

TOWN OF SOUTH BETHANY TOWN COUNCIL BUDGET WORKSHOP MEETING MINUTES MARCH 22, 2012
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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 March 22, 2012, Town Council Budget Workshop Meeting to order at 7:00 p.m. Mayor Headman made opening remarks in which he complimented the Town Council for their commitment to preparing for the meeting, thanked the Town Manager and the Financial Administrator for their work on the budget, and thanked Councilwoman Voveris and the Budget and Finance Committee for the work they have put into this budget.

PUBLIC COMMENT PERIOD

There were no comments from the public.

ADOPTION OF MINUTES

- **Town Council Executive Session Minutes, January 26, 2012**

A motion was made by Councilman Junkin, seconded by Councilman Gross, to accept the January 26, 2012, Town Council Executive Session Minutes. The motion was unanimously carried.

- **Town Council Budget Workshop Meeting Minutes, February 23, 2012**

A motion was made by Councilman Junkin, seconded by Councilman Gross, to accept the February 23, 2012, Town Council Budget Workshop Meeting Minutes as amended as follows:

Page 2, Fourth Paragraph: Change "Councilwoman Callaway believes the return on the investment is about 10 to 1 in terms of what the Town received and what the Town put out" to read "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."

Page 3, Fifth Paragraph: Change "Councilwoman Callaway stated that Council talks about three major revenue sources, and if they are declining, Council needs to look at other options. She added that the Budget and Finance Committee has done a really good job on this, and she believes it is well worth everybody spending time going over it" to read "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."

Page 3, Ninth Paragraph: Change "**CONSIDERATION AND POSSIBLE VOTE TO HIRE A NEW CODE ENFORCEMENT CONSTABLE**" to read "**CONSIDERATION AND POSSIBLE VOTE TO HIRE A REPLACEMENT FOR THE CODE ENFORCEMENT CONSTABLE**"

Page 7, Last Paragraph: Change "Consideration to hire a new police officer" to read "Consideration to hire a replacement of a police officer."

Page 8, Third Paragraph: Change "To hire a new police officer" to read "To hire a replacement of a police officer".

The motion was unanimously carried.

- **Town Council Executive Session Minutes, February 23, 2012**

A motion was made by Councilman Junkin, seconded by Councilman Gross, to adopt the February 23, 2012, Town Council Executive Session Minutes as amended as follows:

Change "**Discussion relative to B.** Consideration to hire a new police officer" to read "**Discussion relative to B.** Consideration to hire a replacement of a police officer."

The motion was unanimously carried.

REVIEW SUMMARY RESULTS OF TOWN SURVEY (JAY HEADMAN)

Due to the efforts of the Council and the Planning Commission, the Town put out a very good survey which had close to a 61% return from property owners. The survey was done to get a sense of direction on what the property owners in South Bethany feel they would like to see Council do. Mayor Headman stated that it is important to keep the survey results in mind as Council goes through its work. Mayor Headman reviewed the 2011 Comprehensive Plan Community Survey Results Report. Regarding the Summary of Results – Future Town Needs on page 5 of the report, Mayor Headman stated that the two that stand out are Maintain Replenished Beach and Maintain Dredged Canal. Mayor Headman stated that currently in this budget there is money set aside in the ARM Reserves for dredging and maintaining canals. There are no funds set aside for beach replenishment. Mayor Headman said the question is how much should the Council be setting aside for beach replenishment. Mayor Headman reviewed the two charts on page 7 of the results report regarding responders' willingness to have taxes increased to implement their top three selections for future town needs. Mayor Headman stated that the next question for the future Council is how regularly will the Council send out a survey and whether the Council will make modifications to it. Councilman Junkin noted that in the survey results under Current Town Services, Trash Removal is in the very satisfied category. He added that under Future Town Needs, Aerators in Canals comes in third. Mayor Headman stated that he would argue that Aerators in Canals ended up in the not needed category. Councilman Gross said it is interesting to observe that all projects that are being proposed fall in the not needed category.

BUDGET AND FINANCE COMMITTEE REPORT (PAT VOVERIS)

The Budget and Finance Committee Meeting for Public Input Regarding FY13 Budget was on March 10. Councilwoman Voveris sent the comments from the public to Council in an email. After the public input meeting, the Budget and Finance Committee met and discussed the financial policy recommendation for Town Council and the committee looked at property tax revenue stream for incremental change. The committee will continue that discussion at its April 21 meeting.

ON-STREET PARKING ON THE EAST SIDE OF RT. 1 (JAY HEADMAN)

Mayor Headman reviewed his March 15, 2012, memo to Council regarding On-Street Public Parking East of Route 1 – Fact Finding (attached). The recommendation is that Council discuss limiting the maximum width of driveways since most new homes have "driveways" along the entire length of their property. Over the years this practice has reduced the availability of public on-street parking. This discussion/action should occur "sooner rather than later". There is no recommendation to change the Town's current public on-street parking on the east side of Route 1.

There was no further discussion.

BUILDING PERMIT FEES (PAT VOVERIS)

Councilwoman Voveris explained that currently South Bethany's building permit fee is \$2.30 a square foot times the square footage of the property. For a 2,000 square foot house, the building permit fee would be \$4,600. Councilwoman Voveris stated that the Budget and Finance Committee is proposing increasing the building permit fee to a 3% number and use the ICC standard for the per square foot value. Using this calculation, the building permit fee for a 2,000 square foot house would be almost \$6,200 which is a 34% increase in revenue.

Councilman Fields made four observations for Council's consideration:

- If Council wants to raise revenue through fees, the whole fee schedule should be looked at.
- In an email from a Bethany Beach building inspector it says, "The estimated cost of construction is supplied by the owner and contractor. The ICC cost is used most often on modular home projects." Councilman Fields said there is a conflict of information that South Bethany is receiving.
- The example given which generates a 34% increase in revenue is a hypothetical example. Councilman Fields said when his neighbor built his house, the building permit fee was \$6,756. Under the proposed fee, his neighbor would have paid \$10,641 which is a 58% increase. Councilman Fields said Council needs to look at some real figures before looking at hypothetical figures.
- Why not consider a percentage less than 3% such as 1%, 2%, or 2 ½%.

Councilman Gross stated that the Town of South Bethany is not providing much in the way of service as far as building permits are concerned, and the building permit fee covers more than the cost of the Town's building inspector's operation. He stated that most of the inspections are done by Sussex County. He noted that Bethany Beach and Rehoboth Beach provide a local inspection service. Councilman Gross said that if you average all of the numbers and use \$100 a square foot as about equal to the ICC, the average is \$2.23. South Bethany is actually a little higher than the average now. Councilman Gross agreed with Councilman Fields. He said if Council went with the ICC proposal, the Town should use \$105 a square foot and change the percentage from 3% to 2.3% which would be a 5% increase and would not be gouging the public.

After discussion, a motion was made by Councilman Gross, seconded by Councilman Junkin, that Council establish the basis on the ICC number but that Council use 2.3% instead of the proposed 3% of that number for its calculation. Councilwoman Voveris stated that this would only generate 3% more in revenue for the Town and she does not believe that is enough. After discussion, Mayor Headman called for a vote. The voting was as follows:

FOR THE MOTION: Councilpersons Gross, Rae, and Junkin

AGAINST THE MOTION: Mayor Headman and Councilpersons Fields, Voveris, and Callaway

The voting result was 3 in favor and 4 against. The motion was defeated.

Mayor Headman thanked the Budget and Finance Committee. Mayor Headman believes that based on this discussion the Council needs to continue to look at this fee and come up with a number that the Council can support.

TRASH-RECYCLING ANALYSIS 2012 (JAY HEADMAN/MELVIN CUSICK)

Mayor Headman stated trash and recycling are two separate issues and should be considered as two separate issues. Mayor Headman started with recycling. He noted that Council had previously voted to move recycling to Saturday. Mayor Headman said Council would need a motion from someone saying that Council does not want to move recycling to Saturday. Since after this discussion there was no motion made, recycling pickup will remain on Saturday.

Mayor Headman stated that in a previous meeting Council voted for a reduction in trash during the summer from three to two pickups a week. Mayor Headman asked if anyone who voted for

the reduction would like to put forth a motion to change that. After discussion, a motion was made by Councilwoman Callaway, seconded by Councilwoman Voveris, to change to three trash pickups per week. Councilman Rae asked what three days. Councilwoman Callaway stated that her understanding is that Allied Waste may not be in favor of Saturday pickups so she thinks the three days would be Monday, Wednesday, and Friday. The Town Manager stated that Allied Waste cannot pick up trash and recycling on the same day. Councilman Rae stated that a lot of the feedback Council has gotten deals with the arrival of renters on Saturdays and the emptying of trash cans on Saturday. He stated that adding a third day on Wednesday does not solve the problem that people are complaining about. Councilman Gross agreed and said to leave it the way it is or change it so that the third trash pickup is on Saturday.

During discussion Mayor Headman stated that it may not be a function of pickups it may be a function of people not providing enough trash cans for the renters to put the trash in. Councilman Gross agrees that that is one of the big problems, and Council needs to do something about getting the renters to have enough trash cans available for their renters.

Councilman Junkin said he believes two trash pickups a week should be enough. He also agrees that unless the third trash pickup is on Saturday, adding a third pick up does not solve the problem.

Mayor Headman called for a vote. The voting was as follows:

FOR THE MOTION: Mayor Headman and Councilpersons Voveris and Callaway

AGAINST THE MOTION: Councilpersons Fields, Gross, Rae, and Junkin

The voting result was 3 in favor and 4 against. The motion was defeated.

FY2013 DRAFT BUDGET REVIEW

Councilwoman Voveris summarized the budget process to this point. The original draft budget included the following:

- Transfer tax was at \$300,000
- Salaries included a 2.5 step increase and 2.5 cost of living increase
- Request of the part-time maintenance position to go to a full-time position
- No MSA monies were included
- No monies were added to the depreciation fund to fund the public works vehicle

The Budget and Finance Committee reviewed the original draft budget at its February 23 meeting. The following changes were made:

- Transfer tax was reduced to \$200,000
- The cost of living increase on salaries was reduced to 1.5%
- \$40,000 was put in for MSA revenue
- \$38,000 was added from the depreciation fund to fund the public works vehicle

At the February 23 Town Council Budget Workshop Meeting Council approved the following:

- Extend the police pay scale rate to include steps 11 and 12
- Hire a new (replacement) police officer
- Create the second full-time maintenance position
- A 2.5% step increase on salaries and a 1.5% cost of living increase on salaries

On February 24 Councilwoman Voveris, the Town Manager, and the Financial Administrator met and came up with further savings:

Operating Budget - General Administrative

- Reduced Insurance by \$5,000
- Reduced Legal by \$5,000
- Reduced Contingency Fund by \$1,500

Operating Budget – Public Works

- Reduced Facility & Building Maintenance by \$1,000
- Reduced Contingency Fund by \$500
- Reduced Salaries in the Public Works Operating Budget by recategorizing 500 hours of the full-time maintenance position to MSA funds

Councilwoman Voveris stated that the savings were moved over into long-term reserves.

Councilwoman Voveris said that at the March 10 Budget and Finance Committee Meeting for Public Input Regarding FY13 Budget there was positive input from the public regarding raises for the employees and the proposal to create a second full-time maintenance position.

On March 15 Councilwoman Voveris, the Town Manager, the Financial Administrator and some members of the Budget and Finance Committee came forth with the following:

- Increase Transfer Tax revenue by \$25,000 based on economic indicators and positive feedback from two major real estate sources.
- The trash costs in the budget were corrected to reflect the signed contract price which includes two pickups a week in the summer and recycling on Saturdays.
- The additional \$25,000 from Transfer Tax was added to the long-term reserves.
- The depreciation (ARM Reserves) was adjusted down to \$215,724 from \$248,000. This was done by removing any item of \$2,000 value or less and by adjusting the useful life years on some items. (At the April Budget and Finance Committee Meeting the committee will continue to refine this number.)

Mayor Headman gave background information on the formation of the Budget and Finance Committee in 2010 and the Budget and Finance Committee's recommendation to set aside funds for capital assets. He stated that in the 2011 budget Council unanimously supported for the first time to have a line item for replacing all capital assets. Mayor Headman noted that it is now being called Asset Replacement Maintenance Reserves (ARM Reserves). The plan was to annually set aside a certain amount of money to cover those assets. Referring to an Excel worksheet regarding depreciation (attached) which Keith Krenz, working with the Financial Administrator and the Town Manager, had prepared, Mayor Headman stated that gradually the Budget and Finance Committee has been working on improving the worksheet. Mayor Headman reviewed the worksheet and noted that it includes an inflation rate of 2.5%. Mayor Headman said that when a capital asset needs to be replaced it should not be in competition with anything else – the funding will come out of the ARM Reserves. Mayor Headman stated that last year Council moved the unspecified reserves (between \$700,000 and \$800,000) to the transfer reserve fund to cover previous depreciation that was not covered plus the current book value depreciation and then added \$31,000 out of last year's revenue to make up the difference. Referring to setting aside funds for capital assets, Mayor Headman said if Council believes in it, it is an obligated expense. If Council chooses not to set aside funds, it is going to hurt the people in the future because the money will not be set aside. Mayor Headman said that the Budget and Finance Committee will continue to look at the concept and make recommendations as needed. It is a work in progress. The discussion for the May Town Council Workshop will be what is the right number. The Budget and Finance Committee is going to come back to Council at the May Workshop with the pros and cons on different ways to do this. Council will have to set the policy. Council discussed the worksheet. Council made no decisions regarding the worksheet.

Community Enhancement Committee Project:

- Ocean Drive & Cross Street Signage (\$9,383):

Councilwoman Callaway stated that in the fall Council voted unanimously to approve the Blueprint for Ocean Drive plan which included new street signs for Ocean Drive. There are two options to fund the signs: Long-Term Reserves or MSA funds. Councilwoman Callaway reminded Council of a memorandum from the Budget and Finance Committee in February which stated that any project that would secure grant money would qualify for sooner implementation. Councilwoman Callaway stated that after reading Title 30, Chapter 51 of the Delaware Code she confirmed that MSA is grant funds and that street improvements does include the purchase and

installation of street signs. Councilwoman Callaway stated that Ocean Drive is the street that most people in South Bethany use, it has the highest property values in town (which ties into transfer tax revenue), the property owners pay the highest property tax, and 72% of the Town's rental tax revenue comes from ocean side rentals. Councilwoman Callaway believes that the stronger Ocean Drive looks the stronger the revenue will be for the Town. Councilwoman Callaway stated that the request of \$9,383 is only 15% of the total amount of MSA funds available and it is the only project request on the table. Councilwoman Callaway believes it is a justified use of MSA grant funds and she requested that Council votes in favor of the signs.

Canal Water Quality Projects:

- Diffuser System (includes Electrical/maint) - Pilot Program (\$23,300)
- Retro-fit Study (Storm Water) East Side Rt. 1 (\$12,000)

Councilman Junkin stated that he would give up the \$12,000 for the Retro-fit Study (Storm Water) East Side Rt. 1 because he believes the Center for the Inland Bays is going to get a grant to do that project. He also believes there are things the Town can do independent of the study to improve water quality. Councilman Junkin does not want the \$12,000 for the study to be considered next to the diffuser project. He said he is only asking for \$23,300 for the Diffuser System project.

Councilman Junkin stated that the aerators are hard to get grants for. Councilman Junkin has submitted a proposal to the EPA for funding which may or may not get approved. Councilman Junkin would like Council to approve the \$23,300 in the Town's FY13 Budget for an aerator project contingent on whether or not the Town is awarded the EPA grant.

Councilman Fields said a big deal has been made about water quality in the canals for a long time. He added that based on the town survey it is an important issue. Councilman Fields believes that even if the diffuser project is a failure it is an important scientific study. The project will be very valuable if it works, and if it doesn't work it is still valuable from a scientific point of view. Councilman Fields would support the project on that basis.

Councilman Junkin stated that based on the town survey, if the diffusers are number three and beautification is down below number 10, he would have a hard time voting for beautification work if the diffuser project got thrown out.

Councilman Gross asked how long it will take before there is a definitive answer on whether it works and how well. Councilman Junkin replied that the proposal is for a two-year study. The Canal Water Quality Committee will compare the dissolved oxygen in the Anchorage Canal with the dissolved oxygen in the Petherton Canal to see if the diffusers are doing any good.

Mayor Headman stated that this is a tough year and he believes the ARM Reserves is something Council should be taking care of in the budget. Mayor Headman believes Council should delay things that are not necessary for this year. Mayor Headman does not believe the diffuser system is necessary this year. He added that the Town spent a lot of money working with the CIB, Sea Colony, and Middlesex to put in bioretention areas and the belief is that those retrofits are going to reduce the amount of nutrients that go into the canals. Also the Town is going to be putting bioretention areas on the west side that should reduce the nutrients going into the canals. Mayor Headman believes the Town needs to find out what the impact these retrofits have on canal water quality before spending money this year on the diffuser project.

Councilman Junkin referred to an article he had sent Mayor Headman which says South Bethany canals act as stormwater management ponds because they don't get circulation. Because they are stormwater management ponds, the Town should do the kind of things to them that people do to stormwater management ponds. References in the article say that diffusers are the best way to treat them. Councilman Junkin stated that decreasing the nutrients in the canals is good, but what gets into the canals stays in the canals forever and the Town needs to do something else to fix it. Mayor Headman said that method, a mechanical device to solve the water quality problem, is not the direction the Town should go in. He believes the Town should address the issue of stopping stormwater from getting into the canals. Councilman Junkin said the EPA says you

should do both for stormwater management ponds – you should stop the nutrients that go in and you should treat your ponds so that what does get in you take care of. Councilman Junkin stated that the bioretention areas will not have a measurable impact on the canals. Councilman Gross said that the bioretention areas will keep it from getting worse but it will not clear up the problem the canals already have. Councilman Junkin said that is correct. Mayor Headman did not agree.

A motion was made by Councilman Junkin, seconded by Councilman Fields, to include in the draft budget the \$23,300 for the Diffuser System (includes Electrical/maint) – Pilot Program and that Council not include the \$12,000 for the Retro-fit Study (Storm Water) East Side Rt. 1. Referring to Mayor Headman's point that this is a tough year, Councilman Gross stated that he wonders if Council shouldn't wait a year. Mayor Headman called for a vote. The voting was as follows:

FOR THE MOTION: Councilpersons Fields, Callaway, and Junkin

AGAINST THE MOTION: Mayor Headman and Councilpersons Gross, Rae, and Voveris

The voting result was 3 in favor and 4 against. The motion was defeated.

A motion was made by Councilwoman Callaway, seconded by Councilman Fields, that Council include the \$9,383 in the budget for the Ocean Drive improvements. There was no discussion. Mayor Headman called for a vote. The voting was as follows:

FOR THE MOTION: Councilpersons Fields, Gross, Voveris and Callaway

AGAINST THE MOTION: Mayor Headman and Councilpersons Rae and Junkin

The motion carried with a 4-3 vote.

Councilman Gross clarified that the funding for this project would come out of MSA grant funds.

There was a discussion on specific line items in the FY13 Budget. No changes were made and no votes were taken during this discussion.

Mayor Headman stated that Council will have a chance to look at the budget again, and Council will vote on the FY13 Budget at the April Town Council Regular Meeting.

PUBLIC COMMENT PERIOD

There were no comments from the public.

ADJOURNMENT

A motion was made by Councilman Fields, seconded by Councilman Gross, to adjourn the March 22, 2012, Town Council Budget Workshop Meeting at 7:30 p.m.

phs:Budget Workshop Minutes.3.22.12 Amended 4.13.12

Attachments: Memo – On-Street Public Parking East of Rout 1 – Fact Finding
Excel Worksheet Regarding Depreciation