

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

The Bethany Beach Budget and Finance Committee held a meeting on Thursday, July 19, 2012 at 1:00 p.m. at the Bethany Beach Town Meeting Room, 214 Garfield Parkway, Bethany Beach, DE 19930.

Members present: Jerry Dorfman, who presided; Denise Boswell; Tom Dugan; Joseph Healy; Jerry Morris; Chuck Peterson; and Philip Rossi.

Also present: Janet Connery, Finance Director; Cliff Gravier, Town Manager; Mayor Tony McClenny; Councilpersons Lew Killmer, Carol Olmstead and Margaret Young; Lindsey Good, Administrative Secretary; and interested members of the public.

Call to Order

Mr. Dorfman called the meeting to order at 1:00 p.m.

Approval of the Agenda

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

Approval of the Minutes from February 16, 2012

Mr. Healy made a motion to approve the minutes dated February 16, 2012. Seconded by Ms. Boswell, the motion was unanimously approved.

Final Review of FY 2012

Ms. Connery referenced to the page “Results of Fiscal Year 2012 with Comparison to Budget and Prior Year” and reported that FY 2012 was a good year, but not a great one.

Revenue

Ms. Connery reported the following:

- Real Estate Transfer Tax ended the year \$20,000 under budget and \$337,000 less than last year.
- Rental taxes were \$45,000 over budget and about the same over last year.
- Trash fees were an increase from the prior year from the fee increase being in effect the full year.
- Water use revenue was down from the prior year, this revenue always varies a bit year to year.
- Water impact fees were lower from a decline in construction on previously unimproved properties.
- Overall revenues ended the year \$29,000 over budget.

Operating Expenses

- The General Fund ended the year two percent (2%) under budget and seven percent (7%) higher than the prior year. As discussed at prior meetings, the main reasons to cost

increase were the new fulltime I.T. position, new parking lots, and pay station credit card fees.

- The Sanitation fund ended the year nineteen percent (19%) under budget and nineteen percent (19%) higher than the prior year from new regulations on recycling and yard waste.
- The Water fund ended the year ten percent (10% under budget and two percent (2%) lower than the prior year from fewer repairs needed and less in chemicals.
- In total, operating costs were \$310,000 less than budgeted.

Ms. Connery stated that the draft financial statements are being finalized next week. The Audit Committee held a meeting last week with the external auditors and they reported that the audit went very well. They also said that that Town continues to be in much better financial shape than other municipalities, and they had no suggestions on ways for the Town to improve.

Mr. Peterson expressed that Ms. Connery did a great job working with the external auditors.

Review 1st Quarter of FY 2013

Ms. Connery referenced the page “Review of the 1st Quarter of FY 2013 in comparison with the 1st Quarter of FY 2012” and gave the following report:

Revenue

- Property taxes increased \$57,000 mainly because we increase the tax rate half a cent.
- Licenses and permits decreased \$30,000 from fewer building permits for large products.
- Parking revenues have increased \$61,000.
 - Annual permits are \$23,000 higher from the fee increase. The Town budgeted for an increase of \$28,000.
 - Meters and Pay station revenues are \$40,000 higher. \$15,000 to \$20,000 of this is the new transaction fee.
 - The weather and the revenue have been good in June and July so far. If the weather remains good, the end of year budget should be five (5) to ten (10) percent over budget.
- Town-wide revenues are \$64,000 higher than the first quarter of last year.
- Comparing the percentages of budget collected we are right where we should be.

Operating Expenses

- Parking costs declined mainly from preparation of new parking lots in the prior year.
- Beach boardwalk increase is mainly from the Beach Wi-Fi.
- Much of the other changes just relate to the timing of invoice payments.
- Town-wide costs are \$62,000 more than that first quarter of the prior year.
- Comparing the percentages of budget spent, the Town is very close to last year and just where it should be

Discuss Funding Options for the Proposed Water Tower

Mr. Gravier presented information on the water tower and the plan to fund it. He noted that he is asking the Budget and Finance Committee to review the payment options for a loan that the Town is considering. He reported the following:

- The need for a tower has been discussed for many years.
- The current interest rate from the Drinking Water State Revolving Fund (DWSRF) is 2.28%, the Town will commit to this loan after the voter referendum, if it is approved.
- The Council has considered several locations with very different costs:
 - \$5.6 to \$5.8 million for the Public Works location.
 - \$3.7 to \$3.8 million for the property at the corner of Route 1 and Route 26.
 - \$2.6 million for Collins Street. The Council recently selected this option.
- The resolution will continue to say that the borrowing will not exceed \$3.7 million and three (3) percent interest rate since the Town Solicitor recommends keeping the same wording.
- Property owners will be sent a newsletter with information specifying the loan amount of \$2.6 million next week.
- The \$1.1 million reserve that the Water Department currently has will be used for changes to the water plant property to accommodate the tower. Mineral retention ponds will be relocated and the aerator will be reconfigured to help reduce noise. Once this is complete, the Budget and Finance Committee will be asked for its recommendation for what further process to take for the remaining water storage reserve funds.
- The Town has reviewed for consideration a private loan and unexpectedly discovered that PNC Bank gave a preliminary quote of a 2.5% loan for fifteen (15) years with most fees waived. Since the rate from the Drinking Water State Revolving Fund (DWSRF) program is currently 2.28% the recommendation continues to be to proceed with the loan from the State.
- The questions before the Committee is if the Town should lower the sinking fund rate and pay the loan off over the full twenty (20) years or maintain the sinking fund rate at the current \$1.07 and plan to pay off the loan over thirteen (13) years, saving between \$260,000 and \$320,000.

Mr. Dorfman advised each Committee member to provide their opinion. The majority of the Committee members supported planning to pay the loan off over thirteen (13) years. Mr. Dugan opposed this plan.

Discussion

Mr. Dugan stated that residents are experiencing Federal tax increases, therefore, the Town should provide property owners with the option of a lower annual bill. He advised that the Town go against the current trend and give some money back to its citizens.

Mr. Peterson disagreed with Mr. Dugan, and emphasized that the federal government's history of deferring costs to the future is the cause of the nation's current financial issues. He added that the Town would be charging its tax payers \$300,000 more to pay this loan over twenty (2) years.

Mr. Rossi noted that the thirteen (13) - year option provides continuity by not modifying the rate.

Ms. Boswell stated that she agrees with the thirteen (13) – year option because it would be more economically logical.

Mr. Killmer stated that he supports the thirteen (13) year pay-off because citizens will be satisfied with the reduced fees.

Property owner, Pat McGuire, expressed that the thirteen (13) year plan will allow the most flexibility, noting that if an unanticipated water project is needed in the future, the Town could stop the extra payment on this loan and use the money to fund another project. He said it is the logical option to maintain the rate at \$1.07.

Mr. Healy said that as an elected official, he would like to be known as having acted responsibly, and he fully supports the thirteen (13) year plan.

Mr. Killmer stated that it is likely the EPA will increase its regulations, which would require more costly projects. Paying this loan off sooner provides the Town with more flexibility to respond to the next necessity.

Mr. McGuire questioned if the Town would use the Water Fund's capital reserve if the \$1.1 million is not enough to pay for the work needed at the construction plant.

Mr. Gravier replied that he is confident that this amount will be enough and that using the Water Fund's capital reserve will not be needed.

Mr. Rossi made a motion to recommend leaving the sinking fund rate as it is currently and plan to pay off the loan in thirteen (13) years. The motion was approved with a 6-1 vote. (Mr. Dugan opposed)

Discussion of Sanitation and Water Enterprise Funds

Mr. Dorfman asked Mr. Healy to provide the report on this item since he added it to the agenda.

Mr. Healy reported the following:

In this year's financials, the Sanitation Fund showed a \$77,000 loss from the governmental accounting standards that classified recycling carts as an operating cost, yet put the grant revenue used to pay for those carts below the line in non-operating revenue. At an operating level, there is a \$9,000 gain without the effect of the grant. He feels this issue needs to be reviewed.

Ms. Connery referred to the page "Income and Expense History for the Sanitation and Water Funds" which shows the trend of revenues, operating expenses and net income for the Sanitation and Water Funds over the past four (4) years. The net income is decreasing in both funds as costs increase. She acknowledged that this issue will be kept in mind and will most likely advise rate increases to both funds in the next few years.

Adjourn

Mr. Peterson made a motion to adjourn the meeting. Seconded by Mr. Morris, the motion was unanimously approved.

The meeting was adjourned at 1:45 p.m.