

**Town of Bethany Beach  
Budget & Finance Meeting  
March 4, 2016 –10:00 a.m.**

The Bethany Beach Budget & Finance Committee held a meeting on Friday, March 4, 2016 at 10:00 a.m. in the Town Meeting Room.

Present: Chuck Peterson, Joseph Healy, Denise Boswell, Martin Decre, Patrick McGuire, Philip Rossi and Jerry Dorfman.

Also present: Lew Killmer, Rosemary Haridman, Charlotte Frye, Cliff Graviat, Town Manager and Janet Connery, Finance Director;

Mr. Peterson called the meeting to order at 10:00 a.m.

**Approval of the Agenda**

Mr. Healy made a motion to approve the agenda. Mr. McGuire seconded the motion and it was unanimously approved.

**Approval of the Minutes from January 28, 2016**

Mr. Healy made a motion to approve the minutes. The motion was seconded by Mr. Decre and unanimously approved.

**Discuss the FY 2017 Draft Budget**

The Committee was given the following list of the changes made to the draft budget since the January 28, 2016 meeting.

- Capital Budget - \$190,000 total increase
  - \$170,000 increase for continued improvements to the Blackwater Road property.
  - \$20,000 increase for construction of a police shooting range at the Blackwater Road property.
- Revenue Budget - \$22,000 increase to adjust revenue expectations closer to current year results.
- Operating Budget – \$20,000 total increase
  - \$38,000 increase to hire an additional full-time Public Works employee.
  - \$27,000 decrease from a reduction in estimated costs for FY 2017
  - \$5,000 increase for purchase of a digital sign for bandstand performances and other notices
  - \$4,000 increase for the police department to equip the command center.

The resulting budget complies with the town's policy on reserves.

- \$8.8m Revenue
- \$7.4m Operating Expenses
- \$1.1m Capital Projects and Purchases
- \$0.5m Debt Repayment

Mr. Gravier added that there may be another addition of \$15,000 for emergency communication. This would be for purchase of a portable satellite system in case of loss of cellular and also a Verizon standalone cellular unit.

### **Discussion**

Mr. Healy expressed his concerns about the Town's Enterprise Funds possibly operating at a loss. He said the Sanitation fund reported a \$20,000 profit in FY 2015 but he projects it will show a loss of \$40,000 in FY 2016 and \$60,000 in FY 2017 as budgeted. He said the Water fund reported a \$134,000 loss in FY 2015 and projected a \$12,000 gain in FY 2016 and a \$118,000 operating loss in FY 2017 as budgeted. He recommended that we revise our rates to make both the Enterprise funds profitable.

Mr. Healy also recommended that the Town create a fund for beach nourishment. Discussion followed that this needs to be handled at the Federal, State and County level. There was some discussion of the current beach and dune situation, but that there is little that the Town can do alone. Mr. Gravier said that the beach is wide but low so we may need to add steps to improve access for the coming summer.

Mr. Peterson proposed including funding for the Storm Emergency Relief Fund (SERF) in the budget that the Committee is recommending to Town Council. He proposed increasing the Rental Tax rate from 6% and 3% to 6.5% and 3.25% to generate \$100,000 per year from summer visitors, increasing the Property Tax rate from 17.5¢ to 18.5¢ to generate \$100,000 per year from property owners, allocating \$0.25 of the hourly parking rate to SERF starting in FY 2020, once the Garfield Parking lot is paid off and on an annual basis considering additional funding from Transfer Tax and Building Permit revenue in excess of budgeted.

Mr. Peterson said he prefers the property tax rate increase to a flat fee per property as the former would be tax deductible. The rental tax rates of nearby towns are 3% for Rehoboth, Dewey and Fenwick Island, 5% for Lewes and 8% for South Bethany so this would not make our tax the highest. This proposal would bring the SERF fund to around \$4 million after ten years. There has not been a decision on how much should be held in the fund because this depends on how much support FEMA will provide in future years, which is not known.

Mr. Peterson made the following motion:

*The Fund Balance Policy the Town Council adopted in 2010 allows the Bethany Beach Town Council to create funds for specific purposes. The Policy further states the Town Council can create and maintain those special purpose funds through the budget process. In the past the Budget and Finance Committee has recommended the formation of these Specific Funds and I do so again today.*

*I move that the Budget Committee recommends to the Town Council that the Town create a Storm Emergency Relief Fund. That the fund will be used for cleanup, repair of infrastructure, replacement of equipment and other Town owned property and also operating expenses, if needed, in the aftermath of a significant weather event.*

*I further recommend that the fund be financed in the following manner:*

- 1. Increasing the Rental Tax rates to 6% and 3.25%*
- 2. Increasing the Property Tax rate to 18.5¢*
- 3. Allocating \$200,000 of parking revenue to the fund annually starting in FY 2020*
- 4. Annually considering additional funding from revenues in excess of budget*

The motion was seconded by Mr. Decre and unanimously approved.

Mr. Dorfman made a motion to add these changes to the FY 2017 proposed budget and recommend its approval to Town Council. The motion was seconded by Ms. Boswell and unanimously approved.

**Motion to Adjourn**

The meeting was adjourned at 10:53 a.m.