

**Budget and Finance Committee
Meeting Minutes
January 14, 2011**

The Bethany Beach Budget and Finance Committee held a meeting on Friday, January 14, 2011 at 2:00 p.m. in the Bethany Beach Town Hall meeting room, 214 Garfield Parkway, Bethany Beach, DE 19930.

Members Present: Jerry Dorfman, Chairman, who presided; Joseph Healy; Don Doyle; and Philip Rossi.

Excused Members: Chuck Peterson; Stanley Berkman; and Denise Boswell.

Also Present: Janet Connery, Finance Director; Mayor Tony McClenny; Councilpersons Jack Gordon, Lew Killmer, and Margaret Young; Town Manager, Cliff Gravier; Administrative Secretary, Lindsey Shallcross.

Call to Order

Mr. Dorfman called the meeting to order at 2:05 p.m.

Approval of Agenda

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

Approval of Minutes from October 15, 2010

Mr. Doyle made a motion to approve the minutes. Seconded by Mr. Healy, the motion was unanimously approved.

Review Results of the 3rd Quarter of FY 2011

Ms. Connery gave the following report:

For the FY 2011, revenue will exceed the budget and operating costs will be under budget.

General Fund Revenue

\$5,123,000 has been collected to date, which is 99.8% of the total budget.

- Transfer tax collections are \$640,000. January collections are currently \$33,000, therefore the total as of today is \$673,000. It has been a good year for property sales.
- Rental taxes have seen a 3.5% increase from FY 2010, as a result of people visiting the Town and renting. The current rental tax collections are up to \$914,000, almost 4% over budget. The revenue had slightly decreased in FY 2010 but has increased since.

Overall, the General Fund should end the year in at least \$200,000 over budget in revenue.

Sanitation Fund Revenue

\$685,000 has been collected to date, which is 106.8% of the total budget.

- This is a result of the decision by the Town Council in November to make mid-year adjustment in trash fees. The Council followed the Committee's recommendation to increase fees 25% immediately and plan to re-examine in a few years.

Overall, the Sanitation fund should end the year around \$45,000 over budget in revenue.

Water Fund Revenue

\$1,036,000 has been collected to date, which is 75.1% of the total budget.

- Water usage for the first six months of the year increased 11.4%.
- Water use for the second six months of the year should bring in around \$370,000 more.

In total, the water fund should end the year approximately \$50,000 over budget in revenue.

The operating budget for all three funds is very close to last year as expected. All sections should end the year a few percent under budget.

Discuss the Draft Budget for FY 2012

Mr. Graviet acknowledged that the employees have done a good job, since there have been no delays in service and things are moving ahead very well.

Revenue Sources

Ms. Connery reported the following:

General Fund

Overall, there has been no change from last year. Small adjustments were made so that the proposed budget matched current projections. Transfer Tax revenues are again budgeted at \$500,000. The parking ticket revenue has decreased, since there has been increased compliance of people following the regulations.

Sanitation Fund

There has been an increase \$105,000 from the mid-year change in fees.

Water Fund

There has been a \$7,000 increase in operating revenues. The budget for next year's water usage is the average of the past three to five years.

The Committee opened a discussion on the revenue budget.

Mr. Healy mentioned the idea of property tax increase.

Mr. Doyle commented that there is a commitment of money that is going towards the Streetscape Project, so the Town was sensitive towards raising property taxes. However, he agreed that small, incremental increases are favored to large increases. The Committee had previously agreed to review property taxes every year.

Mr. Graviet noted that it was decided to not recommend an increase of property taxes at this time. He added that there is no increase in the General Fund Operating Budget and the current financial economy was considered in making the decision. The Town's current budget is at a healthy standpoint.

Mr. Dorfman agreed that the Town is ending another year with more income than expected and there is no need to raise property taxes at this immediate time.

Mayor McClenny expressed that he feels the Delaware State government should do the same as the Town in maintaining control over costs.

Mr. Killmer said that people do not differentiate between paying fees and paying taxes. The Town just increased Sanitation fees and residents perceived it as the Town is spending a lot. He is concerned that the State will consider using transfer taxes to fix their own revenue issues by taking that tax away from the Town.

Mr. Doyle stated that increasing the trash and recycling fees is not profitable for the Town, although it may seem that way. Every Council each year can find a reason not to increase taxes, but it should always be a topic that is looked at.

Mr. Dorfman explained that a few years ago the Town raised various fees besides Homeowner fees. Expenses must be raised on every source.

Mr. Healy acknowledged that he was inclined to increase the transfer taxes budget from \$500,000 to \$600,000, since the average transfer tax is \$650,000.

Mr. Graviet noted that further decreases in property values are expected and the Blue Surf Project has added to the Town's transfer tax revenue.

Ms. Connery added last year's transfer tax revenue was \$655,000 and \$120,000 of it came from Blue Surf properties. If it were not for the Blue Surf, the Town's total transfer tax revenue last year would have been \$533,000.

After more discussion, Mr. Doyle recommended to keep the transfer tax at \$500,000 and Mr. Healy agreed.

Mr. Graviet noted that water rates may be looked at the next meeting.

Mr. Doyle stated that any fees that may be raised with trash and water will be less than surrounding areas.

Operating Budget

Ms. Connery reported the following:

The General Fund proposed budget is the same in total as the current year budget. Funding was shifted between departments as needed.

The Sanitation Fund proposed budget is at \$195,000 (32.6%) increase due to the state mandating recycling. . This budget is based on the total costs without any grant funding. The budget will be reduced by the amount of grant funding the Town is awarded by DNREC for carts and dumpsters, which will likely be announced in February.

The Water Fund proposed budget is \$26,000 (3.2%) increase.

Personnel costs are the largest portion of the Town-wide budget.

- The General Fund budget has actually decreased by 1% from last year. The budget includes annual 3% raises for all staff but the Town was able to counteract that increase with reduction in benefits cost.
- Sanitation Fund personnel costs are increasing from the one additional full-time position and two to three additional positions for recycling.

The Committee ensued a discussion on the operating budget.

Mayor McClenny questioned if it is appropriate to give the staff annual 3% raises during these economic times, since other towns are decreasing the raise percentage.

Mr. Gravier responded that the staff has continued to do well and should not be compared to the employees of other governments that are struggling financially.

Mr. Rossi agreed with continuing the 3% increases.

Mr. Doyle questioned if the employees salaries are comparable to other towns.

Mr. Gravier replied the Town's salaries are around average, and the police salaries are higher in order to prevent unionization.

The Committee discussed the Town's healthcare benefits.

Mr. Doyle stated that the Town has very generous healthcare benefits, and he asked if any other towns do the same.

Mr. Gravier said that he will have to review the information, but the Town recently switched health insurance companies.

Ms. Connery added the change in health care plans saved the Town over \$60,000 and gave a 4% decrease in costs rather than the 15% increase that our insurer was planning.

Mr. Doyle stated that Mr. Gravier manages salaries very well, and he would rather not alter salaries and benefits for the time being.

Mr. Killmer made a suggestion that in the future the Town could consider a tiered system so that benefits are less for new employees.

Mr. Healy questioned if the Town is spending enough on storm water management.

Mr. Gravier explained that there are several projects included in this year's budget. The Army Corp of Engineers has \$100,000 that they are offering to spend investigating North Pennsylvania Avenue but the Town would need to commit to matching any funds in excess of that amount. This figure may be added into the budget.

Mr. Healy asked if the Cultural and Historical Affairs Committee (CHAC) budgets \$20,000 every year and if it is expended.

Ms. Young, a member of CHAC, explained that the money spent depends on what projects they have for the year. She added that projects might be picking up this coming year.

Preliminary Capital Budget

Mr. Doyle brought up the verbage of "debts" that is used. The Committee discussed other possible verbage and decided to leave it as is.

Mr. Healy noted that the capital budget is relatively sparse. He questioned the water tower project, and expressed that he considered this to be very important.

Mr. Gravier stated that he is on track regarding the water tower. He will go to Council in a Workshop before spring with specific details including the location, design, and prices.

Discussion of the Sufficiency of Current Fees and Taxes

The draft proposed budget has no changes in fees or taxes.

The General Fund budget provides \$218,000 in excess of the fund balance policy recommended minimum capital reserve. The proposed budget is sustainable for the long term, although projections can be done in various situations for possible increases in revenues and costs.

The Sanitation Fund budget provides \$31,000 in excess of the fund balance policy recommended maximum capital reserve. However, those funds will be used quickly by trash truck replacements and the recycling requirements.

The Water Fund budget is \$42,000 in excess of the fund balance policy recommended minimum capital reserve with \$200,000 more being added to the water storage reserve, which brings it to \$1,000,000.

Mr. Doyle thanked Ms. Connery for recognizing the changing trends.

Long term projections will be discussed at the next meeting.

Review of the Financial Statements of the Delaware Public Employees' Retirement System

Mr. Healy stated that he reviewed the plans of the Delaware State Pension system and was pleased with the way Delaware is managing its funds. Twelve different plans were discussed. He explained that it was very explanatory on risk management and balanced investments. The State is using an annual investment return of 8% and feels that they could consider reducing that.

Mr. Healy made a motion to write a letter to David Craik to let them know that the Committee has reviewed the statements. He will write the letter, the Committee will review it at the February meeting and then send it to Council for approval.

Motion to Adjourn

Mr. Doyle made a motion to adjourn the meeting. Mr. Rossi seconded the motion and it was unanimously approved.

The meeting was adjourned at 3:41 p.m.

The next meeting will be on February 11, 2011 at 2:00 p.m.