

**Town of Bethany Beach  
Budget & Finance Meeting  
July 16, 2015 –1:00 p.m.**

The Bethany Beach Budget & Finance Committee held a meeting on Thursday, July 16, 2015 at 1:00 p.m. in the Town Meeting Room.

Present: Jerry Dorfman, Denis Boswell, Martin Decre, Joseph Healy, Patrick McGuire (arrived late), Jerry Morris, Philip Rossi

Also present: Cliff Graviet, Janet Connery, Molly Daisey, Chuck Peterson, Rosemary Hardiman, Page Steen, Patrick Sheplee and interested members of the public.

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

Approval of the Agenda

Ms. Decre made a motion to approve the agenda. Seconded by Ms. Boswell, the motion was unanimously approved. *Joe Healy abstained from approving the agenda*

Approval of the Minutes from February 19, 2015

Approval of the minutes was approved by Mr. Decre and seconded by Mr. Rossi and unanimously approved.

Final review of FY 2015

Ms. Connery gave a report on the document *Results of Fiscal Year 2015 with Comparison to Budget and Prior Year*. This report shows that the town had another good year. The committee has discussed much of this at prior meetings so this is just a quick overview of the year now that it is closed out.

Comparing results to the budget for revenue, FY 2015 ended \$1,317,000, (17%) over budget in revenues.

- \$791,000 of this is from the Ocean Suites hotel construction which boosted revenue in building permits, transfer taxes and water impact fees.
- If the effect of this one-time project is excluded then the town would've ended the year \$526,000 (7%) over budget in revenues. The main reasons are a continued strong housing market as seen in building permit, transfer tax and water impact fee revenue. Also parking fee revenue was higher than expected

Comparing results to the prior year, FY 2015 revenues ended \$864,000 (11%) higher than last year. If the effect of the hotel project is excluded then the year ended was just \$73,000 (1%) higher than the prior year.

Comparing actual operating expenses to the budget, the town ended the year \$164,000 (2%) under budget in operating costs, the largest piece of this in Sanitation.

Comparing actual operating costs to the prior year, costs were \$540,000 (9%) higher than the prior year. Reasons for the increase in costs include:

- \$138,000 increase in the Water department costs – Most of the increase is from changes related to the water tower construction project, clearing minerals from the clarifier, repairs to equipment, and repairs to water lines (many frozen pipes). Many of these costs will not be recurring.
- \$104,000 increase in Parking costs– Mainly from replacing all the handheld ticket writers and increased costs that comes with technology improvements, specifically more people paying for hourly parking on credit cards & park mobile.
- \$94,000 increase in Beach, Boardwalk & Comfort Station from replacement of the beach wifi system, installation of more beach cameras and comfort station repairs
- \$74,000 increase in Lifeguards from increasing staffing levels for safety.

Revenues from FY 2015 were sufficient to cover the cost of operations including depreciation.

The draft FY 2015 Financial Statements will be finalized next week.

#### Review 1<sup>st</sup> quarter of FY 2016

Ms. Connery reported on the handout *Review of the 1<sup>st</sup> Quarter of FY 2016 in comparison with the 1<sup>st</sup> Quarter of FY 2015*. With only three months into the year there are a few areas with significant changes.

#### Revenue

- Parking revenues are \$102,000 (24%) higher than last year. Parking staff reports better weather and more crowds.
- The Contributions and Miscellaneous line is \$62,000 lower since last year included the two insurance claims which aren't repeated.

Expenses for the first quarter are significantly, \$234,000, 14%, higher than the first quarter of last year for two specific reasons.

- This year a payday fell on 6/30 that fell on 7/1 last year, changing the quarter in which it is reported. This is the cause of \$180,000 of the increase.
- \$51,000 is from the down payment on the new municipal software program.

#### Discussion of Sanitation and Water Enterprise Funds

*Mr. Dorfman turned to Mr. Healy for this so the discussion was not based on the five year history pages Ms. Connery supplied.*

Mr. Healy referenced several figures from the draft financial statements; \$10.2m capital assets, \$3.6m accumulated depreciation, net fixed assets of \$4.3m. He referred to the \$1.8m in unrestricted funds as the fund's liquidity and stated he would prefer to have the water fund hold \$1.5 more in liquidity.

He compared this to the Sanitation Fund which has \$846k in accumulated depreciation and a similar amount in liquidity, stating that the sanitation fund is fine at this level.

He requested if the town should invest in more than just CDs, suggesting that the water fund take ownership of the parking lot that was just purchased by the General Fund. He said that the water fund could repay the general fund over 20 years using parking revenue generated by the lot, then use that revenue to create a reserve for replacing the water tower that was just constructed. This would be an income property and so an investment.

Mr. Peterson pointed out that this would not accomplish anything, it would only change the pot the money is in.

Mr. Gravier suggested that the Committee and Council consider allocating a portion of transfer tax revenue to the water fund.

Mr. Healy mentioned that Maryland raids its transportation funds for non-transportation costs and that the town should be careful that we don't. He would like our reserves to be tied to specific projects and prevent the Town Council from using the funds for other purposes.

Ms. Connery explained that our current investment policy restricts us to very conservative investments, mainly CDs. The policy would need to be revised to allow investment in other areas such as stocks or land.

#### Other

Mr. Morris inquired about the State budget which was just passed. Mr. Gravier replied that the State did not take the proposed action which would reduce town revenue, but that the Committee and Council should consider transfer tax revenue and Municipal Street Aid funds at risk.

Mr. McGuire asked how Water Impact fees were calculated when a previously developed vs an undeveloped piece of land is constructed on. The fee differences were explained.

Mr. Decree asked about the disaster recovery fund that Committee previously discussed and make recommendations to Council. Mr. Gravier replied that it is on tomorrow's Council agenda.

Adjourn:

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

Respectfully Submitted:

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Molly Daisey  
Administrative Secretary