

Town of Bethany Beach
Budget and Finance Committee Meeting Minutes
January 19, 2012

The Bethany Beach Budget and Finance Committee held a meeting on January 19, 2012. The following committee members were present: Jerry Dorfman, Chairman, who presided: Joseph Healy, Philip Rossi, Denise Boswell, Chuck Peterson, Tom Dugan and Jerry Morris.

Also in attendance were : Cliff Graviet, Town Manager; Janet Connery, Finance Director; Tony McClenny, Mayor; and Council members Jack Gordon, Lew Killmer, and Carol Olmstead.

Mr. Graviet opened the meeting by explaining that for many years during the budget process staff has looked at costs and tried to find ways to improve efficiencies. The Town has been way ahead of the curve. We are financially stable and a solid community. Department managers are directed to look for ways to save money. The fact that the Municipal Cost index increased 16.3% in the past five years while town costs only increased 7.4% reflects our efforts to control costs.

Review results of the 3rd quarter of FY 2012

Ms. Connery presented a quick review of the third quarter of FY 2012 since significant items were discussed in depth at the October meeting as follows:

Revenue

Regarding transfer tax, as of yesterday, we have received \$384,000 of the \$500,000 budgeted. February and March are usually low months so we may end the year \$100,000 under budget in this revenue and in total for the General Fund. Since this revenue is used to fund capital projects the effect of ending the year under budget just limits funds for new capital improvement projects. Building Permits and Water Impact fees are also lower this year than usual indicating a slow-down in construction. Building permits should reach the amount budgeted but Water Impact fees may not.

Operating costs

Significant cost increases occurred in Parking, Sanitation and Administration. Parking Department costs were higher from fully implementing parking pay stations and from the addition of new parking lots. Costs in Sanitation increased due to new regulations on recycling and yard waste and also some increased repair costs to some older trash trucks. Administration cost increase related mainly to IT upgrades, such as replacing the Town Hall network server, replacing desktop computers, and recording of council meetings.

Discuss the draft budget for FY 2013

Ms. Connery reviewed the packet that was sent to committee members including the draft proposed budget and the operating budget detail. Each of the three funds were presented separately as follows.

General Fund

The draft budget for General Fund Revenue includes only a few changes and adjustments.

Total Parking revenue budget increase by \$45,000 from a new fee is being proposed. The text of the fee is "Pay station fee. Charged per transaction at a parking pay station. Waived for cash payment". This fee is to help recoup the costs of operating the parking pay stations, particularly the cost of processing small dollar credit card transactions. The average amount charged this past summer was \$3.78 and for a charge that size the town pays around \$0.34 in fees. The proposed budget for credit card fees is \$60,000, so this fee would recoup 75% of town's costs and directly tie the cost of the service to the users of the service.

The Rental Tax budget is increasing by \$20,000 so that we budget for next year slightly less than what we expect to receive this year. This year we expect to receive \$980,000.

Total General Fund revenue increase in this draft budget of \$65,000, however the General Fund operating budget is increasing by \$119,000.

Discussion

Mr. Dugan objected to the pay station fee. He felt it was a nuisance tax and not appropriate.

It was discussed how the Town ensures that the summer season pays for itself and this fee would be a way to avoid raising other summer fees.

Mr. Dugan asked about green energy initiatives, specifically vehicles. He was informed that currently the Town has a grant to place solar panels on the roof of Town Hall.

Mr. Killmer noted that becoming more "green" is in the Town's Comprehensive Plan.

Mr. Gravier explained that all facilities were recently reviewed for energy efficiency and grant funds are being used to increase those efficiencies.

Mr. Peterson added that it is quite costly to build the facilities to supply natural gas or propane vehicles so the cost/benefit of this is not good for our size.

Mr. Healy said he thought \$500,000 was too much to budget for transfer tax since we only predict collecting \$400,000 in this current year, he proposed reducing it to \$400,000.

Mr. Gravier reminded the committee that just a few years ago it was criticized for budgeting so much less than was actually collected, back when we were collecting \$800,000 per year.

Mr. Healy reduced his recommendation to \$450,000. He so moved. Mr. Dugan seconded the motion. The motion was approved with a 4-3 vote. Yea - (Healy, Dugan, Morris, Boswell). Nay - (Dorfman, Peterson, Rossi).

Ms. Connery continued to present the operating budget, stating that the draft budget for General Fund operating costs includes \$119,000 in increases mainly in 2 departments.

\$81,000 of the increase is in the police department. Of this, \$36,000 is in salaries to increase police officer salaries to rates comparable to other towns to improve hiring and retention of employees with an additional \$10,000 in related other employment costs such as pension, social security and worker's comp. \$23,000 of the increase is to convert the Public Safety Director position, which was 50% funded by the police department, to an additional full time officer who will oversee training, more closely supervise seasonal officers and pick up some of the duties of the former Public Safety Director.

\$28,000 of the increase is in Beach Patrol, most of which is an increase to seasonal pay rates to remain competitive with other towns, particularly Rehoboth Beach. Lifeguards typically try out for several towns and take the highest offer. Hiring and retaining sufficient lifeguards was difficult this past summer. Rehoboth recently increased its starting pay rate to \$11.80 per hour and this increase would let the town stay competitive.

Parking shows only a \$2,000 increase, but this is net of several significant increases and decreases. Increases in credit card fees and printing and binding. Decreases in removing the FY 2012 one-time item of graveling the new lot and personnel for removal of 50% of the Public Safety Director position.

This budget also includes a 3% raise for full time, non-management employees other than police officers. Management raises will be dependent on how summer revenue turns out. This is how it was handled in the current year and managers did not receive raises this year. The budget allows for a 15% increase in gas prices, and a 10% increase in health insurance costs.

When all significant increases and decreases in the budget are compiled they show that of the \$119,000 total increase, \$63,000 is specific to the summer season and \$56,000 related to year-round operations. The draft revenue budget includes \$65,000 in summer specific revenue increases, but nothing to cover the increase in year-round related costs.

Discussion

Mr. Graviat clarified that the police officer salary proposal is a 9% total increase between this year and next. This would bring our pay rates to comparable with Lewes, Rehoboth and New Castle City. He stated that the police department does have the option to use FOP arbitrators to negotiate compensation. Our Town is the only municipality in Delaware that has a police department that is not unionized.

Mr. Gravier explained that changing the former Public Safety Director position to a Police Department administrative position is restoring the department to its former number of 8 patrol officer, the chief and an administrative position. He added that 4.3 officers are necessary to put 1 officer on the streets 24 hours per day.

Mr. Dugan questioned the Town's practices with regards to health care insurance.

Mr. Gravier explained that the Town's health care costs have remained the same over the years, because the Town diminished the type of coverage offered to employees such as having higher deductibles and co-pays.

Ms. Connery recommended that the committee consider a small property tax increase to cover the \$56,000 increase costs not related to the summer season. Information given includes:

- When the property tax rate was increased from \$0.08 to \$0.16 in FY 2008 it was the first increase since FY 1990. At that time the Town Council agreed smaller incremental increases would be preferable in the future.
- In FY 2010 the property tax rate was increased by \$0.05 to \$0.165. This was a 3% increase after two years, or an average increase per year of 1.5%.
- The proposed \$0.05 increase for FY 2013 after three years works out to an average increase per year of 1.0%.
- This 3% property tax increase will mean an increase of less than \$15 per year for most property owners.
- Will generate an additional \$49,000 in revenue.

Discussion

Mr. Dorfman read the following prepared statement into the record:

As we look at the 2013 budget I would remind the Committee that we last raised property taxes 3 years ago by ½ cent. This followed by two years an increase of 8 cents per \$100 assessment. That increase was deemed necessary because the property tax had not been raised in the prior 18 years.

In the ensuing years the Committee has looked at either the keeping the property tax rate the same, or possibly recommending an increase.

It is my opinion that we are in need of some additional revenue for the 2013 F/Y budget. In order to bring our Police dept. salaries in line with the surrounding towns of Rehoboth and Lewes, as an example we would need a ½ cent increase in RE taxes to cover that cost. The budget before you includes an increase to cover that salary increase.

Our country is in a recession that has caused many other towns and cities to cut back on services and layoff personnel. Thus far we have been very fortunate to have a administration that has kept us well within our budgets, and kept the services that the town provides the citizenry at a top notch level The Budget & Finance Committee looks each year at the budget and decides whether to recommend an increase or not to the Town Council. This coming F/Y,

it is my opinion we should recommend a ½ cent increase per \$100 RE assessment to the Council.

I open this up to the Committee for comment.

Mr. Healy spoke in favor of this increase.

Mr. Peterson said that we have made many cuts, the amount is reasonable and he supports it.

Mr. Morris said it is reasonable and asked a few questions about when we last assessed properties and was answered that the cost of re-assessing is quite high and cannot be tied to an increase in the same year.

Mr. Rossi spoke in favor of the increase.

Ms. Boswell felt that it should be tied to specifics rather than general increases.

Mr. Dugan was against the proposed increase.

Mr. Peterson responded by asking Mr. Dugan what he would recommend cutting.

Ms. Olmstead said that we did not increase for many years because the town had started to rely on transfer tax revenue, which has sharply declined.

Ms. Boswell questioned the low amount charged by the trolley,

Mr. Gravier responded that there was resistance to the suggestion to increase the fee to cover more of the cost since residents and visitors like to use the trolley frequently for the low cost.

Mayor McClenny stated that, while he is generally against property tax increases, he would rather pay half a cent more than reduce the high quality of life in this down.

Ms. Connery continued her report on the draft budget on the remaining two funds.

The proposed Sanitation Revenue budget is the same in total as the current year. Operating costs are budgeted to decrease \$45,000, mainly because the bulk of the start-up costs related to recycling and yard waste were budgeted in FY 2012. The line item for Recycling Carts and Dumpsters was budgeted at \$103,000 in FY 2012, though a State grant picked up most of this cost. We are expecting to need to purchase another \$60,000 in recycling carts and dumpsters to implement the second phase of the recycling law, which is providing service to multi-family units by January 2013.

The Water Fund revenue budget is remaining the same and water operational costs are increasing 1.9%.

Review the financial statements of the Delaware Public Employees' Retirement System

Mr. Healy presented the letter he wrote to David Craik of the State Pension Office. He stated that, while there is still an unfunded accrued liability, the percentage funded has improved and the pension is well run. The committee voted to support sending the letter.

Discuss brokered CD arrangements

Ms. Connery explained that this is on the agenda so the committee is aware and has a chance to comment. Our Investment Policy requires that banks collateralize deposits in excess of FDIC coverage. This places an extra burden on the bank so they usually pay a lower interest rate on collateralized CDs.

With a brokered CD arrangement we would have a securities account set up with a local bank. The bank would provide us with a selection of CDs they can offer from various other banks. We would then direct our bank to invest in the CDs we select in amounts under the \$250,000 FDIC coverage. We would only need corporate resolutions and signature files at the single bank, who will provide us with a single report on all investments.

Having this account set up would allow us to be more flexible when investing to try to improve the interest rate earned. We would continue using collateralized CDs and Money Market accounts when competitive, but this arrangement would be a good tool to maximize our investment income while keeping risks low and complying with our Investment Policy.

The committee supported entering into an arrangement.

The next meeting is scheduled for Thursday 2/16 at 10:00 a.m.