

**Town of Bethany Beach
Budget and Finance Committee Minutes
July 17, 2014**

The Bethany Beach Budget and Finance Committee held a meeting on Thursday, July 17, 2014 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; Martin Decre; Joseph Healy; Jerry Morris; Patrick McGuire; and Philip Rossi.

Also present: Janet Connery, Finance Director; Council members, Chuck Peterson and Margaret Young; Lindsey Good, Administrative Secretary; and interested members of the public.

** Town Manager, Cliff Gravier, asked to be excused from this meeting because he is working on important matters regarding the new hotel.*

Call to Order

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

Approval of the Agenda

Ms. Boswell made a motion to approve the agenda. The motion was seconded by Mr. Decre and unanimously approved.

Approval of the Minutes from February 20, 2014

Mr. Rossi made a motion to approve the minutes dated February 20, 2014. The motion was seconded by Mr. Morris and unanimously approved.

Final Review of FY 2014

Ms. Connery gave the following report:

The Town had another good year financially. Since there was discussion regarding this at previous meetings, this is just a brief overview of the year now that it is closed out.

FY 2014 ended \$580,000 (8%) over budget in revenues. Real Estate Transfer Tax and Building Permits were both significantly higher than budgeted. Parking revenue was 5% lower than budgeted after getting a late start to the parking season due to the Garfield Streetscape project, followed by inclement weather during the month of June. In the Water Fund, the slight decline in water use was balanced out by water impact fees generated by construction projects. FY 2014 revenues were \$129,000 (2%) higher than the prior fiscal year.

FY 2014 operating expenses ended the year \$307,000 (5%) under budget. There was a vacancy for much of the year in the Police department and seasonal staffing hours were slightly lower than expected town-wide. The Sanitation Fund continues to adjust to recycling and yard waste regulations, and the Town budgeted a bit more than was needed in staff hours and dumpster costs, so sanitation ended the year 10% under budget. The Water department spent less on chemicals and engineering studies, since they have focused more on tower related capital projects. FY 2014 operating costs were \$111,000 (only 2%) higher than the prior fiscal year.

In summary, comparison of revenue to operating expenses and depreciation, all three funds charged enough to cover costs and build some reserves. The General Fund brought in 10% more revenue than costs, Sanitation 4% and Water 12%.

The financial statements for FY 2014 will be finalized in the next few days.

Review 1st Quarter of FY 2015

Ms. Connery reported the following:

The first quarter of the current fiscal year is being compared to the first quarter of last fiscal year. With only three months into the year, there are a few areas with significant changes.

First quarter revenue is \$226,000 (6%) higher than the first quarter of last year. Property tax revenue increased as expected from increasing the tax rate in March. \$24,000 more in building permits were issued. Franchise fees show a \$20,000 increase, but this is because Mediacom is now paying quarterly, rather than all at year's end. Parking revenues are \$60,000 higher than last year, which is very close to June of two years ago so is more of a return to where revenues should be than an increase. \$62,000 in insurance claims were received in the first quarter from two vehicles that were totaled, by no fault of the Town.

First quarter expenses are \$196,000 (13%) higher than the first quarter of last year, much of this is from specifically budgeted items. Parking expenses are \$44,000 higher, mainly from replacing eight handheld parking ticket writers. Beach Patrol costs are \$28,000 higher from replacing lifeguard radios and a slight increase in lifeguard staffing level. Storm water expenses are \$44,000 higher as more small drainage projects are worked on, as was budgeted. Beach, Boardwalk and Comfort Station is \$29,000 higher from replacing the beach Wi-Fi system with equipment that should hold up better to ocean-side conditions.

Discussion of Sanitation and Water Enterprise Funds

Ms. Connery reported the following:

Information presented to the Committee shows the results of the past five years, the total change over those years and the average change per year, excluding the effects of grants and debt.

Sanitation costs increased 43% over five years, an average of 11% per year. The causes are state regulations on recycling and yard waste and also substantial increases in dumping fees charged by the Delaware Solid Waste Authority. Now that the new programs are fully up and running costs should flatten out, in fact FY 2014 operating costs were slightly less than FY 2013.

In Water, costs increased 11% over five years, which works out to an average of 3% per year. Personnel costs and depreciation are the largest increases by dollar amount. Comparing the history of revenue exceeding costs, just a few years ago the water fund was bringing in \$310,000 more than it spent as the Town built reserves, last year the gap was half that size and will be even less in the current fiscal year. Water fund costs are expected to continue slowly increasing each year. Water use rates were last increased as of May 2008, so the Town may propose an increase for the coming year. Increasing its water use rates by 50 cents per gallon would be about a 10% increase and would increase revenue by around \$100,000.

Committee Discussion

Mr. McGuire questioned if the Town had received any revenue from the hotel project. He was told that it received \$18,000 for a building permit to demolish the old building and begin work on pilings and that the Town Manager, Cliff Graviet, is working with the property owner and discussing other fees.

Mr. McGuire asked for an update on the water tower project and how it would affect costs. He was answered that the construction is complete and it looks like the Town will use \$2.3 million of the \$2.6

million available loan funds. The main effect of the project on costs will be in depreciation, which could be around \$50,000 per year.

There was some discussion over the number of years to depreciate the water tower. Mr. Healy believes we should use 40 years. Ms. Connery recommended using 50 years and noted that this was the number of years included in the loan application. Mr. Dorfman added that the town engineer put the expected life of the tower at conservatively 60 to 75 years saying that a well maintained tower could last over 100 years.

Mr. Morris advised that the Town consider changing the lights on the boardwalk to match those installed as part of the Garfield Streetscape project.

Mr. Morris mentioned that at the Audit Committee meeting earlier this week, Ms. Connery discussed how summer season revenue fully covered the costs the Town allocated to the summer season. He suggested to increase summer fees to cover more costs so that year-round residents would need to pay less.

Next Meeting Date

The next meeting is scheduled for Thursday, October 16th, 2014 at 1:00 p.m.

Motion to Adjourn

Ms. Morris made a motion to adjourn. The motion was seconded by Mr. Dece and unanimously approved. The meeting was adjourned at 1:55 p.m.