

**MINUTES OF THE MAY 14, 2024
BUDGET AND PERSONNEL COMMITTEE MEETING
Council Chambers**

Members Present:

Mr. Christopher Bott, Chairman
Ms. Denise Bowden, Councilwoman
Mr. William T. McComb, Jr., Councilman

Members Absent:

None

Other Members Present:

Mr. J. Arthur Leonard, Mayor
Mrs. Ellen Richardson, Councilwoman

Staff Present:

Michael T. Tolbert, Town Manager

Call to Order

Vice Mayor Bott called the meeting to order at 6:00 p.m.

Public Comment

Vice Mayor Bott opened the floor for public comment.

- Mrs. Patricia Farley, 3243 Lisa's Lane, addressed short-term rentals and the balance on the Island. She feels there are pros and cons to the increasing numbers of rentals and inequity. She commented on rental owners not paying their fair share in taxes. She asked if they are required to pay a business tax.

Town Manager Tolbert advised they are required to have a Business License and they pay Transient Occupancy Tax. He explained that the Business License is based on the gross receipts with a \$500 cap.

Mrs. Farley stated that in addition to the Transient Occupancy Taxes, which the renter pays, along with any business taxes that the rental companies pay, the owners are required to have a business license.

Town Manager Tolbert stated they are required to have a Business License. The Building and Zoning Administrator looks at the property which is required to have parking. He will also call the Health Department to see what the particular structure is being proposed as an STR is rated for and the number of bedrooms. This is the number of bedrooms the Town puts on the Business License specifically that they're allowed to rent.

Vice Mayor Bott asked if this was still being heavily tracked.

Town Manager Tolbert stated that if you start renting a property, the Town looks at the advertisement and if they don't have a Business License the Town will call and advise.

Mrs. Farley mentioned the issues with VRBO and AirBnB.

Town Manager Tolbert explained the VRBO and AirBnB reporting and lack thereof.

Mrs. Farley is grateful they are exploring to increase the quality of life in their neighborhood.

- Mr. Lance Sticher, 4101 Main Street, Seaside Vacation Rentals and Sales, gave a handout on occupancy rates. He explained that some of this is strictly his data from 2021 to date. Some of the data is compiled through AirBnB and VRBO. He reviewed the handout stating that they are not currently seeing the boom they did in 2022. He commented about rentals and reviewed the data from Accomack County. There are a lot of AirBnB and VRBO rentals that have come onto the market since 2020. He feels this will correct itself over the next few years and normalize. He feels that supply outweighs the demand.

There was further discussion about the number of STRs from 2020 to date.

Mr. Sticher also added information that the state of Alabama passed a bill that would revert the collection of the taxes back to the property managers.

- Mrs. Tina Zoller, 3454 Main Street, recently heard that there was a suggestion of a 2-tier Transient Occupancy Tax. She commented on the number of short-term rentals. She stated that all they have to do is sit on her front porch, to see that their roads are being used far more than they ever were in the past. She knows that not everyone's short-term rental is occupied. It locks out the people looking for long-term rentals and it's difficult for young people to rent in a town they grew up in. She would prefer a community of long-term rentals more so than short-term rentals because those people are a part of our community. Also because of the damage to the Town's roads, and it's an increase to the resources of police, fire, and ambulance. There is an influx of accidents, calls, and problems. The Town has to increase personnel and there should be a better tax structure for this.

- Mrs. Patty Woodhurst, Coastal Shore Vacations & Chincoteague Resort Realty, stated she is glad this is on the agenda. They are here to be involved in that process, share their information, and to help give examples, good and bad, of meeting community needs for permanent residents. She stated she can see many different ways that a governing body can try to reign some of that in. She likes to work together and doesn't like to be at odds, but she gets it. She stated that their overall numbers are down 2%. She feels they'll see more last-minute (under 30 days) bookings, but it's hard to judge how much of that they'll see. She sees this as a trend in the market. People are waiting until the last minute to get a good deal. She stated that a lot of people want to come to Chincoteague. You'll see some very expensive vacation rentals. They are committed to helping the community come to a happy medium.

Agenda Adoption

Councilwoman Bowden motioned, seconded by Councilman McComb to adopt the agenda as presented. Unanimously approved.

Review of Transient and Meals Tax Ordinance

Vice Mayor Bott advised this topic is to open discussion and look into what they can and can't do, what they are currently allowing themselves to do and try to get some education going out there. He added that at the last budget session they did not equalize the real estate tax. They have a lot of expenditures that have increased in FY25, specifically employee wages. It's time to look at the revenues to make sure they are covering the budget. They are going to review the current ordinance.

Town Manager Tolbert stated that currently the Town collects 5% Transient Occupancy and 5% Meals Tax. The allocation of the Transient Occupancy Tax is to the general fund, but recently the Budget and Personnel has decided to commit \$350,000 will go toward Public Safety salaries. They also committed 100% of the Cigarette Tax toward Public Safety salaries. 5% of Meals Tax goes towards funding the Chamber of Commerce and 5% goes towards funding the Civic Center. Meals Tax is collected on all prepared fresh nonpackaged food from venues, food trucks, food carts, and all those things that collect Meals Tax. The Transient Occupancy Taxes are collected on motels, hotels, bed and breakfasts, and short-term rentals. For FY24 the estimated revenues for Meals Tax are \$1.3 million, the Town will exceed that number in May, and in March exceeded the estimated \$2 million in revenue for Transient Occupancy Tax. For FY25 the estimated number for Meals Tax remains the same at \$1.3 million, and the estimated number for Transient Occupancy Tax is \$2.2 million. These estimates are done conservatively as they are based on the number of people visiting the Island.

Review STR Tax Options

Town Manager Tolbert stated he has asked the Town attorneys for an opinion. He advised the attorneys that he read the State Code several times and it is confusing. He asked if it would be legal for the Town to increase Transient Occupancy Taxes above 5% without a specific exemption by the General Assembly. They responded that the key to the difference is between towns and counties. The current State Code allows counties to collect Transient Occupancy Tax, but not towns. However, there is an exemption for towns that were collecting Transient Occupancy Tax prior to the change in law. Since the Town of Chincoteague is one of those towns, they can collect Transient Occupancy Taxes in addition to the County. There is also a thing called tax layering in which a town within the jurisdiction of a county is allowed to collect that tax and prohibit the county from collecting the tax at the same time. He explained that the County cannot collect Transient Occupancy Taxes on Chincoteague without the Town of Chincoteague's permission. He advised that the permission was given to the County to collect Transient Occupancy Taxes within the Town limits back when the Town was annexed in 1989. At that time, a 2% Transient Occupancy Tax was granted to the County as part of that deal.

Vice Mayor Bott asked if the 2% was in perpetuity or were there any guidelines.

Town Manager Tolbert stated that he understands that it was in perpetuity. He stated he would do the research.

Vice Mayor Bott thinks that it determines if they have an option as well or leverage the option.

Town Manager Tolbert advised that was the opinion of the attorneys who gave passages from the Town's Charter, and opinions from several Attorney Generals all stated that the Towns do have the right to collect that tax. He showed a list of counties that were allowed prior to the change. He stated he also asked if it was legal to increase the tax on short-term rentals and not traditional hotels or BnBs. They have found no specific provision of the Code that allows or prohibits differentiating between Transient Occupancy and STRs. Therefore, their opinion is that there is nothing that says you can't, so you could if you wanted to. They cautioned that for the Town to apply it, the Town would have to clearly differentiate between STRs, hotels, and motels which should not be an issue because the Town has those records. He also asked that in the State Code Section 58.1.3819 states that any tax collected in excess of 2% would have to be dedicated to tourism promotion. The Town currently doesn't meet this threshold. He asked if there are any exemptions to this rule and are they currently legal in this respect. He was referred back to #1 that states that section of the Code only pertains to counties not towns. Their opinion is that yes, the County would have to follow that and have to publish on their website what they do with the extra tax money if they're allowed to collect the excess of 2%. The Town is not beholden to this part of the Code because it is only for counties and not towns.

Councilman McComb asked if it was in excess of 2%.

Town Manager Tolbert read; "anything in excess of 2% collected has to be dedicated toward tourism". Accomack County collects 2% from Chincoteague, but 5% throughout the rest of the County. He also provided a list of Transient Occupancy Tax rates throughout the state. Some exceed 5%, some add a flat fee per night per dwelling. Cape Charles does this as well along with Virginia Beach.

There was discussion about possibly charging a fee per room per night, the current real estate tax revenue, and they're a resort town who rely on this but at the same time they have to take care of the people who live here. They want the visitors and depend on them but also know how taxing it is. There was also discussion about making different classes for Business Licenses and real estate taxes.

Vice Mayor Bott feels you have to look at this across the board including short-term, and campgrounds.

Review Employee Health Care Costs

Vice Mayor Bott wanted to get an idea of the two different plans.

Town Manager Tolbert reviewed the recent healthcare proposal advising it originally came it with an increase of 11%, he counteroffered at 5% and they agreed. He reviewed the specifics of the PPO and HSA plans.

They further discussed and commented on the differences.

Closed Meeting

Closed Meeting pursuant to §2.2-3711 A (1) of the Code of Virginia for review and discussion of specific personnel performance.

Councilwoman Bowden, seconded by Councilman McComb to go into a closed meeting pursuant to §2.2-3711 A (1) of the Code of Virginia for review and discussion of specific personnel performance.

Ayes: Bott, Bowden, McComb

Nays: None

Absent: None

Certification of Closed Meeting in Accordance with §2.2-3712(D) of the Code of Virginia.

Councilwoman Bowden, seconded by Councilman McComb to certify that to the best of each Committee Member's knowledge:

- 1. Only public business lawfully exempted from open meeting requirements was discussed and**
- 2. Only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed, or considered.**

Unanimously approved.

Ayes: Bott, Bowden, McComb

Nays: None

Absent: None

Adjournment

Councilwoman Bowden, seconded by Councilman McComb to adjourn the meeting.

Unanimously approved.