

**TOWN OF SOUTH BETHANY  
TOWN COUNCIL WORKSHOP MEETING MINUTES  
JULY 25, 2013**

**MEETING CALLED TO ORDER**

Mayor Jankowski called the July 25, 2013, Town Council Workshop Meeting to order at 5:00 p.m.

**ATTENDANCE**

PRESENT: Mayor Kathy Jankowski; Councilpersons Al Rae, Jim Gross, Tony Caputo, Sue Callaway, and Pat Voveris; and Administrative Assistant Pam Smith

EXCUSED ABSENCE: Councilman George Junkin

**PUBLIC COMMENT PERIOD**

There were no comments from the public.

**TOWN TREASURER**

Councilman Caputo reviewed the following information which he had prepared and given to Council prior to the meeting:

**Agenda Item IV. A. (Discussion of the Town's Two Finance Systems) – Update on Edmunds Finance System Implementation**

*Renee has been using parts of Edmunds Finance System, but not all. Renee has been using Edmunds Payroll, Accounts Payable module Finance and Accounts Receivable Systems. Tony and Renee are working together to fully implement Edmunds Financial System, using parallel conversion methodology. That is we are running both QuickBooks and Edmunds simultaneously. We should be fully converted to Edmunds and off of QuickBooks by the middle of September, when the audit is completed.*

***So far we have:***

*Loaded and updated the Chart of Accounts,  
Set up a new funds (general ledger) structure,  
Loaded the Town's Budget that was adopted in April, and  
Loaded parts of the Balance Sheet Accounts (cash, CD's, beginning fund balances and more).*

***We need to:***

*Make sure feeds from Edmunds Payroll and Accounts Receivable Systems are posting properly,  
Reconcile and adjust balances for the remaining Balance Sheet Accounts,  
Reconcile and adjust balances for Revenue and Expense Accounts,  
Review reports and implement new ones as needed, and  
Load prior year summary data.*

Administrative Assistant's note: To help clarify the above information, Councilman Caputo reviewed a diagram he had drawn on a white board.

Mayor Jankowski would like to schedule a discussion on this at a Workshop Meeting after the conversion is completed. Councilman Caputo said he will be able to do a demo.

**Agenda Item IV. B. - Discussion of Town's Reserves, Surpluses, Unrestricted Fund Balances and Restricted Fund Balances**

*There is some confusion regarding the use of these terms, so I would like to clarify a few things. "The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund. GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures."*

*Here are some definitions.*

*Annual Surplus – when annual revenues exceed expenses*

*Annual Deficit – when annual expenses exceed revenues*

*Appropriated Fund Balance – when the budgeted expenses are greater than budgeted revenues you appropriate a portion of Fund Balance to "balance the budget"*

*Budgeted Surplus – when the budgeted revenue is greater than expenses you "balance the budget" by showing a Budgeted Surplus.*

*Fund Balance – the sum of accumulated annual surpluses and deficits*

*Unrestricted/Unassigned Fund Balance – no restrictions on how these accumulated surpluses can be used*

*Restricted/Assigned Fund Balance – this is when portions of the Fund Balance have to be used in a specific manner (e.g. – MSA, EDIE and SALLIE monies not spent in the year received)*

*Reserves – This is an accrued liability associated with future payment when you don't know exactly when and how much you are going to pay/disburse. (e.g. – Town's Retirement Benefit program) We have not been using this term properly, sometimes using it instead of Restricted Fund Balance. We should use the proper terms going forward.*

A discussion ensued regarding the ARM account. Councilwoman Voveris stated that the initiation of the ARM account was a collaborative effort between the Town and the Town's auditor and it was approved by the Council. Councilman Caputo said that there is not any amount for reserves on the Town's financial statements. Councilwoman Voveris stated that she thinks the auditor classifies the ARM account as depreciation. In the end Councilman Caputo stated that he is meeting with the Town's auditor on Monday. Councilman Caputo said that once he has an opportunity to see the numbers and get this straight he will be able to articulate it better.

Mayor Jankowski stated that based on when the conversion is completed, it can be scheduled for discussion at a Workshop Meeting.

**Agenda Item IV. C. - Discussion of Town of South Bethany's Old Retirement Benefit Plan (pg. 64 of Personnel Policy Manual)**

*The Town has been incurring a liability over the years in connection with its Old Retirement benefit. We should have been annually expensing the ESTIMATED cost and accruing a liability in a RESERVE account. We found out about it in FY2013 and must now record the expense and set up a reserve.*

*We originally estimated the liability and expense in FY 2013 to be \$44,000, but after further review we have found it to be much larger. It may be as much as \$115,000; we are not sure and need to review it with our auditor. We made an error in obtaining the full amount of salaries and did not include the Employer's portion of FICA (6.75%).*

*So, this will reduce the projected FY 2013 Surplus given to you at the July 12 Council meeting by as much as \$71,000. We now project a FY 2013 surplus of \$153,456.*

*We still need to:*

- 1) *Define "Retirement" and "retires in good standing", and*
- 2) *Determine if we want to continue the benefit or change it going forward.*

Regarding the number of employees that have reached the threshold, Councilman Caputo noted that there are employees in the 15 year range, the 20 year range, the 25 year range and the 30 year range. Mayor Jankowski asked if the Town has a minimum retirement age. Councilman Caputo said that he does not believe so. He stated that the Town Manager looked at using the State retirement definition but it does not equate one to one. During discussion Councilman Gross stated that once all the information is together Council will need to do an in depth analysis and make some decisions. Mayor Jankowski said it is good timing because the Town Manager is working on the Personnel Policy Manual and Councilman Caputo is working on the financial piece of it, and Council can come together on both and have a discussion at the October Workshop Meeting.

Councilman Caputo said Council should be evaluating the Town's annual contribution to the plan which can be done analytically in the way of a spreadsheet. The Town should be factoring this annually. Councilman Caputo is also going to make sure that the auditor is engaged.

### DISCUSSION OF BUILDING PERMIT FEES – TO SIMPLIFY AND CLARIFY

Councilman Gross noted that he spoke with representatives from Bethany Beach, Fenwick Island, and Sussex County. He met with the Charter and Code Committee. He also met with Pete Brockstedt (the Town of South Bethany's former Code Enforcement Constable) and Joe Hinks (the Town of South Bethany's current Code Enforcement Constable). Councilman Gross stated that it is evident that there are problems with the current fee schedule for Building Permits, but fixing the problem is complicated.

Councilman Gross reviewed the Town's current Schedule of Fees regarding Building Permits. Councilman Gross stated that the floor area issue does not work for many items. Councilman Gross stated that the Town needs to move to cost which is the best measure of value. Councilman Gross said there is precedent for that – when Council adopted the ICC it was to arrive at a cost basis. Councilman Gross gave the following five criteria for the Town's building permit fees: 1) clear and transparent, 2) rational and reasonable, 3) consistent and applicable, 4) fair and equitable to the Town and the construction industry, 5) comprehensive and inclusive.

Councilman Gross gathered data for 10 new houses that had been permitted in South Bethany since May 2012 (see chart below). Councilman Gross stated that one of his objectives was to try to be revenue neutral.

	PERMIT DATE	PERMIT FEE	GROSS AREA	LIVABLE AREA	NON-LIV AREA	CONSTRUCTION COST
1	7-18-13	\$9,733.74	4394	3193	476	\$799,700
2	7-2-13	\$8,568.71	3744	2716	759	\$300,000
3	5-16-13	\$6708.91	3044	2483	561	\$285,390
4	1-24-13	\$4,810	3055	2436	619	\$244,272
5	1-11-13	\$11,014.85	4658	3414	1244	\$618,475
6	1-7-13	\$9,946.50				\$570,000
7	11-20-12	\$9545.00	4078	3278	800	\$573,000
8	10-8-12	\$9653.00	4112	3447	665	UNKNOWN
9	10-8-12	\$7,060.00	3404	2642	762	\$250,000
'0	5-14-12	\$9571.40	4266	2992	1274	\$399,000

For comparison, Councilman Gross calculated the average building permit fee for the 10 new homes in the chart in the following four ways: 1) Past year = \$8,861, 2) Gross Area x 2.30 = \$8,882, 3) Construction Cost x 2.15% = \$9,650, and 4) Construction Cost x 2.15% but not less than the ICC cost = \$10,480 (later in the discussion Councilman Gross said the Town could use the lesser of the two, the actual cost, or the greater of the two).

Councilman Gross discussed the \$50 building permit fee in Item 11 of the Town of South Bethany Schedule of Fees and the \$50 building permit fee for items that are not listed which is the Town's practice to apply \$50 to such as siding, windows, doors, etc. Councilman Gross noted that recently the Town had an application for a building permit the value of which was \$56,000 and the Town building permit fee was \$50. Councilman Gross stated that in 2012 there were 96 \$50 building permit jobs. The average cost of those (per the Code Enforcement Constable at the time) was \$9,780.40. The Town collected \$4,800 at \$50 a piece times 96. Had the Town applied construction cost x 2.15%, the Town would have collected \$21,200.

Regarding the exclusions listed in Item 1 of the Building Permits Fee Schedule, Councilman Gross stated that someone applying for a building permit pays for those exclusions anyway.

Councilman Gross reviewed the following handout he had prepared regarding his proposed approach:

***BUILDING PERMIT FEES  
(Proposed Approach)***

1. *Principal building, additions and substantial improvements.*

*% x ICC Index x Floor Area*

2. *Accessory building and all other construction including renovations, remodeling, and alterations.*

*% x Verifiable Construction Cost satisfactory to the Code Enforcement Constable*

*The following exceptions and conditions apply:*

- *Verifiable construction cost for a project is a proposal (bid) by a licensed contractor or a detailed cost estimate which may include labor, time and rates by trade and materials description, quantities and unit costs.*
- *The minimum permit fee is \$50.00.*
- *No permit is required for construction costing less than \$500.00.*
- *No permit is required for maintenance, ordinary repairs [see Code § 145-68A(1)], nor one-for-one replacement of some items [see Code § 145-68A(6)].*

Councilman Gross clarified that Items 1 to 7 and Item 11 of the Building Permits Fees would be replaced with his proposed approach.

Regarding Councilman Gross' proposed approach, Council made the following points during discussion:

Councilman Rae said it seems to be a fairer approach, and Council wants to be fair to the property owners as well as the Town. Council's objective is not just to make more money.

Councilwoman Voveris said that this is a major increase in fees.

Councilwoman Voveris stated that she had brought gross area from the Budget and Finance Committee to Council, but the argument was made that the livable and nonlivable area had to be separated out. Then Council decided on the ICC x .47% per square foot regarding Item 4 on the Schedule of Fees.

Councilman Caputo asked if under Councilman Gross' proposed approach it can be circumvented more easily than the current building permit fees. Councilman Gross does not think so. Councilman Caputo asked if Councilman Gross' proposed approach is easier to administer. Councilman Gross said yes. Councilman Gross said currently the contractor comes in with a set of plans and the Code Enforcement Constable has to determine what is the livable area, what is the gross area, what is the nonlivable area. The Code Enforcement Constable has to show compliance with the LAR and the FAR.

Regarding what percentage to use in his proposed approach, Councilman Gross said that if the Council wants to stay revenue neutral, change "ICC Index x 2.15%" to "ICC Index x 1.88%". Councilman Rae stated that he thinks it is easier and clearer regarding new houses, but regarding the other items he thinks it gets fuzzier in terms of what the percentage should be. Mayor Jankowski agreed.

Councilman Caputo said before taking a position he would need to hear directly from the Town Manager and the Code Enforcement Constable.

Councilman Rae said he would like to know more about what other towns (not just local towns) are doing regarding building permits. Councilman Gross said a lot of them use the ICC which is a cost basis. Councilman Gross said the ICC by their own instruction is for new construction – it is not for renovation and remodeling. Councilman Gross reviewed the Fee Comparison sheet that Councilwoman Voveris presented at the April 25, 2013, Town Council Workshop Meeting. Below are the new construction building permit fees and the renovation building permit fees (at the time of the April 25, 2013, Workshop Meeting) of Millville, Bethany Beach, Fenwick Island, Ocean View, Lewes, Dewey Beach, and Rehoboth Beach.

	<b>Building Permit New Construction</b>	<b>Building Permit Renovation</b>
Millville	\$1.25 sq. ft.	\$1.25 sq. ft. (some variation)
Bethany Beach	3% of contract (not less than ICC)	3% of contract (not less than ICC)
Fenwick Island	3% of contract	3% of contract
Ocean View	\$1.25 sq. ft. ( <b>\$1936 impact fee</b> )	\$1.25 sq. ft. (others vary)
Lewes	\$.75 - \$1.50 sq. ft.	\$10 - \$1000 (\$25 minimum)
Dewey	3% of contract	3% of contract
Rehoboth (residential)	2% of contract	2% of contract
Rehoboth (commercial)	3% of contract	3% of contract

During a discussion regarding items that do not require a building permit, Councilman Gross referred to the following section of the Town Code: *§ 145A(6) A building permit shall be required for all renovation/remodeling/alteration, as defined in § 145-3, where the total cost exceeds \$500, provided that the following shall not require a building permit, regardless of the total cost, including but not limited to items such as: one-for-one replacement of existing appliances, replacement of existing cabinet doors, replacement of existing built-in furniture, replacement of existing countertops, replacement of existing floor coverings, replacement of existing wall coverings, replacement of ceiling fixtures. [Added 12-12-2008 by Ord. No. 146-08]*

Regarding the \$50 permit fee, Councilwoman Callaway stated that if people want to fix up their homes, she does not want to do anything that discourages that. If the Town is not doing an inspection, she does not see the point of the \$50 permit fee. Mayor Jankowski agreed.

Mayor Jankowski agrees with the concept of simplifying the Building Permit Fees. Mayor Jankowski referred to Councilwoman Callaway's point regarding charging property owners for improving their houses and referred to the perception of asking for permission to make a house look better. Councilman Rae said Council wants to be encouraging for people to improve their properties.

Councilman Rae suggested looking at raising the \$500 minimum in § 145-68A(6). Councilman Gross agreed that \$500 was low and it could be raised. He noted that the Code Enforcement Constable (both Pete and Joe) suggested keeping it at \$500.

Mayor Jankowski stated that her objectives are: 1) to make the building permit fees clearer and easier to calculate, and 2) to not put a hardship on people if they are trying to improve their house.

Councilman Gross stated that Council can change the \$50 minimum permit fee, but that does not change his proposed approach.

Councilman Caputo said the \$50 minimum permit fee is nominal but covers the threshold and lets the Code Enforcement Constable know that there is something going on at that property.

Councilman Rae said there are certain renovations that people are going to do that may not cost a lot of money but could have dire consequences based on them not being done correctly (e.g., electrical work and plumbing).

In the end, Council agreed to reschedule this discussion for the next Workshop Meeting. For the discussion they would like to make a list of questions, see a list of the 96 permit items from last year, have the Town Manager and the Code Enforcement Constable at the meeting, and possibly have the Charter and Code Committee members at the meeting for their background information.

### **PUBLIC COMMENT PERIOD**

Kent Stephan (46 S. Anchorage Dr.) – Regarding building permit fees, Mr. Stephan stated that he believes Council wants to stay revenue neutral. Mr. Stephan thinks Council should collect that revenue in a way that does the most to enhance property values. Mr. Stephen believes the more people invest in South Bethany the more property values will go up. Mr. Stephan believes that currently the Town tends to penalize the people who do the most to improve the net worth of South Bethany. Mr. Stephan believes the Town should put more on new construction and eliminate as much of the other building permit fees as possible.

**Motion:** At 6:50 p.m. a motion was made by Councilwoman Voveris, seconded by Councilman Rae, to go into Executive Session to discuss an individual citizen's qualifications as a potential candidate to fill a Planning Commission vacancy. The motion was unanimously carried.

### **EXECUTIVE SESSION**

Council went into Executive Session to discuss individual citizens' qualifications as potential candidates to fill Planning Commission vacancy.

**Motion:** At 6:51 p.m. a motion was made by Councilman Gross, seconded by Councilwoman Voveris, to go out of Executive Session.

### **RECONVENE WORKSHOP MEETING**

**Motion:** At 6:52 p.m. a motion was made by Councilman Gross, seconded by Councilwoman Callaway to reconvene the Workshop Meeting. The motion was unanimously carried.

**ADMINISTRATIVE MATTERS – CONSIDERATION AND POSSIBLE VOTE TO APPOINT PLANNING COMMISSION MEMBER**

**Motion:** A motion was made by Councilman Gross, seconded by Councilwoman Callaway, to approve Mayor Jankowski's recommendation to appoint Jack Whitney to the Planning Commission. The motion was unanimously carried.

**ADJOURNMENT**

A motion was made by Councilman Gross, seconded by Councilwoman Voveris, to adjourn the July 25, 2013, Town Council Workshop Meeting at 6:55 p.m. The motion was unanimously carried.

phs:Workshop Minutes.7.25.13 Amended 8.9.13