

**Town of Bethany Beach
Budget & Finance Meeting
January 19, 2023 – 10:00 a.m.**

Present: Jerry Morris, Martin Decre, Joseph Healy, Mickey Hinman, Fulton Loppatto and Patrick Sheplee

Excused Members: Scott Bell and Denise Boswell

Also present: Cliff Gravier, Town Manager; Janet Connery, Finance Director; Terry Tieman, Assistant Town Manager and Molly Daisey, Administrative Assistant.

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

Approval of the Agenda

Mr. Loppato made a motion to approve the agenda. Mr. Decre seconded the motion and it was unanimously approved.

Approval of the Minutes from October 20, 2022

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

Ms. Connery gave the following report:

Review results of the 3rd quarter of FY 2023

- General Fund revenues through the third quarter are \$687,000 lower than last year. If we exclude the \$480,000 transfer tax for the hotel sale from last year's revenue then General Fund revenue is down by \$207,000.
 - Transfer tax revenue is \$926,000 (52%) lower than last December because of the hotel sale last year. We expect to receive at least \$137,000 more than budgeted before the year ends.
 - Rental Tax revenue is projected at \$222,000 more than budgeted.
 - Building permit revenue increased \$145,000.
 - Parking revenues are \$45,000 lower than last year.
 - Permit Revenue increased \$60,000 from the fee increase.
 - Hourly parking fees are \$29,000 (1%) lower than last year.
 - Parking fines were \$76,000 (16%) lower than last year.
 - Interest rates on CDs have skyrocketed in the past few months so is expected to exceed the budget by around \$110,000.
 - In total, General Fund revenues are expected to surpass the amount budgeted by at least \$900,000 by the end of the year.
- Sanitation and Water fees are as expected for this time of year.
- Operating expenses are 14% higher than last December, which is much more than we anticipated in the FY 2023 budget. Most of the increase is from higher

wages, more bandstand performances, preventive maintenance on the water tank, and fuel costs. Several General Fund departments will need to be supplemented with a budget amendment of between \$100,000 and \$200,000, which is 1.5% to 2.7% of the budget.

This was another good year financially, but not breaking any records.

Discuss the FY 2024 draft budget

Revenue Budget

General Fund revenue is increasing by \$1,159,000 (13.7%), the main causes are two increases in fees and two adjustments to reflect current conditions.

- \$450,000 from the proposed increase to hourly parking rates from \$2.50 to \$3.00 and applying the same 20% increase to permits and tickets. Rehoboth, Ocean City, and Dewey already charge \$3 per hour. Our summer season costs have increased substantially, mainly in seasonal wages and supply costs, so it is appropriate to increase our parking revenue to cover the cost increase.
- \$360,000 from significantly higher interest earnings on CDs.
- \$275,000 in Rental Taxes to reflect the current number of properties rented.
- \$85,000 in Property Taxes. \$20,000 of this is to reflect new construction and \$65,000 is from proposed 3% increase in tax rate from \$0.19 to \$0.196. The Council's long-term intention has been to increase property taxes by a small amount every three years, and it has now been four years since the last increase. For 69% of our residential improved properties, the proposed 3% increase would cost less than \$23.

Sanitation Fund revenue increasing by \$30,000 from higher interest rates on CDs.

Water Fund revenue increasing by \$77,000 from higher interest rates on CDs.

Operating Expense Budget

General Fund Operating Budget is increasing by \$857,000 (11.6%). The largest changes by department, with the main purposes of the increase, are:

- \$239,000 increase in Streets & Parks. Reasons include personnel costs, irrigation of Central Park, improved internet service, and replacement of banners.
- \$215,000 increase in the Police Department. Reasons include 1 new full-time position and increased cost for seasonal officers.
- \$132,000 increase to Administration & Trolley. Reasons include personnel costs, diesel fuel for trolleys, comprehensive plan assistance, and computer replacements.
- \$107,000 increase in Beach, Boardwalk & Comfort Station. Reasons include personnel costs, replacement of Mobimats, and rental of beach lights for evening volleyball.

- \$91,000 increase in Parking. Reasons include buying seven new pay stations, higher credit card fees from higher hourly rate and ParkMobile use, and the proposed lease of church land for additional parking spaces.

Sanitation Fund Operating Budget increasing \$137,000. Reasons include personnel costs, diesel fuel, truck repairs, improved internet service, and supply costs.

Water Fund Operating Budget increasing \$80,000 (5.9%). Reasons include personnel costs, insurance and electricity costs.

Capital Budget

The Capital Budget may change before the next meeting as cost estimates change.

General Fund

- \$650,000 in paving, street safety, alleys, parking lots & lighting. Proposed projects include the annual repaving contract, alley re-stoning, installation of a Rectangular Rapid-Flashing Beacon (RRFB) at Ashwood Street, reworking entrance at Half Moon Drive, Garfield Parking lot graveling, gravel and bumpers to create more parking spaces if the land lease from the church is negotiated, and light poles by the Garfield Parkway parking lot and Nature Center.
- \$65,000 additional needed in conjunction with \$25,000 carried forward from FY 2023 to purchase two large mowers and two Maverick trucks to replace two 2007 trucks in urgent need of repair.
- \$30,000 for two Low Speed Vehicles (golf carts) for Beach use
- \$50,000 for repairs to the Boardwalk as Needed

Water Fund

- \$75,000 for repairs to the water distribution system 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.

This budget does not include funds for the Collins Street Pathway project or the Lake Bethany Bulkhead/Land Strip project, the Council will be asked to amend the budget once costs for those projects are better known. We have received over \$900,000 in federal and state funds for Collins Street but expect to need to supplement with at least \$100,000 in town funds. We have received \$103,000 in state funds for the Lake Bethany land strip and bulkhead project and are applying for federal grants. The bulkhead piece is expected to cost almost \$900,000 and we do not have a good estimate on the land strip piece yet.

Reserves are shown on page 3. This page gives a breakdown of each fund, starting with the projected cash and investments at the start of the fiscal year, then adding revenue being budgeted for FY 2024 to give the total available funding. This funding is then allocated to cover the budget items we have already discussed, specific reserves, and a 20% 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. The Capital Replacement Reserve in the General Fund is \$1,947,000 over the recommended minimum, which provides funds for the Collins and Lake Bethany projects as well as future needs.

The Storm Emergency Relief Fund is budgeted to increase to \$3,162,000 by the end of FY 2024.

Discuss proposed changes to the Schedule of Fees

The Committee discussed making changes to the Schedule of Fees in addition to the parking fees and property tax rates.

- Removal of 16 fees that are no longer applicable, such as fees for printed copies of the Town Code and other documents that are readily available online.
- Updates to Building Permit fees to better reflect the time involved with recent changes to the Town Code.
 - “Building an Open Deck, Patio”. The current fee of \$0.50 per square foot was set in FY 2006. New ordinances require consideration of if the deck is at grade which takes more time. Considering increasing to \$0.75 or making the fee a percentage of cost.
 - “Fence, permanent subdivision sign, driveway and sidewalk”. The current fee of \$50 was set in FY 1999. Due to the new ordinance related to ground covering the permits for driveways and sidewalks now require a more thorough review and inspection. Considering replacing this with two fees, \$150 for driveways and sidewalks and \$50 for signs and fences.
 - “Private swimming pool permit”. The current fee of \$30 was set in FY 1999. Current ordinances may require multiple inspections. Considering increasing to \$150.
 - These and other fees to be discussed with the Building Inspector before the Committee’s next meeting.
- Considering changing the \$0.25 trolley rider fee to either free or \$1 per adult. This will be brought to the Town Council for discussion.
- Property Maintenance fees
 - These fees currently affect fewer than a dozen property owners per year, but they tend to be the same owners repeatedly.

- Fees for “Violation of the Town Code” were set in FY 2012 as \$200 for the first offense, \$400 for the second offense, and \$600 for additional offenses. Considering increasing to \$300, \$600, and \$900, respectively.
- Also considering adding “An additional fee may be charged for employee time or contracted work to bring properties into compliance with the Town Code”.
- Water Service fees
 - “Water turn on or off at meter (after regular Water Department service hours or on holidays)”. Calling back an employee after hours results in four hours of paid overtime, the current \$150 fee was set in FY 2005 and does not recoup the cost of that overtime.
 - “Install a tap into town water main with installation of lateral and curb stop”. The current fee range of \$700 to \$1,200 was set in FY 2007. Labor involved varies from one to four hours during regular business hours. Considering increasing the range to \$1,000 to \$1,500.

Meeting Schedule

Second budget preparation meeting Thursday February 16 at 10 am.

Town Council Public Hearing on Monday 3/13 at 10 am depending on Council schedule.

Third budget preparation meeting if needed Tuesday 3/14 at 10.

Town Council vote on budget approval Friday 3/17

1st quarter review Thursday 7/20.

2nd quarter review Thursday 10/19.