

**Town of Bethany Beach
Budget & Finance Meeting
July 19, 2016 –9:00 a.m.**

The Bethany Beach Budget & Finance Committee held a meeting on Tuesday, July 19, 2016 at 9:00 a.m. in the Town Meeting Room.

Present: Chuck Peterson, Joseph Healy, Denise Boswell, Martin Decre, and Philip Rossi.

Absent Members: Patrick McGuire and Jerry Dorfman.

Also present: Cliff Graviet, Town Manager; Janet Connery, Finance Director and Molly Daisey, Administrative Assistant.

Mr. Peterson called the meeting to order at 9:00 a.m.

Approval of the Agenda

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

Approval of the Minutes from March 4, 2016

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

Final Review of FY 2016

Mrs. Connery gave a report on the *Results of Fiscal Year 2016 with Comparison to Budget and Prior Year*. This page is a condensed overview of the year that ended in March and shows that the town had another good year.

Comparing actual results to budget for revenue, FY 2016 ended \$641,000, (8%) over budget in revenues. Parking revenue was \$210,000 over because the Council increased the hourly parking rate after the budget was passed. Building Permit revenues were \$164,000 over and real estate transfer taxes were \$160,000 over budget as the housing and construction markets remained strong in town.

Compared to the prior year, revenues were \$141,000 lower, which is 2%. The prior year contained \$791,000 in one-time revenue from the hotel project, which means that revenue from all other sources actually increased \$650,000.

When we compare operating expenses to the budget, the Town ended the year \$122,000 (2%) under budget in operating costs.

The comparison of operating expenses to the prior year shows that costs for the year were \$298,000 (5%) higher than the prior year. Reasons for the increase in costs include; adding a full time custodial position, software improvements, hiring additional seasonal police to improve security and engineering work for future street projects.

In summary, revenues for the year were sufficient to cover the cost of operations including depreciation in all three funds. We may want to consider increasing sanitation fees in the next few years since that department barely broke even last year. Those fees were last increased by 12% as of May 2013.

Mr. Healy commented that at the operating level, in the two enterprise funds, there was a small loss in the sanitation fund, which was only \$2,000. Supporting what Ms. Connery already stated, he is projecting a \$65,000 loss at the operating level in the sanitation fund next year, with the budget we have in place right now. At the operating level of the water fund last year we lost \$22,000. He projects for next year, using the budget that we have in place, roughly a \$40,000 loss. He feels the Town should at least break even at that level, but we are projected to be under that.

Mr. Peterson replied that the sanitation and water fund is something that will need to be closely looked at for the 2018 budget cycle and see if fees need to be raised. Ms. Connery replied that one of the largest cost with sanitation to consider is the disposal fees. Delaware Solid Waste increased their fees 20% roughly four/five years ago. There is a decrease which should take place this month.

Review 1st Quarter of FY 2016

The next report Mrs. Connery gave is titled *Review of the 1st Quarter of FY 2017 in comparison with the 1st Quarter of FY 2016*. This analysis shows the results of last year compared to the current year. With only three months into the year there are areas with significant changes.

Revenue for the first quarter is \$453,000 higher than the first quarter of last year. Property tax revenues are \$141,000 higher since we raised the tax rate by 1 cent and there were many construction projects that increased our town-wide assessment. Transfer tax collections are \$128,000 higher from strong housing sales. Rental taxes are \$68,000 higher, part of this is because the hotel is now open. Building permit revenues are \$44,000 higher than the first quarter of last year.

Expenses for the first quarter are \$172,000 higher than the first quarter of last year. In the General Fund, attorney fees were much higher from the Maryland Avenue property case, the town made an additional contribution to the fire company for summer staff, and we have costs associated with beach access and replacing boardwalk boards.

Discuss the difference between Private and Public Accounting

Mr. Peterson provided a hand out detailing the differences and discussed it with the committee. Its reads as follows:

Public vs. Private Accounting

The primary purpose of governments is to enhance or maintain the wellbeing of citizens by providing services in accordance with public policy goals. For-profit businesses focus on wealth creation and interact primarily with those segments of society that help them fulfill their mission to generate a financial return on investment for their shareholders.

Robert Attmore of the Governmental Accounting Standards Board (GASB) says “the standards that guide financial reporting for state and local governments reflect the unique environment of government, including different organizational purposes and special legal powers. They also effectively address public accountability issues inherent to the unique aspects of the government environment. Monitoring actual compliance with budget public policy priorities is central to government public accountability reporting”

The standards of accounting for state and local governments are set by the GASB. As mentioned above, these standards are unique to this sector. This is further highlighted by our need to have an experienced government auditing group to do our annual review and by IRS’s need to specially train Revenue Agents to conduct audits for their Federal, State and Local Governments Division.

The Public and Private Sectors have different goals:

Public – fiscal accountability

-Manage to the budget and monitor by comparison to actual & prior year

-make decisions based on service delivery

-measure flow of financial resources

Private – profit

-Budget is a planning tool and does not have to be followed

-make decisions based on profit margin

-measure flow of economic resources

The accounting systems that are used by each sector have to reflect these differences.

Government Accounting also has something called RSI –Required Supplemental Information. This is a comparison of actual expenses to the original budget created at the beginning of the Fiscal Year and is broken into two sections; the general fund and special revenue funds. All financial statements must be accompanied by RSI.

Mr. Peterson stated that we are currently in compliance with GASB standards and need to continue to be in compliance to not have significant audit findings. You cannot mix Public and Private accounting standards. He hopes this will be helpful in our discussion on the subject.

Motion to Adjourn:

Mr. Rossi made a motion to adjourn the meeting. Ms. Boswell seconded the motion and it was unanimously approved. The meeting was adjourned at 9:21 a.m.