was concerned that some increases were almost 100%. He noted the same criteria should be used to evaluate each department of the Town that had been used regarding the water and sewer departments. Mr. McGregor and Council member O'Neill noted that process was on-going.

Mayor Printz noted the electrical department had been used to off-set costs of other departments. He spoke briefly of expenditures in other departments. He noted the electrical rates would increase as well as trash. Further, he noted the State would not raise the Town's rates and that the State could only recommend rate amounts if the Town applied for funding through them.

Vice Mayor Dearing noted the Town would receive a consent order from DEQ. According to the order the Town would perform the upgrades or DEQ could take-over the plant, set rates and perform operations. He noted that no funds were added in the budget for the sewer treatment plant upgrades in which $1.2 million was needed before May of next year. Mayor Printz stated his point was, the funds from the rate increase would not service the debt, but be used to close the budget gap. Council member O'Neill stated that was incorrect. He noted two budgets had been prepared one with the water and sewer treatment upgrades and one without. The latter, had the increased rates added which would generate approximately $150,000.00 per year to allow the Town to secure a

capital improvement loan for $1.5 – 1.9 million to meet commitments made to Rockingham County for the schools, DEQ and annexation obligations. He stated the Town had broken the law regarding the sewer treatment plant and action needed to be taken to correct those issues which were very serious.

Council member Pence briefly spoke regarding the Angler matter.

Vice Mayor Dearing emphasized the amount of stress Town employees have had to endure under the spending freeze. He noted there was no money for simple repairs. He spoke regarding additional problems regarding the water and sewer departments and asked Council not to pass the same issues onto future generations by not addressing the problems.

Mayor Printz noted utility bills were high due to the Town charging high rates for electricity. Council member O'Neill noted the Zoning Administrator position was currently frozen and one maintenance position eliminated and the employee moved to the wastewater treatment plant in order to save money.

It was noted that a balanced budget must be in place by July 1, 2008.

Mayor Printz noted the Town spent $125,000.00 - $145,000.00 more in labor. He was aware of the contract labor issue increase due to the Town performing more jobs in-house. His discussion with the engineers noted that 95% of the problems with the wastewater treatment plant was infiltration but the plant was in relatively good shape.

Council member O'Neill reviewed an extensive list of upcoming expenses for the Town. Both budgets include the following: $60,000.00 for the schools, $10,000.00 water repairs, $10,000.00 sewer repairs. Items not covered unless the water and sewer rate increase would pass to secure funding (sewer): $40,000.00 belt press, $76,000.00 Newtown Rd – Eastside, $63,000.00 Newtown Rd – Westside, $280,000.00 I&I repairs, $12,000.00 Blue & Gold sewer line, $100,000.00 annexation phase I & II, and DEQ fines – unknown. (water expenses): $10,000.00 water repairs, $30,000.00 for schools, $200,000.00 to address flow issues, water tank – unknown. He noted $200,000 in capital projects for water and $1.87 million for sewer capital projects.

Brief discussion took place regarding the sale of the Kite property and how those funds would be used.

Council member Isom asked if Council would borrow money if the water and sewer rate increase took place. Council member O'Neill noted the increase would position the Town to borrow money to remedy the issues identified by DEQ. He noted the rate increase would generate revenue for the Town for future years as well. Council member Isom questioned the funding for any fines levied by DEQ. Council member O'Neill responded several options would be considered.

Vice Mayor Dearing spoke regarding a five year deadline for the annexed areas of the Town. He noted that obligation needed to be fulfilled this year. He briefly spoke regarding the Community Center and Pentecostal Hill.

Mayor Printz noted various philosophies exist regarding the Town's current financial situation. He spoke regarding the hardships businesses faced and noted that the Federal Government overspends. He disagreed that the Community Center debt should be paid from the funds of selling the Kite property. He stated the County should take responsibility to assist with the center and was of the belief they would do so. He stated the Elkton citizens should not be responsible for county expenses. He urged everyone to work together. He did not support raising rates.

Vice Mayor Dearing spoke regarding the amount of funding the County had already given the Town to support the Community Center. He noted the electric bill for the center was approximately $60,000.00.

Additional items discussed: meeting with County and annexation areas.

As there were no additional business, **Council member O'Neill moved, seconded by Vice Mayor Dearing and carried to close the Joint Public Hearing.**

YEAS: M. Dearing, M. Isom, M. O'Neill, T. Pence, and S. Sigafoose

NAYS: None

VOTE: (5 – 0 roll call) Motion carried

APPENDIX A

NOTICE OF PUBLIC HEARING
TOWN COUNCIL FOR THE TOWN OF ELKTON
TUESDAY, JUNE 3, 2008 at 6:00 p.m.

A Public Hearing will be held in the Council Chambers at the Elkton Area Community Center, Stonewall District located at 20593 Blue & Gold Drive, Elkton, to receive comments on proposed increases to the Water and Sewer User Rates pursuant to Virginia Code Sections 15.2-2111 & 2119 and the Meals Tax pursuant to Virginia Code Section 58.1-3840, both to become effective July 1, 2008.

OLD WATER & SEWER RATES

Sewer rates are calculated based on water usage. Water Flat rate: $5.00. Sewer Flat rate: $9.00.
Water Usage rate: $1.35 per 1000 gal. Sewer Usage rate: $1.80 per 1000 gal.

NEW WATER & SEWER RATES

Sewer rates are still calculated based on water usage. The new rates are universal, with no distinction between customers inside or outside Town limits, subject to the new classifications of users. The new flat rates apply to all users and will include the first 2,000 gallons of water or sewer usage with the water flat rate increasing by $2.70 to $7.70 and the sewer flat rate increasing by $3.60 to $12.60. The new rate structure will include three classifications of users as follows:
The **Residential** water user rate will increase by $1.15 to $2.50 and the sewer user rate will increase by $1.45 to $3.25 per 1,000 gal.
The **Business/Retail** water user rates will increase by $1.15 to $2.50 and the sewer user rate will increase by $1.70 to $3.50 per 1,000 gal.
The **Commercial/Industrial** water user rates will increase by $1.15 to $2.50 and the sewer user rate will increase by $2.20 to $4.00 per 1,000 gal.

MEALS TAX

Chapter 148, TAXATION, Article V, MEALS TAX, Section 40, Levy and rate, of the Code of the Town of Elkton shall be amended to increase the Meals Tax by 2% so that the new rate will be 6%.
Information regarding the proposed increases for the water and sewer rates and the meals tax and the complete text of the ordinances may be obtained in the Elkton Treasurer's Office located at 173 West Spotswood Avenue in Elkton.