

**Budget and Finance Committee
Meeting Minutes
February 11, 2011**

The Bethany Beach Budget and Finance Committee held a meeting on Friday, February 11, 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; Denise Boswell; and Philip Rossi.

Excused members: Chuck Peterson and Stanley Berkman.

Also Present: Janet Connery, Finance Director; Councilpersons, Jack Gordon, Margaret Young, and Carol Olmstead; Town Manager, Cliff Graviet; Administrative Secretary, Lindsey Shallcross.

Call to Order

Mr. Dorfman called the meeting to order at 2:01 p.m.

Approval of Agenda

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

Approval of Minutes from January 14, 2011

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

Discuss Draft Budget for FY 2012

Ms. Connery gave the following report:

The Draft Budget has had some minor changes since the Budget Committee meeting on January 14, 2011.

The General Fund Revenue Budget increased by \$35,000. The FY 2012 revenues are expected to be comparable to FY 2011.

- \$10,000 added to the parking meters.
- \$15,000 added to rental taxes.
- \$5,000 added to franchise fees.
- \$5,000 added to mercantile licenses.

The General Fund Operating Budget increased by \$17,000.

- \$5,000 in Administration for contribution to the Library.
- \$12,000 in Parking for preparing the new lot between the bank parking lot and the bookstore for use.

The General Fund Capital Budget for Parking was increased by \$17,000.

- \$11,000 for an additional parking pay station for the parking lot.
- \$6,000 for an additional coin machine on Garfield Parkway.

Because of these changes in the budget, revenue is increasing by 0.7% in the General Fund, 16.4% in the Sanitation Fund due to the mid-year trash fee increase, and 0.7% in the Water Fund. Operating costs are only increasing 0.4% in the General Fund, 32.6% in the Sanitation Fund (recycling grant pending) and 3.2% in the Water Fund.

The Committee ensued a discussion on the draft budget.

Ms. Boswell noted whether the Town should consider decreasing the revenues since the decrease in parking, police fines, contributions and interest.

Ms. Connery responded that the Town took into consideration the current year decline, considered the changes in parking pay stations, and feels the proposed budget is at what it should be. Police fines and interest were decreased in the budget and contributions are expected to reach the budgeted amount once the Craft Show fees are deposited.

Mr. Doyle commented that the transfer tax has been substantially higher in the past few years.

Ms. Boswell questioned when the proposed construction is taking place.

Mr. Graviet explained that the Addy/Cooper property is still being developed and another community project is being considered on Route 26.

Ms. Connery mentioned that that sometimes projects like this are delayed and we cannot predict when the revenue will be received. The building permit revenue is budgeted at \$200,000, and although the Town has received approximately \$270,000 each of the past couple of years it is difficult to predict when projects like these will be completed and the revenue received.

Mr. Doyle expressed that the conservative budget is a good idea.

Mr. Graviet noted that there might be additions to the budget in the near future, since the Town Council will be having a discussion at the Workshop this month which may result in some changes.

Mr. Healy made a recommendation to the Committee to slightly raise property taxes. He presented a page that reviewed the amount of revenue that would be generated by increases of up to 6.1%.

Mr. Dorfman stated that it is not the right time to raise taxes, and the Town doubled property taxes a few years ago along with increasing business and parking licenses.

Mr. Gravier added that the Town raised parking rates to an amount that is comparable to other surrounding towns but still charge less property tax than other towns. He noted that issue of raising property taxes will be discussed in the future.

Discussion of the Sufficiency of Current Fees and Taxes

The Committee reviewed an analysis of long-term changes to taxes and fees.

Comparison of Water Rates

The Committee discussed a comparison of water rates that was requested at the January meeting.

Ms. Connery reviewed a comparison of the Town's rates to Tidewater, Sussex Shores and Artesian for varying levels of water use, which confirms that the Town rates are the lowest until annual use passes 270,000 gallons and Ocean View becomes slightly less expensive. However, minimal properties in the Town use over 40,000 gallons per year, since they are either vacant most of the year or occupied by only two people.

Five-Year Projection for the Water Fund

Ms. Connery explained that three projections were presented, which show the effect of inflation and make the preliminary suggestion that the Town consider a 15% water increase in FY 2014. This would be five years since the last increase and so the equivalent of 3% per year. An increase such as this is needed to cover costs and to continue to provide funding for capital projects like the water tower or building the reserve for future needs. To reach the 15% revenue increase we will discuss adjusting both the flat rate and the usage rate.

Mr. Doyle noted that the Town's Water Department does a great job.

Five-Year Projection for the General Fund

Ms. Connery presented six projections to the Committee. The first four projections show the effect of inflation rates of 0%, 2%, 3% and 7.5% and the effect on five years of operations. She added that the purpose of these projections is to stress that the Committee needs to be very aware of cost increases and be prepared to react quickly if necessary.

Mr. Gravier mentioned that there was a scenario in the 1970's when the inflation rate increased passed 7.5%. If this were to happen again the status of the Town could turn negative very quickly.

Ms. Connery explained that the 5th and 6th projections show two general ways to deal with adjustments to property taxes and parking rates. Each assumes 3% per year cost increases with parking rates increased to continue the objective of having revenue generated from the summer season cover all expenses related to the summer season.

A 15% property tax increase and a 17% parking rate increase both in FY 2015 would generate \$298,000 in reserves over five years. In contrast, two smaller 5% increases to

property taxes in FYs 2013 and 2016, in addition to the 17% parking rate increase would result in \$197,000 in reserves generated over five years. Either of these two projections would provide sufficient funding to cover operating costs if costs increase around 3% per year.

Possible Town-Wide Multi-Year Approach

The following plan was proposed for changes to the Town's major revenue sources with the goal of spreading out the increases over several years.

- FY 2012 – No changes proposed in this budget. Increases approved by Council over the past year for the ambulance and trash fees will result in a \$61 increase to most property owners.
- FY 2013 – Consider a small property tax increase as this will be three years since the last increase. 63% of the Town's property owners pay under \$500 per year in property tax, so 5% increase would add less than \$25.
- FY 2014 – Consider adjusting water rates as this will be five years since the last increase. 70% of properties pay under \$300 per year, so a 15% increase would add less than \$45.
- FY 2015 – Consider an adjustment to trash fees when the full costs of recycling and year waste collection is known.

The Committee expressed their appreciation to Ms. Connery for all of her work towards this.

Review Draft Letter to State of Delaware Office of Pensions

Mr. Healy presented the draft of the letter to David Craik of the State Pension Office that he would like the Committee consider approving to send.

Mr. Healy explained that that in the letter he expressed thanks to Mr. Craik for doing a good job with the pension. He also compared both the Delaware and Maryland Pension Office Financial Statements.

Mr. Healy stated that Delaware has \$6.4 billion in assets, while Maryland has \$35 billion in assets. In addition, Maryland is only 64% funded and is \$19 billion underfunded.

Mr. Dorfman noted that the letter addressed to Mr. Craik will let the Delaware Office of Pensions be aware that the Town is actively reviewing the report and is interested in the outcome.

Ms. Boswell made a motion to approve the letter written by Mr. Healy to Mr. David Craik.

Mr. Healy advised that if any of the Committee members would like to review the letter that he is sending to the State of Maryland as a property owner in Maryland, he will be happy to show it to them. If he receives a response from Mr. Craik, he will present it to the Committee.

Motion to Adjourn

Mr. Rossi made a motion to adjourn the meeting. Seconded by Ms. Boswell, the motion was unanimously approved.

The meeting was adjourned at 3:01 p.m.

* Mr. Dorfman stated that a Public Hearing on the Town's Budget will be scheduled for March 14, 2011 at 10:00 a.m.

* The next Budget and Finance Committee meeting, scheduled for March 18 at 10:00 a.m., may be canceled if there is nothing to discuss.