



**TOWN OF SOUTH BETHANY
BUDGET AND FINANCE COMMITTEE MEETING MINUTES
JULY 27, 2012**

The Budget and Finance Committee met on Friday, July 27, at 3:00 p.m. at Town Hall. In attendance were Pat Voveris, Renee McDorman, Todd Neven, Tony Caputo, Mark Damato, Joe Conway, Keith Krenz, Steve Farrow, and Kent Stephan.

Pat called the meeting to order.

No public comments were made.

Minutes from the June 22, 2012, meeting were approved and posted to the Town website.

Renee reviewed June budget numbers. Revenues and expenses are tracking on course. Property Taxes are 97% collected with 50 delinquent accounts. In her nearly 10 years of employment this is the greatest number ever seen delinquent. Letters have been sent to these property owners.

She further commented to our 17% discount on the Worker's Compensation Policy. For this budget, the savings will be \$225 and has occurred as a result of our forming a Safety Committee and membership in the DFIT.

Pat then reviewed the Treasurer's report from the July Council meeting and cited particular revenue areas with good numbers, and pointed out that only four 30-day Mercantile Licenses have been sold. So, no major impact on Mercantile License revenue.

Joe questioned timing of budget items and how we know revenues and expenses are on course. Renee then expounded on the Transfer Tax revenue and the volatility and unpredictability of the number; Property Tax revenue that should be received by June 30; Rental revenue which arrives in the fall; License revenue which is primarily in March and April. Pat pointed out Insurance expense in G & A is always high at the beginning of budget when premium is due in full. Renee also pointed out all the Beach Patrol expense occurs in the summer months when they serve our town.

Tony then asked questions on our ability to practice Encumbrance Accounting, which would allow us to share a forthcoming offset to revenue, as in the case of grants, and Renee will research our ability to do this with our Edmunds software.

Tony then took some time to inform the committee of his extensive financial background in working with municipalities and financial system implementation for government.

Pat then reviewed recent budget savings and credited Melvin for changing Mutt Mitts to another product popular with the State of Delaware. The bags will change from 7 cents each to just 3.5 cents, resulting in a \$1,000 savings to this year's budget.

Pat changed the order of the agenda to allow Todd his presentation on Drop Box/File Sharing, in light of Steve needing to leave the meeting early. Todd had a detailed handout to show the concept, usefulness, and efficiency of this system. All members agreed this should be put in place first for Budget and Finance use and with effective result, and then be considered for further use in the Town. Renee will review the implementation with Melvin, and once given the green light, work with Todd on setting this up for Budget & Finance.

Financial Policy proposal for Council was then reviewed by Steve for the benefit of all new members. Budget and Finance feels it critical that Council have such a policy in place. Renee had given to each member a handout entitled, *State of Delaware Cash Management Policy Board*.

Tony referenced page 5, Section III of such showing restrictions within financial policy. We all agreed to review and incorporate such in our financial policy proposal for Council. Steve will bring this forward at our next Budget and Finance meeting to be scheduled late August or early September.

Tony then reviewed inflation factor for the ARM Reserve calculated by CPI and pointed out the unpredictability of inflation and how assets needed to be considered on individual merit.

Tonnage for trash, recycling, yard waste was then reviewed by Pat. Trash is significantly down for June 2012 vs. June 2011. The concern here may be a decline in rentals and rental revenue. We will have this answer in the fall when this revenue is due to the Town. Recycling changed to Saturdays has had minimal impact of less than 2% increase. Discussion took place on accumulation of trash, particularly Oceanside, and the Town should revert to three pickups per week. Not having a Saturday trash pickup means many arriving renters pull into a driveway with overflowing trashcans. Not the most welcoming gesture. Pat pointed out the removal of a third pick up only saved a property owner \$6 per year, and even a pick up on Wednesday would mean less trash sitting around from the Monday morning pick up to the Friday morning pick up.

Discussion then took place, primarily for new members, on the Beach Replenishment/Canal Water Reserve creation. Pat reviewed the handout on dollars per household based on implementing a tax as does Dewey Beach.

Keith commented that Council needed to address saving for our beaches and canals, our two most important assets. To not do so is irresponsible.

Pat then brought up considering not establishing the reserve through a new tax, but perhaps committing funds currently not specified in Long Term Reserves.

In response to major project funding discussions at the last meeting, Joe inquired about our use of debt service and asked if we had a rating. Renee indicated we did not and never have had a

need to borrow. Joe had done an informal inquiry to begin data gathering and was told that to obtain a bond rating for approximately \$5 million debt might cost as much as \$100,000. using one of the two major rating services. This discussion primarily resulted from the thought that federal help for beach replenishment might dry up one day and South Bethany would find itself with a need to borrow if no substantial reserve was in place. Joe noted that one alternative used by other East Coast cities was either event driven or recurring bond issues vs. tax increases to fund beach replenishment and other public works type projects.

Pat addressed the committee to consider establishing a beach replenishment/canal water reserve through available unspecified reserve monies, establishing a minimum amount to hold in remaining unspecified reserves, and after excess remaining reserves deplete, to consider balancing the budget with a property tax increase equivalent to amount of budget increase. Moving forward, incremental tax increases corresponding to budget expense increases would insure preservation of established reserves. This would mean any expense needed to be increased such as electricity, gasoline, insurance, or employee compensation would be offset by corresponding revenue from property tax. Thus, no further use of reserve money.

Discussion then took place, led by Tony, on how a policy on reserves and their minimum/maximum balance needed to be put in place.

There were no public comments.

The next meeting for new members is planned on August 6 at 8:00 a.m. at Town Hall.

Pat thanked the group for a productive meeting and adjourned approximately 5:10 p.m.

During a meeting subsequent to August 6th, all B&F members will revisit topics discussed July 27 to formulate recommendations for Town Council.