

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

The Bethany Beach Budget and Finance Committee held a meeting on Thursday, July 14, 2011 at 10:00 a.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; Chuck Peterson; and Philip Rossi.

Excused members: Stanley Berkman.

Also present: Janet Connery, Finance Director; Cliff Gravier, Town Manager; Council person, Margaret Young; Patricia Titus of Coastal Point; Administrative Secretary, Lindsey Good; and interested members of the public.

Call to Order

Mr. Dorfman called the meeting to order at 10:00 a.m.

Approval of Agenda

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

Approval of Minutes from February 11, 2011

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

Final Review of FY 2011

Ms. Connery gave the following report:

*Revenue*

The Town has had a very good year and every fund collected more revenue than budgeted over budgeted. The General Fund was 8% over budgeted. The Real Estate Transfer Tax collections ended the year \$316,000 over budget and Building Permit revenues were \$99,000 over budgeted. Both of these revenues were expected to decrease, but they did not.

In the Sanitation Fund, the Town Council approved an increase in the trash fee to help cover the costs of recycling and yard waste regulations which resulted in ending the year over budget in revenue.

In the Water Fund, the use of gallons had been declining in the past couple of years, although it increased by 8% this year. This seems to be due to the increasingly hot weather and an increase of people in the Town.

### *Operating Expenses*

The Operating Expenses stayed within the budget, some with only a small amount and others a significant percentage.

In the General Fund, the Alderman's Court was 19% under budget since there was only one judge employed instead of two since last June. In the Beach and Boardwalk expenses, it was 15% under budget due to limited seasonal hours.

The Sanitation Fund ended the year being under budget, mainly from disposal fees. Also, when the rates were increased last year, the Town continued to receive a 10% discount, and more was budgeted than needed.

In the Water Fund, it was under budget since there were significant savings in electricity due to efficiency improvements to the Water Plant.

Overall, every fund generated more revenue than operating costs and depreciation. This shows that the Town is fully covering its costs and generating funds for capital improvements.

### *Draft Financial Statements*

Ms. Connery explained that the FY 2011 Draft Financial Statements are being finalized with the Audit Committee meeting at 2:00 p.m. today. She added that the audit went smoothly and the auditors have no issues or concerns to report.

Ms. Connery stated that the auditors praised the Town for being active in planning for the future.

### *Discussion on FY 2011 Results*

Property owner, Pat Neary, questioned if the water usage has increased because of any specific reason, such as businesses not using it.

Ms. Connery replied that the Harris Teeter and Blue Surf were being fully utilized, which could be part of the reason for the increased usage. However, this would not have caused even a third of the increase in water usage for the Town.

Mr. Peterson commented that his lawn required more water due to the hot weather last summer.

Mr. Dorfman noted that the average amount of water used per household is between 40,000 and 50,000 gallons.

### Review of 1<sup>st</sup> Quarter of FY 2012

Ms. Connery explained that the revenue is off to a good start as compared to the first quarter of last year.

In the General Fund, the Transfer tax shows a 24% decrease since there were record-setting collections in May and June of last year. Usually, the top months are July through September. Building Permits are staying strong with a 12.4% increase. There is an 8% increase in parking since last year since parking meters are increasing and there is a decrease in parking fines because of pay stations.

Mr. Doyle commented that he hopes that the market is slightly improving and he hopes that the increase continues.

The Sanitation and Water Fund revenues are as expected.

#### *Operating Costs*

Ms. Connery stated that the Operating Costs are showing an increase since last year.

In the General Fund, costs are \$77,000 higher than the first quarter of last year. This is because of roofing repairs and parking costs have increased 8% due to new parking lots and preparing new lots.

In Sanitation Fund, there was 5.5% increase because of the additional pickups required for recycling and yard waste.

The Water Fund operating costs show a decrease due to fewer equipment repairs.

#### *Recycling Grant*

Ms. Connery explained that when the Town budgeted for the FY 2012, it did not include the State grant funding of \$250,000 for recycling, since the Town did not know how much, if any, money it would receive. Therefore, the Sanitation Fun will be greatly under budget in operational and capital costs.

#### *Discussion of 1<sup>st</sup> Quarter of FY 2012*

Mr. Dorfman asked if the Town will be able to see the effect of new parking lots, including the Christian Church parking lot.

Mr. Graviet explained that the revenue is being tallied by the pay stations.

Mr. Neary noted that he has noticed fewer seasonal employees patrolling the meters since the pay stations have been.

Mr. Graviet acknowledged that that the Town has the same number of staff as prior years, but the compliance with parking regulations has improved, resulting in less ticketing.

Mr. Neary commented that his house that he rents out in the Town is completely booked this summer for the first time. He added that many of the houses in his community have been recently put up for sale with prices around \$800,000. When the houses are sold, the Town should gain significant Transfer tax revenues this year.

Mr. Doyle questioned if the property near the Church that the Town pays for will balance out.

Mr. Gravier explained that that the expenses won't be able to be calculated until after a year or two.

Mr. Neary asked when the nature path will be installed. Mr. Gravier stated that the project will begin after the summer.

Mr. Neary noted that the boardwalk looks really good and questioned if the project was contracted. He also asked if there was grant funding for the Mobi-mats.

Mr. Gravier responded that the Town hired a contractor to complete the boardwalk. He explained the Mobi-Mats were funded by the State for half of the original purchase, but this has changed since the dunes were created and there was a need for more mats this year. The Mobi-mats are installed at all of the access ways to the beach.

Mr. Doyle asked if the Town received grant money from the State for the Utility Relocation Project.

Mr. Gravier stated that \$400,000 in State money will be utilized for design and preparation of a Request for Proposal.

Mr. Neary asked Mr. Gravier when the Utility Relocation Project will be completed.

Mr. Gravier explained that the labor will continue after September 15<sup>th</sup> and should be completed by Christmas time.

#### Initial Discussion of FY 2013 Budget

Mr. Dorfman acknowledged that even though it is still early to discuss FY 2013, he would like everyone to express their preliminary thoughts and ideas for next year.

Mr. Dorfman explained that the Town's increase in revenue is keeping pace with inflation in costs. He added that the Town staff does a great job with cost control.

Mr. Dorfman question if raising property taxes should be considered.

Mr. Healy suggested that property taxes should be increased from 16.5 cents to 17 cents, which is a minimal increase. He added that when the Town increased parking fees, there was a positive outcome. He noted that even though the Town's future looks financially secure, he would prefer that they keep a close eye on the revenues.

Mr. Doyle stated that other revenues are increasing, and the Town should not go fifteen (15) years without a tax increase and it is the best solution to have a minimal increase each year in property tax. He commented that other communities tie taxes to assessed

value. He noted that property taxes are the Town's only source of fixed income, so the Committee needs to regularly discuss making changes.

Mr. Peterson mentioned that he has witnessed inflation be used and it caused taxes to increase more than they should have. Therefore, he stated that he doesn't support tying property taxes to inflation.

Mr. Healy acknowledged that that the Town can avoid using a fixed formula while adjusting tax revenue.

Mr. Dorfman stated that the Committee can obtain all of the necessary information and then submit it to the Town Council to review.

Mr. Graviet emphasized that it is not a good time to raise property taxes, since the current economy is not financially stable. He added that raising property taxes right now would send a negative message.

Mr. Dorfman agreed with Mr. Graviet's statement.

Ms. Connery expressed that the Town should be cautious if they were to consider an automatic inflator for property taxes because this revenue would no longer be fixed. She explained that other governments that tied property tax to housing values experiences critical financial trouble.

Ms. Connery said that she reviewed the history of the Town and found that revenue costs have only increased an average of one percent (1%) per year, which has been the case in the past four (4) years. The increase from each year in revenue has been enough to cover this annual inflation in costs, so a property tax increase is not necessary at this time.

Mr. Rossi stated that property taxes shouldn't increase since the Town is financially stable.

Ms. Boswell said that the Town does not currently need to increase property taxes, but she advised that if it needs to increase in the future it should be done so in increments.

Mr. Dorfman agreed with the Committee that now is not the right time to increase property taxes.

Mr. Neary commented that he found that the total cost of his home ownership in Bethany Beach is \$2,700 compared to the cost of his home in Virginia being \$5,200. These costs both include property taxes, trash fee, water services and county taxes.

Ms. Young expressed that property taxes should not be increased right now if it is not necessary to do so.

Mr. Healy emphasized that the Town needs to keep this issue on the table for discussion and consideration during the next five (5) years.

Ms. Connery noted that when the Town sets taxes and fees, revenues are attempted to match specific costs, so the costs are covered.

Mr. Dorfman expressed his appreciation to the Committee and the Staff for their input on this matter.

Motion Adjourn

Mr. Healy made a motion to adjourn the meeting. Seconded by Mr. Doyle, the motion was unanimously approved.

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