

**Town of Bethany Beach
Budget & Finance Meeting
January 17, 2019 – 10:00 a.m.**

Present: Jerry Morris, Joseph Healy, Denise Boswell, Phil Rossi, Fulton Loppatto and Jerry Dorfman

Excused Members: Martin Decre

Also present: Cliff Graviet, Town Manager and Janet Connery, Finance Director

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

Approval of the Agenda

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

Approval of the Minutes from October 29, 2018

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

Review results of the 3rd quarter of FY 2019

The third quarter of the fiscal year ended on December 31st with \$9,348,000 in revenue and \$6,100,000 in operating expenses.

In the General Fund, revenues have already exceeded the budget by \$220,000 mainly from transfer taxes and parking revenue higher than expected. By the end of the fiscal year Ms. Connery expects the General Fund revenue to have surpassed the budget by at least \$400,000.

Sanitation and Water revenues are expected to reach or slightly exceed the amount budgeted. Water bills for use from October through March will be prepared in April and are expected to generate around \$550,000.

Operating expenses are as expected with 75% of the budget spent. The Town should expect to end the year a few percentage points under budget in total.

Overall the Town are having another good year financially.

Discuss the FY 2020 draft budget

Town-wide revenues are budgeted as \$219,000 (2.3%) higher than the current fiscal year. There are no changes to taxes or fees in this first draft of the budget, the changes are all from revising estimates based on prior year results or revenue trends. The two main changes are:

- \$100,000 added to the Transfer Tax budget to be more realistic with what the Town actually receives. We held this budget at a very safe \$550,000 since FY 2014 while ending every year significantly over budget. The lowest of the past five years was \$710,000 in FY 2016 so a budget of \$650,000 would be more reasonable but still conservative.
- \$88,000 added to Interest Income across the three funds from earning more interest on our investment CDs.

Operating Expenses are budgeted to increase \$274,000 (3.4%). The changes fall into three categories; one-time, personnel and other.

One-time purchases are \$92,000 of the increase.

- \$50,000 for Mobimats to extend the distance covered on 19 streets
- \$12,000 to replace three beach wheelchairs
- \$30,000 to purchase 30 trash receptacles for the beach and boardwalk.

Personnel costs are 59% of the town's operational budget and are the reason for \$109,000 of the increase. In total personnel cost are a 2.3% increase in over the current year. This budget includes the water position that was added partway through the current year but removes two other full-time positions that are being replaced with seasonal workers. There is some shifting of wages between departments as a result of moving these job duties. The budget includes enough to give 3% raises, if approved, to all full-time, part-time and seasonal employees.

Some of the other reasons for the Operating Budget increase include:

- \$30,000 included for fuel costs to increase 15% over the current year.
- \$15,000 to allow for increases in insurance premiums.
- \$14,000 in parking credit card fees as more people use ParkMobile.

The General Fund Capital Budget totals \$575,000

- \$300,000 for road and alley work not covered by the Municipal Street Aid grant
- \$40,000 to install pavers on South Atlantic Ave
- \$40,000 to purchase a mini Track Loader
- \$45,000 to replace two ATVs; one with a medical bed, lights and sirens for lifeguards
- \$120,000 for repairs to the Boardwalk and grabrails
- \$30,000 for replacement of the Building Inspector's vehicle

The Sanitation Capital Budget is \$237,000 to replace a rear-loading trash truck and a pickup truck.

The Water Capital Budget totals \$562,000.

- \$50,000 to replace equipment as needed
- \$250,000 for aerator refurbishment or replacement. Our engineers are working on determining what is needed, it may end up being significantly less.
- \$50,000 to refurbish and repaint the outside of filter gallery and pipes
- \$37,000 to replace a pickup truck with lift gate
- \$75,000 to purchase a backhoe
- \$50,000 to construct a storage pole barn at the water plant
- \$50,000 for distribution system repair work as needed

The Water Debt Service Budget is \$246,000 for repayment of the loan on the water tower. At the current rate of payment this loan will be finished in December 2025 rather than the original June 2034.

The Schedule of Fees is at the end of the budget. It includes a new fee that Ms. Connery recommended we add, \$25 for "Additional water meter readings requested by property owner". A few times a year we get requests from property owners to have our water department staff read their water meter for a purpose other than our semi-annual bills. Such as businesses who want to track their monthly use and when the tenant of a property is changing. We currently do not have a fee for this situation, so we recommend adding one.

The third page of the budget summarizes our finances for each fund, starting with the projected cash and investments at the start of the fiscal year, then adding revenue being budgeted for FY 2020 to give the total available funding. This funding is then allocated to cover the budget items we have already discussed, specific reserves, and a 15% operating reserve. When budgeting, all projected funds that are not allocated to one of these lines are put in the Capital Replacement Reserve.

Capital Replacement Reserves in all three funds are above the recommended minimum and below the recommended maximum as determined by our Fund Balance Policy. The Storm Emergency Relief Fund is expected to increase to \$1,911,000 by the end of FY 2020.

The Town Council will be discussing future General Fund Capital Improvement Projects in the next few weeks so these figures may change.

Discuss possibly recommending adjustments to taxes or fees including property taxes, business licenses fees and rental licenses

At the last meeting the Committee reviewed the history of taxes and fees charged by the town and the Committee asked to review Licenses and Property Taxes further at this meeting.

We charge \$180 for a Business License and currently license 660 businesses; the majority are contractors based elsewhere that are working inside town limits. The current draft budget includes \$125,000 revenue from business licenses. South Bethany and Ocean View each charge \$150 for a license. Fenwick charges \$185 for retail merchants but charges contractors either \$75 or \$200 depending on their revenue generated in Town. Rehoboth has several categories with the most comparable being \$275 for contractors. Ocean City charges between \$116 and \$583 for a contractor business license, depending on the number of employees.

We have charged \$50 for a Rental Licenses since the spring of 2001 and we charge an additional \$50 for licenses renewed late. We put off raising this fee previously because our rental tax rate was higher than surrounding towns, but now those towns charge comparable rental tax rates so we should consider changing our license fee. South Bethany charges \$150, Ocean View \$75 and Fenwick \$185. We issued 741 rental licenses last year and the current draft budget includes \$43,000 in rental licenses.

Previously the Committee and Council stated that they wanted to increase Property taxes by small amounts every few years to avoid having to make large changes, like when we doubled the rate in FY 2008. Since then we have increased the tax rate by half a cent in FY 2010, 2013 and 2015, then in FY 2017 the tax rate was increased by a full cent for SERF.

Each half cent increase which would generate \$51,000 additional revenue per year. For the majority of our property owners this would be an increase of less than \$15 per year.

The Committee discussed these three fees and are considering the following increases.

- Business License from \$180 to \$250 per year
- Rental Licenses from \$50 to \$100 per year
- Property taxes from \$0.185 to \$0.19

The next meeting is scheduled for Tuesday March 5.