

**Budget and Finance Review Committee  
Meeting Minutes  
January 16, 2009**

The Bethany Beach Budget and Finance Committee held a meeting on Friday, January 16, 2009 in the Town Meeting Room.

Members present: Jack Gordon, Chairman, who presided; Don Doyle, Jerry Dorfman, Joe Healy, Denise Boswell, and Phil Rossi.

Excused: Stan Berkman

Also present: Cliff Gravier, Town Manager; Janet Connery, Finance Director; JoAnna Nichols, Administrative Secretary; and other interested members of the public.

**Call to Order**

Mr. Gordon called the meeting to order at 2:00 p.m.

**Approval of the Agenda**

Mr. Dorfman made a motion to approve the agenda. The motion was seconded by Mr. Doyle and unanimously approved.

**Approval of the Minutes from the October 10, 2008 meeting**

Mr. Doyle made a motion to approve the minutes as amended. The motion was seconded by Mr. Gordon and unanimously approved.

**Old Business**

*Review collateralized and FDIC insured status of investments*

Ms. Connery reported that she contacted the three banks we use for investments (PNC, DE National, and WSFS) to review the collateralization and security of the Town's investments as requested by the committee at the last meeting. The committee had also requested information on Certificate of Deposit Account Registry Service (CDRS) arrangements.

CDRS is an agreement where the Town would deal with one bank that would set the interest rate for a CD then make our money available to any of 2,400 banks that wanted it at those terms. Each bank would be able to hold a CD of \$100,000 so that the full amount invested is covered by the FDIC. Although the FDIC limit is temporarily increased to \$250,000, the terms would still be in \$100,000 increments since the increase expires at the end of 2009. For example, \$1 million in \$100,000 CDs at ten different banks would have FDIC coverage of \$100,000 at each bank, which would give 100% FDIC coverage for the full amount invested.

The two problems she sees is first, the communication is with one bank and we would have no control over which banks take over the investment. She stated this is a concern because some of the banks in connection with the CDRS agreement may be in danger of

failing. The positive aspect of continuing with what we currently have is being able to look at the full history of that bank and only use banks we trust.

The other concern is the Town would be taking a hit on the interest rate of about 1%. Ms. Connery compared prices in October, and regular CD's were at 3%, a CDRS CD was at 2%. For example, if \$3 million dollars were invested, that would be a loss of \$30,000 per year.

Ms. Connery stated that under our current arrangement with these banks all town funds are collateralized with pledged securities to an amount of at least 102%. These securities values are recalculated daily and held by a third party. We receive a monthly statement showing the collateral held which are available if anyone is interested in reviewing them. This collateral arrangement complies with the requirements of the States of Delaware and Pennsylvania. In Ms. Connery's opinion, there is no reason for concern with the security of our investments as they are handled currently so we should not sacrifice interest income for additional FDIC coverage.

Chairman Gordon asked for an overall census of how committee members felt. Mr. Doyle and Ms. Boswell concurred with keeping things the way they currently are, as did the rest of the committee. It was also agreed that the committee would like to review the Town's investments again next September.

### **New Business**

#### *Review 3<sup>rd</sup> quarter of FY 2009 results*

Ms. Connery stated that the Town is in good shape this fiscal year. General Fund revenues are over the amount budgeted by about \$350,000. This is mainly due to transfer tax and building permits.

She added that Sanitation revenue should end the year over budget by \$40,000. The main reason for this was while budgeting last year the sanitation department was moved to a separate fund. A portion of the interest income budget in the General Fund should have been moved to the sanitation fund. They now keep their own interest rather than rolling into the general fund. Ms. Connery stated she should have budgeted interest income in the general fund at \$122,000 rather than \$162,000 and moved \$40,000 into sanitation. This will be fixed in next year's budget. A budget amendment can be made, but simply adding a sentence to the financial reports stating why certain revenues are over will be fine. Mr. Doyle agreed that a budget amendment was not necessary.

Due to a decline in water used this past summer the water department is expected to end the fiscal year under budget in water usage revenue. This is not a concern since the decrease in water used resulted in lower operating costs.

Ms. Connery stated she is projecting that the town as a whole will end the year approximately 5% under budget in operational expenses. The quarterly Balance Sheet was discussed and the committee felt the funds were acceptable.

Mr. Healy requested a reconciliation of some numbers he had derived related to the Balance Sheet and Ms Connery stated she would supply the information to him prior to the next meeting

*Review operating costs for the past five years*

Ms. Connery discussed changes in general fund spending over the past five years referencing a handout that showed the history of 12 major cost categories from FY 2005 to the projection for FY 2009. Once the total spent in FY 2005 is adjusted for changes in the consumer price index the general fund showed actual growth of \$85,000. \$62,000 of this increase is a direct result of a State grant no longer covering the cost of street lighting. Engineering fees were also significantly higher in FY 2009 due to the preparation of the bid package for the boardwalk widening project. The projected total spending for FY 2009 is less than what was spent in FY 2007.

*Discuss five year projections*

Ms. Connery briefly explained several five-year projections for the general fund which were given to the committee. The projections showed the effects of adjustments to fees and taxes and the effect of a 10% or 20% decline in summer visitors. The analysis showed that the Town would need to increase revenues or decrease services in the future especially if a decrease in summer visitors is seen.

Mr. Gravier asked the committee to consider an increase of parking meter rates to match the rates of the surrounding area. Mr. Gravier explained that Rehoboth Beach and Ocean City will be charging \$2.00 to \$2.50 per hour. Currently our parking meters are at a cost of \$1.25 per hour and raising them to \$2.00 was legitimate. Committee members agreed. Ms. Connery added that doing this would add \$430,000 to general fund revenue.

Mr. Doyle agrees and further stated he prefers this rather than another raise in property taxes. Regardless though, people will criticize.

At some point furlough was mentioned as one of the ways the State is addressing their financial problems. Mr. Healy did not recommend doing something like that nor does it seem beneficial. Mathematically, it would equal \$6,000 a day for three days. Mr. Killmer agreed and said right now town employees already wear four or five hats. He added the Public Works Department is currently short staffed as it is.

Audience member Tracy Mulligan wanted to add a thought in regards to the parking meters. He said with the economy the way it is right now, if the parking meters do increase to \$2.00 or \$2.25, a lot of families will be affected who are currently on fixed incomes and therefore won't be able to afford trips to the beach anymore. That may be something to think about. Mr. Gordon stated this decision was not in stone. Mr. Mulligan added that whatever changes do occur, the Town should be ready to have an explanation as to why we are asking for more money.

Mr. Gravier said this year the Town would be looking at a water tower. The ideal spot would be on the Church Neff Property, facing Kent, close to the pumping station.

Ms. Connery commented on the Town's approach to transfer tax revenue. A few years ago we projected that we would soon be using transfer taxes to cover operational costs such as police payroll. The committee and council wanted to avoid this and so responded by proposing an increase to property taxes in addition to the parking fee increases. Currently transfer tax revenue is barely sufficient to fund the replacement of our current capital assets and infrastructure leaving very little for new capital projects. The increase to parking meter and daily/weekly parking permit rates would supply enough revenue to cover the cost of operations including depreciation which would allow transfer tax revenue to be used solely for new capital projects and enhancements.

Summarized, the three possibilities to occur in the near future are a modest tax rate; a considerable parking increase; or service cuts (if the first two are not acceptable). For the next iteration of the FY2010 Budget, the Committee will be reviewing a recommendation to the Council including a one-half cent increase to the property tax rate and an increase to parking meter fees to \$2.00 per hour and commensurate daily and weekly rate increases. A final determination for the Committee's recommendation will be at the next meeting.

*Discuss fee changes and revenue sources*

The sinking fund rate is being lowered from 1.7% to 1.07%, which is enough to pay off the current debt now that one of two loans has been paid off. People will see about a \$31.00 decrease in their May bill from this but will also see an increase of \$37.00 for the ambulance service.

The committee agreed that we should be prepared for a decline in summer visitors due to the economy.

*Discuss draft operating budget for FY 2010*

Ms. Connery briefly explained that the current draft of the budget for FY 2010 is a 0% increase from FY 2009. One currently vacant Public Works position has been removed and managers have worked hard to control costs.

Grant funding from the State and County may be much less in the coming year than it has been in the past which will put additional strain on the operating budget.

The next scheduled meeting is Friday, February 20, 2009 at 2:00 pm. The meeting was adjourned at 3:55 pm.

2/12/09