

**TOWN OF SOUTH BETHANY
TOWN COUNCIL MEETING FOR PUBLIC INPUT REGARDING FY 2015 BUDGET
MEETING MINUTES
MARCH 14, 2014**

MEETING CALLED TO ORDER

Mayor Pro-Tem Callaway called the March 14, 2014, Town Council Meeting for Public Input Regarding FY 2015 Budget to order at 6:00 p.m.

ATTENDANCE

PRESENT: Mayor Pro-Tem Sue Callaway and Councilpersons Al Rae, Jim Gross, Tony Caputo, George Junkin, and Pat Voveris; Finance Director Renee McDorman; and Administrative Assistant Pam Smith

EXCUSED ABSENCE: Mayor Kathy Jankowski

REMARKS AND PRESENTATION OF FY 2015 BUDGET (TONY CAPUTO AND RENEE MCDORMAN)

Finance Director Renee McDorman projected the Town of South Bethany FY 2015 Budget PowerPoint Presentation on the overhead projector screen. The PowerPoint presentation was prepared by Finance Director McDorman and Councilman Caputo. Councilman Caputo, Treasurer and Budget and Finance Committee Chairperson, reviewed the following information in the PowerPoint presentation:

Overview of the Town

- Residential development of what is now South Bethany only started in 1952 with the building of the bridge from the western shore to the eastern shore of Maryland.
- Richard and his wife Elizabeth, "Iggie" Hall purchased about 130 acres of land and set up an office and built the canals, and he named the private land "South Bethany".
- Today the incorporated Town of South Bethany is home to approximately 600 full-time residents. Families and vacationers can number over 5,000 on a summer holiday weekend even though there are no commercial hotels or motels.
- Incorporated in 1969
- Managed by a Town Manager - Melvin Cusick
- There is a 7 person elected volunteer Town Council with a Mayor - Kathy Jankowski
- There are 13 full-time and 1 part-time employees
- We operate out of the modern Town Hall you are in today, open for meetings of residents
- 4 departments - G&A (5 fts), DPW (2 fts + 1pts), DPS (6 fts) and Beach Patrol (Summer only)
- In the summer we hire an additional 28 or so lifeguards and part time DPW and DPS employees
- We have volunteer staffed Committees, 3 of which have budgets
- We operate the Edmunds Tax Billing/Accounts Receivable, Payroll and Finance Systems
- We have a website that provides lots of useful information (www.southbethany.org)
- Annexed multiple properties over the years and now occupy less than 1 square mile
- Big annexations include York Beach, Paradise Shores, Cat Hill, Sand Piper Pines and SP Village
- There are approximately 1,400 properties of which there are about 1,300 with dwellings
- We are primarily a residential community with only one multiple family dwelling building
- The size of our buildings is limited and makes for a homogeneous landscape
- Most full time residents are retired professional
- We work and support the SB Property Owners Association and SB Historical Society
- We have about 5 miles of canals and ¼ mile of beach including Sandpiper Village's beach area
- Some refer to the sections of Town as Ocean Side and Bay Side/Harbor Side (of Rt. 1)
- We are effected by the weather, primarily Nor'easters that pound the Ocean Side
- We occasionally get floods on the Bay Side, like Super Storm Sandy and the 92' storm
- Our fiscal year begins on May 1
- Our Operating Budget is about \$2.2 million and the Capital Budget varies year to year
- We go through a 3 cycle review (February, March and April) of the budget and adopt it in April

We have traditionally given the "Meeting for Public Input Regarding the Budget" in March so property owners have an opportunity to look at the draft budget and make suggestions. That's why we are here today.

Budget and Finance Committee Members:

- Tony Caputo – Treasurer/Chair Al Rae – Councilman Steve Farrow Joe Conway
 Kent Stephan Melvin Cusick Renee McDorman

FY 2014 Budget Accomplishments

- Prepared a Budgetary Control Guideline (Tony Caputo)
- Prepared a Fixed Asset Capitalization Guideline (Tony Caputo)
- Implemented an integrated accounting system (Tony Caputo & Renee McDorman)
- Prepared a Town Financial Policy for recommendation to Town Council (Steve Farrow)
- Preparing a Reserve Policy (Joe Conway)

FY 2015 Proposed Budget Summary

3/13/2014
Corrected Copy: FY2014 Surplus adjusted to reflect Budget Amendments

Town of South Bethany
FY 2015 Proposed Budget Summary

1st Draft - 2/27
2nd Draft - 3/27

Draft Only - Subject to Reviews on 3/14/14 and 3/27/14

| | <u>Sub Totals</u> | <u>Totals</u> |
|--|-------------------|--|
| Fund Balances at April 30, 2013: | | |
| Non spendable | \$ 7,602 | |
| Restricted by Other Governments | \$ 792,114 | |
| Assigned by Council | \$ - | |
| Unassigned | \$ 1,002,058 | |
| Projected FY 2014 Surplus if Budget is met 100% | <u>\$ 13,832</u> | |
| | | Projected Fund Balance Total at April 30, 2014 \$ 1,815,606 |

| | <u>Current FY 2014 Budget</u> | <u>Proposed FY 2015 Budget</u> | |
|--|-----------------------------------|------------------------------------|---|
| Estimated Revenues: | | | |
| Property Taxes | \$ 487,198 | \$ 496,942 | |
| Realty Transfer Tax | \$ 255,000 | \$ 250,000 | |
| Rental Tax & Rental Licenses | \$ 548,450 | \$ 540,000 | |
| Fines and Penalties | \$ 79,000 | \$ 79,500 | |
| Building Permits | \$ 86,000 | \$ 100,000 | |
| Permits, Licenses, Franchise Fees and Leases | \$ 154,169 | \$ 159,525 | |
| Grants | \$ 162,680 | \$ 108,530 | |
| Trash (SS Sandy \$26,632 in 2014) | \$ 382,164 | \$ 366,167 | |
| Ambulance | \$ 61,160 | \$ 74,677 | |
| All Others | <u>\$ 15,500</u> | <u>\$ 18,150</u> | |
| | \$ 2,231,321 | \$ 2,193,491 | \$ 2,193,491 |
| Proposed Operating Expenditures: | | | |
| General and Administrative | \$ 573,126 | \$ 573,425 | |
| Public Works | \$ 570,210 | \$ 588,230 | |
| Public Safety | \$ 747,617 | \$ 754,353 | |
| Beach Patrol | \$ 228,262 | \$ 227,426 | |
| Community Enhancement Committee | \$ 21,200 | \$ 24,350 | |
| Canal Water Quality Committee | \$ 30,151 | \$ 13,164 | |
| Sea Level Rise Committee | \$ 5,000 | \$ 6,300 | |
| Public Relations Committee | \$ 8,550 | \$ 7,350 | |
| Municipal Street Aid | \$ 20,533 | \$ 7,024 | |
| Police Grants - SALLE & EDIE | \$ 7,700 | \$ 5,487 | |
| Transfer Tax | <u>\$ 5,140</u> | <u>\$ 2,500</u> | |
| | \$ 2,217,489 | \$ 2,209,608 | \$ (2,209,608) |
| Proposed Capital Expenditures: | | | |
| General and Administrative | \$ - | \$ 22,200 | |
| Public Works | \$ - | \$ 1,500 | |
| Public Safety | \$ - | \$ 55,910 | |
| Beach Patrol | \$ - | \$ 15,574 | |
| Community Enhancement Committee | \$ - | \$ - | |
| Canal Water Quality Committee | \$ - | \$ - | |
| Sea Level Rise Committee | \$ - | \$ - | |
| Public Relations Committee | \$ - | \$ - | |
| Municipal Street Aid | \$ - | \$ - | |
| Police Grants - SALLE & EDIE | <u>\$ -</u> | <u>\$ -</u> | |
| | | | \$ (95,184) |
| Projected Surplus/Appropriated () Fund Balance for Fiscal 2015 | | | <u>\$ (111,301)</u> |
| | | | Projected Fund Balances at April 30, 2015 \$ 1,704,305 |

Regarding the FY 2015 Proposed Budget Summary (Page 2), Councilman Caputo stated that since the Town was founded to the close of FY 2013, the Town had built up reserves (or surpluses) to roughly 1.8 million dollars in fund balance or surplus. Councilman Caputo said that some of that money is restricted and can only be used in certain ways and some of the money is unrestricted and the Town can choose how to use it.

Councilman Caputo stated that new procedures have been implemented this year. The Town is now amending the budget when a material and finite item that differs from a projection is found.

Councilman Caputo stated that a big thing the Town is influenced by is the capital budget. Capital budget is for those items the Town doesn't buy every year (such as police cars – the Town buys police cars every several years). Councilman Caputo noted that in the current fiscal year (FY 2014) the Town had no capital expenditures, but for the coming fiscal year (FY 2015) there are requests for roughly \$95,000 of capital expenditures. In order to maintain a surplus of roughly 1.8 million dollars, the Town has to build it up to account for and cover capital expenditures. Councilman Caputo stated that as the proposed FY 2015 Budget sits now, the Town would run a deficit of roughly \$111,000 which would reduce the surplus by that amount to come up with a surplus of 1.7 million dollars. Councilman Caputo said the Town runs roughly on nine or ten months of surplus.

PUBLIC COMMENT PERIOD FOR FY 2015 BUDGET

Councilman Caputo asked for questions or thoughts.

Norm Montigny – Inquired if there is a fixed reserve the Town is trying to maintain. Councilman Caputo said no but Budget and Finance Committee member Joe Conway is working on establishing a reserve policy. Councilman Caputo hopes that the Budget and Finance Committee will come up with something shortly after the budget is adopted. Councilman Junkin stated that he believes in the past the Town wanted to have at least a three month reserve for operating expenses and also an allocation in the past to keep money in the pot for capital expenses and other things. Mr. Montigny said he thinks that years ago it used to be the Town had at least a million dollars set aside in reserves for a real emergency such as Superstorm Sandy. Mr. Montigny asked if that was the case now. Councilman Caputo said accounting wise in order to properly set it up Council needs to define how it is funded, what the range of balance should be, and what the Town spends it on. Councilman Caputo said that has not been fully thought through and approved by Council. Councilman Caputo said in the past the terms long term reserves and asset replacement reserves were used, but it was never officially adopted by Council. Councilman Caputo said hopefully Council will make it official in the next few months.

Steve Bunoski stated that he is concerned about taxes being raised if there is a deficit the next year and continuing on. Councilman Caputo said that gets back to the point of what should the reserves be. Mr. Bunoski asked if the reserves money was invested. Councilman Caputo said it is invested in CDs which are earning roughly a half percent. Councilman Caputo added that the Budget and Finance Committee is working on an investment policy. Councilman Caputo said being a government the Town is restricted on what it can invest in. Later in the meeting Councilman Junkin said (and Councilman Caputo agreed) the point is correct that the Town can't continually have a deficit. He added that for the last four or five years the Town has not had a deficit and has had a surplus which is how the Town was able to build up the reserves.

Councilman Junkin noted that in FY 2013 the Town had a surplus and put a lot of money into the reserves. Councilman Caputo said the Town put \$136,000 into the surplus in FY 2013. Councilman Junkin stated that things go up and down. Councilman Junkin stated that the anticipated transfer tax revenue (FY 2014) is not as high as projected, but in other revenue areas the Town made more than projected. Councilman Caputo said the real wild card is the transfer tax revenue – if a house on the ocean side sells for \$2,000,000 the Town receives \$30,000 in transfer tax revenue which is a lot of money. If a home closes on May 1 versus April, it can have

a significant effect. Councilman Caputo said Council tries to be conservative on projecting realty transfer tax revenue, but it is 12 ½ % of the Town's budget.

Dick Oliver inquired about the increase in the ambulance charge. Councilman Caputo replied that the Bethany Beach Volunteer Fire Company (BBVFC) Ambulance Service yearly fee is increasing from \$43.41 to \$53 per property (improved or unimproved). Councilman Caputo said it is a "pass through" – the BBVFC bills the Town and the Town bills the property owners the equivalent amount. Councilman Caputo noted that all of the participating communities bill their property owners the same fee.

Steve Bunoski asked where Mayor Jankowski was. Mayor Pro-Tem Callaway stated that Mayor Jankowski had scheduled a vacation prior to when the Town Council Meeting for Public Input Regarding FY 2015 Budget was scheduled. (Administrative Assistant Note: The Town Council Meeting for Public Input Regarding FY 2015 Budget was scheduled on February 25, 2014.)

Dick Oliver inquired about the decrease in the Municipal Street Aid (MSA) expenditure and the rationale behind it. The Finance Director stated that next year the Town is only going to be paying for signs out of MSA. She added that the Town needs to save money to pave the roads because the Town pays for road paving straight out of MSA money. She thinks the next road paving that will have to be negotiated will be in the next 18 or 24 months. Councilman Caputo noted that MSA money (which is from the State) has restrictions on what it can be spent on.

Dick Oliver inquired if the increase in Public Safety expenditures was due to the cost of the cars or is it something else. Councilman Caputo stated that when the Town buys a car it is expended that year.

Dick Oliver inquired about the decrease in Beach Patrol expenditures. Councilman Caputo said Beach Patrol salaries are based on the experience of the individual. This past season the Town had a great crew, but they were less experienced and their wages were lower than anticipated.

Jerry Masiello inquired if the Proposed Capital Expenditures are projected increases. Councilman Caputo said they are one-time expenses to buy two police cars, a sedan, and an ATV. Councilman Caputo stated that capital items are budgeted and expended in one year. A property owner asked if there was grant money available to help with the purchase of police cars. Councilman Caputo said no, but the Town is on the State procurement list and purchases its police cars through the State contract which is pretty cheap and reasonable.

Councilman Caputo stated that in the packet the Finance Director prepared there are pie charts (FY 2014 Revenue Budget, FY 2015 Revenue Budget, FY 2014 Expenditure Budget, and FY 2015 Expenditure Budget) and other information (FY 2015 Trash Costs to Homeowner and FY 2015 Ambulance Costs). Councilman Caputo stated that if anyone has questions after the meeting they can email him or the Finance Director and they will be happy to answer questions.

Councilman Caputo stated that going through Superstorm Sandy in FY 2013 and ending up running a budget surplus of over \$100,000 in FY 2013 was a good achievement. Councilman Caputo stated that overall the Town operates reasonably conservative.

Councilman Gross reiterated that the proposed FY 2015 Budget is not final and Council is still working on whether the numbers are right or not.

Councilman Junkin stated that he believes when Council goes into its next Workshop (March 27, 2014) Council will be trying to get the deficit down.

Maria Johansen (South Bethany Historical Society President) stated that in the past the Town has always generously given \$1,000 to the Historical Society. She asked what that comes out of. Councilman Caputo said the General and Administrative account. The Finance Director stated that it is included in the FY 2015 proposed budget.

Norm Montigny referred to an article in the newspaper about one of the local towns no longer considering in their budget transfer tax as an item of monies they could count on. Mr. Montigny asked Councilman Caputo if he had done any of that analysis in the presentation. Councilman Caputo said that is 12 ½ % of the budget. Councilman Caputo said once Council can agree upon the amount of reserves, how it is going to be funded, and how monies are going to be used Council will have a better handle in terms of how to manage this. Councilman Junkin added that Council has been working on these rules for reserves for four or five years.

Jerry Masiello asked if the proposed salary increases for the permanent employees is budgeted in G & A. Councilman Caputo said it is budgeted in the four major departments. Councilman Junkin said the proposed increase includes a 1.7 % Cost of Living Adjustment (COLA) increase for all employees and a 2.5 % step increase. Mr. Masiello asked if that is an annual occurrence. Councilman Junkin said yes and the COLA is determined by the Bureau of Labor Statistics Consumer Price Index (CPI). Mr. Masiello asked if that is to be voted on. Councilman Caputo said that is still to be negotiated before Council adopts the budget in April. Councilman Gross said it is to be voted on by the Council. Mr. Masiello asked what the pros and cons are. Councilman Caputo said Council is debating – some members feel it is too much and other members feel it is okay. Mr. Oliver asked if the step increase is basically the longevity. Councilman Caputo said yes. Councilman Junkin said when an employee gets to the end of the steps the employee can't get the step increase anymore. Mr. Masiello asked how often employees get step increases. The Finance Director said it is proposed every year but it is up to Council to make the decision as to whether they want to grant it or not, and it also depends on a successful or good performance evaluation.

Mayor Pro-Tem Callaway asked for any other questions. There were none. Mayor Pro-Tem Callaway thanked Councilman Caputo and Finance Director Renee McDorman and others in the Town that have worked on the budget. Mayor Pro-Tem Callaway said that Councilman Caputo and the Finance Director have spent the last six months working on the Edmunds financial system. She added that Councilman Caputo is a volunteer and has been working at Town Hall at least half-time and is making a big difference in the Town's accounting system. Mayor Pro-Tem Callaway encouraged property owners to email any other questions they have to Councilman Caputo, and it would be helpful to have those questions and comments before the March 27, 2014, Town Council Workshop Meeting.

Mayor Pro-Tem Callaway said that concludes the public hearing on the budget.

ADJOURN MEETING FOR PUBLIC INPUT REGARDING FY 2015 BUDGET

The Town Council Meeting for Public Input Regarding FY 2015 Budget was adjourned at 6:50 p.m.

PHS:Meeting for Public Input Regarding FY 2015 Budget 3.14.14 Amended and Adopted 3.27.14