Town of Bethany Beach
Budget & Finance Meeting
January 28, 2016 –10:00 a.m.

The Bethany Beach Budget & Finance Committee held a meeting on Thursday, January 28, 2016 at 10:00 a.m. in the Town Meeting Room.

Present: Chuck Peterson, and Joseph Healy. All others were excused.

Absent Members: Denis Boswell, Martin Decree, Patrick McGuire, Philip Rossi and Jerry Dorfman.

Also present: Cliff Graviet, Town Manager; Janet Connery, Finance Director; Molly Daisey, Rosemary Hardiman, Jack Gordon, Bruce Frye, Jerry Morris and Margaret Young.

Mr. Peterson called the meeting to order at 9:59 a.m.

Approval of the Agenda
No quorum to approve the agenda.

Approval of the Minutes from July 15, 2015
No quorum to approve the minutes.

Mr. Graviet said there are a number of items that the Town Council will be discussing at an upcoming workshop which may affect the budget:

- Proposing $150,000 to $170,000 additional for the Blackwater property to complete the site which will be used for storage and some minimal office space
- Considering purchasing a minivan to be used by Town staff and Town Council.
- Considering adding a full-time position to Public Works to meet the needs of recycling and yard waste
- Discussion of Oasis Design Group's report on options for the Town Park, including phasing in the project over several years

Review results of the 3rd quarter of FY 2016
Ms. Connery reviewed the following:

Review results of the 3rd quarter of FY 2016
Not much has changed since our October meeting so this is a brief update.

General Fund revenues total $6.26m for the first nine months of the fiscal year. We've already exceeded our revenue budget for the year will probably end the fiscal year at least $500,000 over budget in General Fund Revenue. The main causes are.

- Parking revenue is $201,000 over budget because the hourly parking rate was increased after this budget was passed
- Building Permit revenue is $116,000 over budget. The year so far has seen 16 permits issued for new home construction compared to 13 in the prior year.

Sanitation revenues are very close to budgeted and Water revenues are just where they should be. Bills for water use in the months of October through March should bring in at least $450,000 in revenue so we should end the year very close to the amount budgeted.

Operating Expenses by department are as expected. We should end the fiscal year a few percent under budget in operating expenses.

Discuss the FY 2017 draft budget

Revenues

General Fund Revenues are budgeted as $367,000 higher than the current year.

- $233,000 is in parking to adjust the budget to the new hourly rate
- $133,000 is in rental taxes to account for the hotel being active for a full year and other increases in rental activity
- Also there are a few small adjustments to next year's revenue budget based on revenue projections for the current year in comparison to prior years.

The budget is still very conservative in revenue, particularly in Building Permits and Transfer taxes, which continue to exceed our expectations.

In the Sanitation and Water revenue budgets the only increase is $50,000 in Water Impact Fees to more closely match what we typically receive.

There are no changes to taxes or fees in this draft budget.

Operating costs

Town-wide Operating costs are budgeted at $342,000 higher than the current year.

- Total Wages are $127,000 higher, which includes 3% raises and increased seasonal police staff for security monitoring.
- Health & Life Insurance is budgeted at $105,000 higher to allow for a premium increase of 15%, hopefully the actual increase will be much less
- The Water Fund has a $26,000 increase in Repair and Maintenance Building & Grounds for maintenance of the Standpipe.

The increase in the revenue budget this year is more than enough to cover these cost increases

Capital Budget

Capital projects budgeted in the General Fund

- $200,000 Street repaving
- $80,000 Replacing the beach tractor
- $60,000 Hollywood boardwalk extension
- $40,000 replacement of a street cleaner and lawn tractor

The Sanitation Fund is budgeting $220,000 for replacement of a side loading trash truck

Water Fund Capital projects

- $100,000 to construct an earthen mineral pond.
- $60,000 replacement of a 2008 pickup truck
- $50,000 each for replacement of equipment as needed and distribution system repair as needed

Reserves

When budgeting we take the projected cash at the start of the year and add the proposed revenue budget to give the available funds in each section. These funds are allocated to cover the proposed budget, a 15% operating reserve and other reserves for specific purposes. This budget includes two new reserves.

The General Fund has a new reserve called "Committed for Storm Emergency Relief Fund" in the amount of $491,000. In July the Town Council voted to start this fund using money collected from the Ocean Suites Hotel for Transfer Taxes and Building Permits. The total amount is $644,000, which is being paid

over four payments from FY 2015 to FY 2018. When we prepare the FY 2018 budget this reserve will be increased from, the current $491,000 to the full $644,000.

The Water Fund has a new reserve called "Committed for replacement of filter media" in the amount of $350,000. This project was budgeted for the current fiscal year, however specialists indicate that the filter media does not need to be replaced just yet. Since we expect that the project will be needed within the next five to ten years we have placed these funds into this reserve so they are not used for other purposes.

All funds that are not allocated to cover budgeted costs or placed in specific reserves are put into Capital Replacement Reserves. The town's investment policy gives guidance on the minimum and maximum recommended capital reserve.

- The General Fund Capital reserve is $4,115,000, $481,000 more than the recommended minimum
- The Sanitation Fund Capital reserve is $670,000, $110,000 more than the recommended minimum
- The Water Fund Capital reserve is $903,000, $130,000 more than the recommended minimum

In summary, revenue increases more than cover increases in operating costs and this budget provides reserves in excess of policy minimum recommendations. When the committee meets in February we will focus on changes to this budget.

At this time, Mr. Healy suggested recommendations to be reviewed by Committee Members. He reviewed the attached information with everyone.

Motion to Adjourn

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

Town of Bethany Beach
Budget Committee
Mtg

1/28/16

INDEX

January 28, 2016

General Review of Proposed 2016-7
Budget by J.T. Healy

Town of Bethany Beach
Budget Committee
January 28, 2016

I

1/27/16
10/6

We have 3 Basic Funds

Bus of Gov't Fund - (Gen. Fund)
Enterprise Funds
Water
Sanitation

I believe we should 1st Focus on the Enterprise Funds:

Philosophy:

Enterprise Funds are small Businesses. In our case a Sanitation Business and Water Business. These types of Funds should be budgeted generally speaking to recover our Operating Expenses plus Depreciation at the Operating Income Level. In addition consideration should be given to Accumulating Reserve Funds - for specific purposes. The Recovery of Depr. Expense at the Operating Level helps us establish Replacement Cost Funding Reserves for the ~~current~~ Fixed assets that we currently own. Due to inflation these Reserve Funds may not be sufficient to fund the full

JM
1/27/16
2 of 6

Cost of the Replaced Assets. E.G.
in the Water Fund we annually bill & collect a sinking Fund that amounts to 250 K annually that is used to retire debt.

What is a life span of our Enterprise Funds:

	Sanitation	Water
Short-Term	1 to 4 yrs	1 to 8 yrs
Intermediate Term	5 to 10 yrs	9 to 25 yrs
Long Term	11 to 15 yrs	26 to 40 yrs

Apply this methodology to our General Fund:

	Gen Fund
Short Term	1 to 5 yrs
Intermediate Term	6 to 15 yrs.
Long Term	16 to 25 yrs

JM
1/27/16
3 of 6

With the above thoughts in ~~mind~~ mind where do we stand on the funding of our Enterprise Funds:

~~Sanit~~
Sanitation:
Our Acc. Depr. Replacement Cost Dollars over the last 2 yrs trails our investments by 100K to 200K.

Our results for 3/31/15 Actual 3/31/16 Projected + 3/31/17 Budgeted

Net Operation Income (K Loss)	
3/31/15 Actual	$20
3/31/16 Projected	<40>
3/31/17 Budgeted	<60>

This says we are building ourselves into an unsatisfactory funding objective

As to the aforementioned trailing average of $100/$200 K Replacement Cost/Investment Funds this could be recovered over the Intermediate Term of Years i.e. $20K a year and our Budget should be set so as

1/27/16
4 of 6

to break even and or to have built-in any specific investment Reserves.

Water Fund:

Using the above Methodology:

Our results for 3/31/15 Actual, 3/31/16 Projected + 3/31/17 Budgeted

Net Operating Income (Loss)		
3/31/15	Actual	$<134>
3/31/16	Projected	12
3/31/17	Budgeted	<118>

Again are we setting ourselves up for problems in the future?

Over the last 2 yrs our investment funds trail our Acc. Depr. (Replacement Cost) by $1,800K to $2,400K to recover this shortfall over the next 25 years we would have to build in $50K to $100K add'l reserves.

1/27/16
5 of 6

I believe as regards our Gen. Fund (Bus of Gov's Fund) we face a more daunting challenge. First from the specific Projects we face in the next ~~several years~~ 5 to 7 yrs. i.e.

Atlantic Cove
~~Bond~~
Pennsylvania Cove
SERF Fund
Broadwalk Expansion
Central Park
Dinker House

Then there is the situation we face as regards the State of Delaware with DuPont. How does this effect our transfer fund revenue and direct aid funding:

Transfer Taxes 2010 thru 2016 $4,860 ÷ 7 = $694K

Cap Asset Tax
Collection 2010 thru 2015 3,850 ÷ 6 642K

1/27/16
6 of 6

From a Financial Reporting Standpoint we should, (not probably, but should) we should design our financial reporting to designating our future capital expenditures and also set aside the undesignated all as long-term in nature. We need to pay more attention to our long-term Cap. Asset acquisitions, Let me good back and repeat

What is the Estimated Cost of:

Atlantic Ave
Pennsylvania Ave
SERFC Fund
Broadwall Expansion
Central Park
Dinker House

Town of Bethany Beach
Proposed Sanitation Fund
For Year Ending March 31, 2016
(#000's)

1/26/16
10/3

	Proposed 3-31-16	Actual 3-31-15	Proposed Budget 3-31-17
Operating Revenue	$ 824	$ 819	$ 819
Operating Expense Cash	741	678	760
Dep	123	121	119
	864	799	879
Net Operating Income (loss)	$ <40>	$ 20	$ <60>

~~Bud~~ Proposing an Operating loss of <60> in 2016-17

Town of Bethany Beach
Selected Sanitation Fund Data
(# 000's)

1/25/16
2013

Average Cash, Receivables, net of A/c's Payable 2010 thru 2015 6 yrs	$ 339
Balance @ 3/31/15	89
Average Investments Restricted Cash (None) 2010 thru 2015 6 yrs.	658
Bal @ 3/31/15	780
Avg Cap Assets net of Acc Depr 2010 thru 2015	502
Bal @ 3/31/15	711
Avg Acc. Depr. 2010 thru 2015	588

Town of Bethany Beach
Selected Sanitation Fund Data
($ 000's)

JM 1/18/16
30/3

	2010	2011	2012	2013	2014	2015
Cash & Cash Equivalents	$ 269	198	613	478	381	93
Receivables	5	33	14	11	11	14
a/c's Payable	<147>	<127>	<10>	<15>	<16>	<18>
	$ 260	219	617	474	376	89
Investments	$ 819	824	516	492	516	780
Restricted Cash	-0-	-0-	-0-	-0-	-0-	0
	$ 819	824	516	492	516	780
Capital Assets	$ 633	814	978	1162	1,393	1556
Acc. Depr.	<387>	<444>	<518>	<606>	<725>	<845>
	$ 246	370	460	556	668	711
~~Cash Flows~~ ~~Tax~~	~~655~~	~~316~~	~~480~~	~~616~~	~~761~~	~~823~~
~~Cap Asset Additions~~	~~235~~	~~603~~	~~1043~~	~~432~~	~~633~~	~~603~~

~~2015 Estimate~~
~~675~~

Town of Berkley Beach
Selected Sanitation Fund Data
($ 000's)

	2010	2011	2012	2013	2014	2015
Operating Revenue	*583	674	731	727	818	819
Operating Expenses Cash	484	543	734*	719	685	678
Depr.	69	57	74	88	119	121
Total	553	600	808	807	804	799
Net Operating Income (loss)	*30	74	(77)	(80)	14	20

*Includes $88 in Carts & Dumpsters

Town of Bethany Beach
Proposed Water Fund
For Year Ending March 31, 2016
(# 000's)

1/26/16
10/#

	Projected 3-31-16	Actual 3-31-15	Proposed Budget 3-31-17
Operating Revenue:			
Charges for Service	1,245	1044	1,245
~~Charges~~			
Other Service Fees	33	35	31
	1,278	1081	1276
Operating Expenses			
Cash	966	964	1094
Depr.	300	251	300
	1266	1215	1394
Net Operating Income (Loss)	12	(134)	(118)

Projecting an Operating (Loss) of $(118)K in 2016-17 year

Town of Bethany Beach
Selected Water Fund Data
(#000's)

1/25/16
~~2/4~~

Avg Cash,
Receivables, net
of A/c's Payable
2010 thru 2015
6 yrs #549

Bal. @ 3/31/15 689

Avg Investments
Restricted Cash
2010 thru 2015
6 yrs 1491

Bal @ 3/31/15 1354

Avg Cap Assets,
Net of Acc. Depr.
2010 thru 2015 4743

Bal @ 3/31/15 6637

Avg Accum Depr
2010 thru 2015 <3196>

Bal @ 3/31/15 <3540>

Town of Ellsworth Beach
Selected Water Fund Data
($000's)

1/18/16
3 of 4

	2010	2011	2012	2013	2014	2015
Cash						
Cash Equivalents	$ 189	312	188	335	7	392
Receivables	408	460	387	638	908	550
a/c's Payable	<(68)>	<(133)>	<(111)>	<(206)>	<(610)>	<(253)>
	$ 529	639	464	667	305	689
Investments	$ 1,021	1,032	1,482	1411	1,484	1136
Restricted Cash	345	234	242	165	174	218
	$ 1,366	1,266	1,724	1,576	1,658	1354
Capital Assets	$ 6613	7,020	7,009	7402	9,414	10,177
Acc. Depr.	<(2824)>	<(3026)>	<(3,148)>	<(3349)>	<(3288)>	<(3540)>
	3,789	3994	3861	4053	6126	6637

Town of Bethany Beach
Selected Water Fund Data
($ 000's)

1/28/16
4 of 4

	2010	2011	2012	2013	2014	2015
Operating Revenue	$1,023	1,117	1071	1091	1,063	1081
Operating Expenses Cash	757	790	764	824	825	964
Depr.	208	202	210	219	250	251
Total	965	992	974	1043	1075	1215
Net Operating Income <loss>	$58	125	97	48	<127>	<134>

Town of Bethany Beach
Proposed General Fund
For the Year Ending March 31, 2016
($000's)

JB
1/26/16
1 of 3

	Projected 3-31-16	Actual 3-31-15	Proposed Budget 3-31-17
Gen Fund Revenue	6615	6896	6313
Operating Expenditures Cash	5250	4958	5508
Depr Estimated	825	805	832
	6075	5763	6340
<Deficit> Excess of Rev. over Expense	540	933	<27>
Less Transfer Taxes	675	823	550
	<135>	110	<577>

Town of Bethany Beach
Selected General Fund Data
(#000's)

JD
1/18/16
2 of 3

Average Cash,
Receivable, net
of a/c's Payable
2010 thru 2015
6 yrs $1,180

Bal @ 3/31/15 1166

Average Investments
Restricted Cash
2010 thru 2015
6 yrs 4,210

Bal @ 3/31/15 5441

Avg Cap Assets,
Net of Acc Depr.
2010 thru 2015 10,070

Bal @ 3/31/15 10,568

Avg Acc Depr
2010 thru 2015 <6,036>

Bal @ 3/31/15 <6,422>

Town of Bethany Beach
Select Small Fund Data
(#0003)

1/13/16
3/13

	2010	2011	2012	2013	2014	~~2015~~	2015
Cash							
Cash Equivalents	$ 1,777	709	1,162	1,252	1,395	~~1,777~~	$ 824
Receivables	42	<37>	98	42	25	~~42~~	503
A/C's Payable	<62>	<71>	<190>	<146>	<117>	~~<62>~~	<161>
	$ 1,757	635	1,070	1,148	1303	~~1757~~	$ 1,166
Investments	$ 3,735	4,582	3,272	3,574	4,107	~~3735~~	$ 5,119
Restricted Cash	15	53	32	229	219	~~15~~	322
	$ 3,750	4,635	3,304	3,803	4,326		$ 5,441
Capital Assets	$ 14,411	15,846	16,272	16,570	16,547		$ 16,990
Acc Deps	<5,799>	<6,376>	<5,696>	<5,960>	<5,962>		<6,422>
	$ 8,612	9,470	10,576	10,610	10,585		$ 10,568
						'16	2016 Estimate
Transfer Tax	655	816	480	646	761	823	675
Cap. Asset Additions	235	603	1043	733	633	603	