

<b>TOWN OF SOUTH BETHANY TOWN COUNCIL BUDGET WORKSHOP MEETING MINUTES FEBRUARY 23, 2012</b>
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**ATTENDANCE**

PRESENT: Mayor Jay Headman; Councilpersons John Fields, Pat Voveris, Al Rae, Sue Callaway, George Junkin, and Jim Gross; Town Manager Melvin Cusick; Chief Joe DeLoach; and Financial Administrator Renee McDorman

**MEETING CALLED TO ORDER**

Mayor Headman called the February 23, 2012, Town Council Budget Workshop Meeting to order at 11:00 a.m. Mayor Headman recognized Keith Krenz who has been on the Budget and Finance Committee for three years and Steve Farrow who has been on the Budget and Finance Committee for two years. Mayor Headman stated that they have provided invaluable resources to the Town.

**PUBLIC COMMENT PERIOD**

Ed Nazarian (20 Peterson Dr.) – Regarding Ordinance 161-12, Mr. Nazarian believes the \$30 fee for the 30-day license should be applied to the annual license fee or the six-month license fee even if it is not extended during the first 30 days. Councilwoman Voveris stated that the purpose of the 30-day license is to accommodate property owners who are having someone in for a job for a short duration. If the \$30 fee could be applied to the annual or six-month license after the 30-day period has ended, there would be a possibility that it could impact the revenue for the Town.

Mr. Nazarian believes limbs that break off after storms and are hanging are a hazard and should be addressed in Ordinance 162-12.

**ADOPTION OF MINUTES – TOWN COUNCIL WORKSHOP MEETING MINUTES, JANUARY 26, 2012**

A motion was made by Councilman Junkin, seconded by Councilwoman Voveris, to accept the January 26, 2012, Town Council Workshop Meeting Minutes as amended by Councilwoman Voveris as follows:

Page 4, Third Paragraph: Change "April is historically high, but it will have to be very high for the Town to make the \$300,000 number" to read "April historically reflects a large transfer tax number, but it will have to be very large for the Town to make the \$300,000 number."

The motion was adopted.

**BUDGET AND FINANCE COMMITTEE REPORT (Pat Voveris/Keith Krenz/Steve Farrow)**

Mayor Headman stated that this is the third year of Budget and Finance Committee existence, and the committee was formed to look at ways to make improvements and to look at long range planning and make projections. Mayor Headman complimented the committee for the work they have done.

Councilwoman Voveris stated that she is privileged to have the support of tremendous talent on the Budget and Finance Committee. She thanked Keith Krenz and Steve Farrow for their efforts and dedication and for taking time out of their work schedule to attend this meeting.

Mayor Headman stated that the committee would be presenting information, but Council is not going to vote one way or the other at this meeting.

- **Reserve Planning (Keith Krenz)**

Keith Krenz presented the following PowerPoint Presentation: Long Range Planning Update, South Bethany Town Council Workshop February 23, 2012 (attached).

- **Supporting Documentation/Options for a Budget Initiative (Steve Farrow)**

Steve Farrow presented a PowerPoint Presentation regarding staffing the Public Works Department. The PowerPoint Presentation is attached.

Councilman Gross inquired what the total cost was for Option 2 (1 Full-time MX Sup/1 Full-time MX employee). The response was: \$1,700 to \$1,900 a year for the State pension program and up to \$17,000 a year for health insurance.

Councilwoman Callaway stated that the list of Public Works tasks (not just seasonal but year round) is overwhelming, and she feels the Town Manager and Maintenance Supervisor have substantiated a case and demonstrated a need for a full-time MX employee. Councilwoman Callaway stated that in making decisions about the budget she has been looking at the return on the investment in South Bethany. Looking at the grants the Town received for the bioretention areas and the forthcoming TEP grant (total grants about \$150,000) and looking at what the Public Works Department is spending taking care of these projects (about \$15,000), Councilwoman Callaway believes the return on the investment is about 10 to 1 in terms of dollars the town received and what dollars the town spent.

- **Building Permit Fees**

Councilwoman Voveris stated that the Budget and Finance Committee has researched Bethany Beach's, Fenwick Island's, Rehoboth Beach's, and Dewey Beach's building permit fees, and they use a percentage (3%) rather than a dollar per square foot fee. They tie into the ICC standard for dollar value per square foot. Councilwoman Voveris reviewed the following which was presented to Council in a handout:

**NEW CONSTRUCTION FEE**

CURRENT SB PRACTICE: \$2.30 PER SQUARE FOOT X SQUARE FOOTAGE OF PROPERTY

PROPOSED PRACTICE: \$102.91 PER SQUARE FOOT X SQUARE FOOTAGE OF PROPERTY X 3%

**RATIONALE:**

CURRENT PRACTICE OF BETHANY BEACH, FENWICK, REHOBOTH, DEWEY  
ICC STANDARD AVAILABLE FOR DOLLAR VALUE PER SQUARE FOOT  
INCREASE OF A REVENUE SOURCE FOR SOUTH BETHANY  
INDEXES TO SUPPLY A FEE REFLECTIVE OF INCREASING FUTURE COSTS

**EXAMPLE OF FINANCIAL IMPACT:**

CURRENTLY IN SB, 2000 SQUARE FOOT PROPERTY X \$2.30 PER SQUARE FOOT  
GENERATES A FEE OF \$4600.00

**PROPOSED CHANGE:**

2000 SQUARE FOOT PROPERTY X \$102.91 PER SQUARE FOOT = \$205,820 PROPERTY  
VALUE  
\$205,820 X 3% GENERATES A FEE OF \$6174.60

**34% MORE REVENUE GENERATED**

Councilwoman Voveris stated that with transfer tax revenue down it is critical to look at ways to generate revenue. She stated that the proposed change is practiced, and it is something the Budget and Finance Committee is bringing forward for consideration to adopt.

Councilman Fields stated that he has serious concerns about this approach and suggested discussing this at another workshop.

Councilman Gross stated that he likes the approach but feels the number 3% is inappropriate.

Mr. Krenz stated that one of the benefits of doing a percent value is that the revenues will self-index year after year as the value of construction goes up as opposed to a fixed square foot fee that Council has to periodically "manually" index.

Councilwoman Callaway stated that Council emphasizes that the town has three major revenue sources, and if they are declining, Council needs to look at other revenue options. She added that the Budget and Finance Committee has done a really good job on this, and she believes it is well worth everyone spending time reviewing the proposed building permit fees.

Mayor Headman stated that one of the tasks of the Budget and Finance Committee is to look at fees to see where the Schedule of Fees needs to be modified. Also Council needs to look at revenue and make sure the Town is getting the revenue it should be getting.

Councilwoman Voveris referred to the International Code Council (ICC) handout (attached). It establishes a per square footage number (highlighted in yellow). Councilwoman Voveris gave this information to Council so that they could look at how the Town can tie into a number that is an average in the country for per square footage that is updated twice a year by a well-known organization (ICC).

Administrative Assistant's Note: At this time Mayor Headman modified the sequence of the agenda items. These minutes reflect the order in which agenda items were discussed.

#### **CONSIDERATION AND POSSIBLE VOTE TO HIRE A REPLACEMENT FOR THE CODE ENFORCEMENT CONSTABLE**

The Town Manager noted that this was discussed at the January 26, 2012, Town Council Workshop Meeting in Executive Session and needed to be voted on in an open meeting.

A motion was made by Councilwoman Voveris, seconded by Councilwoman Callaway, to hire Peter Brockstedt to be the new Code Enforcement Officer. The motion was unanimously carried.

#### **CONSIDERATION AND POSSIBLE VOTE TO RENEW THE BEACH CONCESSION SERVICE CONTRACT WITH DEWEY BEACH SERVICE**

The Town Manager noted that this was discussed at the January 26, 2012, Town Council Workshop Meeting in Executive Session and needed to be voted on in an open meeting. The consideration is to extend the Beach Concession Service contract with Dewey Beach Service for five years beginning with the 2013 beach season and run through the 2017 beach season.

A motion was made by Councilman Junkin, seconded by Councilwoman Voveris, to extend the Beach Concession Service contract provided by Dewey Beach Service for an additional five years to take effect at the end of the current contract beginning with the beach season of 2013 and continue for the beach seasons of 2014, 2015, 2016, and 2017. The annual amount to be paid to the Town of South Bethany by Dewey Beach Service is to be increased from \$15,000.00 to \$18,000.00. The motion was unanimously carried.

## **DISCUSSION OF ORDINANCES**

Due to time restraints, rather than discussing the ordinances listed below, Mayor Headman asked Council Members to give any comments they have to the appropriate sponsor. Mayor Headman reminded Councilman Fields of the comment from Mr. Nazarian regarding broken branches that are hanging in some places that could be dangerous and whether or not that needs to be identified in the ordinance.

- **Ordinance 160-11, to amend Chapter 6, Contracts and Bidding, to increase bidding monetary amounts. (Pat Voveris and John Fields)**
- **Ordinance 161-12, to amend Chapter 84, Licenses and Permits, Article I, entitled "Mercantile Licenses" to add a temporary mercantile license. (Pat Voveris)**
- **Ordinance 162-12, to amend Chapter 104, Property Maintenance, Article III, entitled "General Provisions", to require the removal of dead trees from all Town lots. (John Fields, Pat Voveris, and Jim Gross)**
- **Ordinance 163-12, to amend Chapter 145, Zoning, Article XV, entitled "Board of Adjustment", to change the terms of office of Board of Adjustment Members from four years to three years. (John Fields and Pat Voveris)**

## **DISCUSSION ON PROPOSED CHARTER CHANGES (John Fields)**

Council received a packet (attached) from Councilman Fields which included a letter to Senator George Bunting and Representative Gerald Hocker, a resolution that goes with the bill to the General Assembly which Council will vote on at the March 9, 2012, Town Council Regular Meeting, and a draft bill to amend the Town of South Bethany Charter. The Town Manager suggested that the letter also be sent to Robert Maxwell, SCAT's lobbyist.

Councilman Fields reviewed the bill which was written by the Town's attorney:

- At the January 26, 2012, Town Council Workshop Meeting, Council approved removing § C-14 (Use of town moneys) regarding having to go out to referendum to spend funds in an amount exceeding \$100,000.
- At the January 26, 2012, Town Council Workshop Meeting, Council agreed to change § C-7B (Duties of Mayor) to conform to Ordinance 160-11.
- As discussed at the January 26, 2012, Town Council Workshop Meeting, the following is included in the bill, "The bill clarifies that municipal elections in the Town of South Bethany must be conducted in accordance with state laws governing municipal elections."
- Councilman Fields stated that Mayor Headman had suggested that workshop meetings be included in § C-7J(1), and that has been included in the bill.
- § C-13. Borrowing powers: Councilman Fields stated that this item has to do with short term borrowing. Councilman Fields noted that the Town has never borrowed money and probably never will, but the attorney suggested changing short-term borrowing to 1 ½ % of the total appraised value of all real property in town as opposed to having it set as \$100,000. The attorney noted that other towns do this. Councilman Fields had asked the attorney for examples of what some of the other towns do. The Town of Smyrna uses 1½ percent as the lawyer is recommending. The City of Rehoboth Beach can borrow up to \$1 million or 25 percent of assessed value of property. Bethany Beach says that short-term borrowing can be 1/3 of the total amount of the Town's revenue for the immediate preceding fiscal year. Councilman Junkin noted that 1/3 of \$2.1 million would be \$700,000. Councilman Fields stated that the current assessed value of town property is \$36 million. 1½ percent of \$36 million is \$540,000, 1¼ percent of \$36 million is \$450,000, 1 percent of \$36 million is \$360,000, ¾ percent of \$36 million is \$270,000, and ½ percent of \$36 million is \$180,000.

Councilman Rae believes \$540,000 is a lot of money and he is in favor of using a lower percentage. Councilman Fields stated that he is inclined to agree and suggested lowering it to 1 percent which would allow for \$360,000 to borrow short term.

It was noted that a referendum is not required for short-term borrowing. It was also noted that short-term borrowing has to be repaid in full within 5 years.

Councilman Gross suggested that basing the short-term borrowing upon the past year revenue would be a more transparent figure. Councilwoman Voveris stated that the Town would use just the revenue from the preceding year which would be \$1.5 million rather than \$2.1 million. Councilwoman Voveris believes tying into the budget makes sense because that would tie into what the Town's capabilities are. Councilpersons Gross and Headman agreed. Councilman Gross stated that rather than using 1/3 as the Town of Bethany Beach uses he would suggest 20 or 25 percent.

Mayor Headman stated he believes this is a critical decision and he does not want to rush into anything. He added that leaving it the way it is would not hurt anything.

Councilman Rae suggested leaving it the way it is but increase the amount a little to \$150,000.

Councilwoman Voveris has concerns because short-term borrowing does not have to go to referendum.

Mayor Headman noted that when the Charter was established in 1969 they thought \$100,000 was appropriate. In today's market that would be equivalent to five or six hundred thousand dollars. Mayor Headman believes \$100,000 is too low.

Councilman Fields recommended using a percent rather than a fixed number. Councilman Fields recommended using 1 percent (\$360,000).

Councilman Gross stated that he feels the sense among Council is to base it upon revenue rather than appraised value. Council discussed whether it would be based on all revenue or operating revenue. Councilman Gross suggested using 20 percent of the operating revenue from the prior year.

A motion was made by Councilman Gross, seconded by Councilman Junkin, to base short-term borrowing upon 20 percent of the operating revenue of the previous year.

Councilman Rae said he would go with a lower percentage. He would be in favor of increasing the \$100,000 number to \$200,000 or using a percentage of the operating revenue that would be in the \$200,000 range.

Mayor Headman called for a vote on Councilman Gross' motion. The voting was as follows:

FOR THE MOTION: Mayor Headman and Councilpersons Voveris, Callaway, Junkin, and Gross

AGAINST THE MOTION: Councilpersons Fields and Rae

The motion carried with a 5-2 vote.

### **PROPOSED SCHEDULE CHANGE FOR TOWN COUNCIL WORKSHOP MEETINGS**

Mayor Headman stated that decisions regarding meeting schedules are made at the Town Council Organizational Meeting.

Councilwoman Voveris stated that she is proposing changing the workshop day to Friday for two reasons:

1. It would allow more people to participate in the elections.
2. It will allow more property owners to attend and participate at the workshops.

During discussion the following points were made by Council Members:

- Changing the workshops to Friday would tie up two weekends a month for Council Members.
- The Town Manager would have to be involved and that would be time that he would have to give up.
- It would be a decision of the next Council.
- The history of the Town has been to accommodate people to participate.

### **FY 2013 DRAFT BUDGET REVIEW (Pat Voveris/Jay Headman)**

Mayor Headman stated that one of the most critical things Council does is the budget. Mayor Headman believes it is important that with the help of the Budget and Finance Committee and the Staff, Council is moving to a budget that includes long-range planning. Mayor Headman encouraged Council Members to look at the graphs Councilman Junkin created from the Town Survey results which show what property owners are willing to spend money on in this town, particularly the graphs on page 7 of 30 of the survey results report regarding Future Town Needs. Mayor Headman stated that currently it does not look like the Town will collect enough revenue to cover all the expenses for the FY 12 budget. The Town may be short on transfer tax and it could be significant. Mayor Headman stated that the FY 13 budget is a challenge, and Council needs to keep in mind where the Town is, the Town Survey results, and where the Town needs to go. Mayor Headman thanked Pat Voveris, Renee McDorman, Melvin Cusick, and Joe Deloach for the work they have put into this budget.

Councilwoman Voveris acknowledged Renee McDorman, Melvin Cusick, and the Budget and Finance Committee for their efforts, work, and support.

Councilwoman Voveris reviewed the FY 2013 Draft Budget (attached).

Page 1 (Budget Summary – Recap):

Transfer to Depreciation Reserves \$248,000 – Councilwoman Voveris noted that this is not a line item but is mentioned because it is a very real number. This is the first time since the concept of depreciation was put in place that the Town is actually funding it. Everything is accounted for.

Page 2 (Operating Budget – Revenue)

Councilwoman Voveris noted that the Budget and Finance Committee recommends lowering the transfer tax revenue to \$200,000. For FY 2012 Council budgeted \$300,000 and is now hoping to make \$200,000. Councilwoman Voveris stated that this is a very volatile number and she is starting to question whether the Town can count on it as much as it does.

Councilwoman Voveris stated that it is recommended to lower the Magistrate Fines due to the speeding machines that were installed on the median on Rt. 1. Chief Deloach feels the speeding machines will impact this revenue item.

Page 3 (Operating Budget – General Administrative – FY2013)

Councilman Gross believes there are a lot of proposed budget numbers that are too high compared with years past. Mayor Headman said his experience with these numbers is that they have been pretty good every year. The Town Manager said they are based on prior year's

expenses, and there is very little wiggle room. After discussion, Councilwoman Voveris asked Councilman Gross to send her an email with his concerns.

The Financial Administrator noted the rate for line item 60075 (DE Unemployment) comes from the State of Delaware and is based on the number of employees from the Town that file for unemployment. In the last couple of years the Town has had seasonal employees file for unemployment.

#### Page 4 (Operating Budget – Public Works – FY2013)

Regarding line item 62075 (Facility & Building Maintenance), Councilwoman Voveris said she feels the buildings should be cleaned once a week rather than once a month for the sake of cleanliness and sanitary conditions. She feels it is a basic provision the Town should offer employees. Councilman Fields stated that on a list of duties from the Maintenance Supervisor, cleaning the buildings is listed. The Town Manager said the Public Works Department does clean in between times. The Town Manager noted that the building is being used a lot more for committee meetings and the community is using the building more.

Councilman Gross asked why line item 62021 (Pension – Town Contribution) has increased so much. Councilwoman Voveris stated that this is where the full-time maintenance position was added so numbers in salaries, FICA, insurance, and pension will go up.

Councilwoman Voveris noted that line item 62120 (Public Works Vehicle) is a transfer from the reserves.

#### Page 13 (Projects)

Councilman Junkin stated that he believes Chris Bason will get grant monies for the Retro-fit Study (Storm Water) East Side Rt. 1, but he does not believe the Diffuser System (includes Electrical/maint) – Pilot Program will get funded by a grant. Councilwoman Voveris stated that the idea is that if it gets funded by a grant, the money would go back to long-term reserves.

In light of the economy and the Town's funds, the Budget and Finance Committee's recommendation is to wait one year on any approved project and put them in the FY 2014 budget rather than the FY 2013 budget. Councilmen Junkin and Gross said that needs some discussion.

Councilwoman Callaway stated that there is an issue that she needs to address as Council Members are considering supporting or not supporting the Community Enhancement Committee's Ocean Drive & Cross Street Signage project. Mayor Headman stated that he believes Council needs to get to the Executive Session today and if there is time after the Executive Session, Councilwoman Callaway can address the project then.

Councilwoman Voveris asked Council Members to email her any questions they have regarding the budget and she will get answers.

A motion was made by Councilman Fields, seconded by Councilman Gross, to go into Executive Session to discuss Personnel Matters. The motion was adopted.

#### **EXECUTIVE SESSION – PERSONNEL MATTERS**

Council went into Executive Session to discuss the following:

- Police pay schedule as related to a specific municipal employee
- Consideration to hire a replacement of a police officer
- Maintenance Position
- Employee Pay Scale

## **RECONVENE WORKSHOP MEETING**

At 2:30 p.m. a motion was made by Councilman Fields, seconded by Councilwoman Voveris, to reconvene the Town Council Workshop Meeting.

## **POSSIBLE VOTES**

- **Police Pay Schedule**

A motion was made by Councilman Junkin, seconded by Councilman Rae, that Council accept Chief Deloach's recommendation to extend Grade 2 to Step 11 and 12 at the same rate that the schedule does. The motion was unanimously adopted.

- **To hire a replacement of a police officer**

A motion was made by Councilwoman Voveris, seconded by Councilwoman Callaway, to hire a new police officer, Mark Burton. The motion was unanimously adopted.

- **Maintenance Position**

A motion was made by Councilwoman Callaway, seconded by Councilwoman Voveris, that Council create a second full-time position in the Maintenance Department for FY 2013.

The voting was as follows:

FOR THE MOTION: Councilpersons Voveris, Rae, Callaway, Junkin, and Gross

AGAINST THE MOTION: Mayor Headman and Councilman Fields

The motion carried with a 5-2 vote.

- **Employee Pay Scale**

A motion was made by Councilman Gross, seconded by Councilman Rae, that Council approve the proposed increases of 2.5 percent step increase and 1.5 percent cost of living increase. The motion was unanimously carried.

## **PUBLIC COMMENT PERIOD**

There were no comments from the public.

## **ADJOURNMENT**

A motion was made by Councilman Fields, seconded by Councilwoman Voveris, to adjourn the February 23, 2012, Town Council Workshop Meeting at 2:45 p.m.

phs:Budget Workshop Minutes.2.23.12 Amended 3.22.12

Attachments: Long Range Planning Update, South Bethany Town Council Workshop February 23, 2012 (PowerPoint Presentation)  
PowerPoint Presentation regarding making the part-time maintenance position a full-time position.  
International Code Council (ICC) handout  
Charter Changes Packet  
FY 2013 Draft Budget