

TOWN OF SOUTH BETHANY TOWN COUNCIL WORKSHOP MEETING MINUTES SEPTEMBER 26, 2013

MEETING CALLED TO ORDER

Mayor Jankowski called the September 26, 2013, Town Council Workshop Meeting to order at 5:00 p.m.

ATTENDANCE

PRESENT: Mayor Kathy Jankowski; Councilpersons Jim Gross, Tony Caputo, Sue Callaway, George Junkin, and Pat Voveris; Administrative Assistant Pam Smith; and Finance Director Renee McDorman

EXCUSED ABSENCE: Councilman Al Rae

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

PUBLIC COMMENT PERIOD

Kent Stephan (46 S. Anchorage Ave.) – Stated that he noticed that the permit fees were once again going to be looked at and voted on. Mr. Stephan said he was wondering what was going to be voted on and came to the Town Hall this morning but was unable to find out what was going to be voted on. Mr. Stephan thinks this is bad government, and it is twice in a row that this has happened. Mr. Stephan thinks it is not unintentional. Mr. Stephan thinks Council should commit to ignoring anything like this that comes up when there is not three days' notice. Mayor Jankowski thanked Mr. Stephan for his comments.

DISCUSSION AND POSSIBLE VOTE ON THE NEED FOR AN IRRIGATION WELL

Council had a copy of a handout Councilwoman Callaway sent to Council which included information on the following : 1) History of South Bethany Landscape Water Supply, 2) Proposal from ARTESIAN, 3) Well Proposals, 4) Yearly Operating Cost, and 5) Recommendation and Budget Request. Councilwoman Callaway thanked Council for their comments and questions and she thanked the Maintenance Supervisor and the Town Manager for responding. Councilwoman Callaway believes progress was made from the initial recommendation to install a well.

A motion was made by Councilwoman Callaway that Council choose the Artesian option to provide South Bethany with additional water supply that is needed for landscaping and other activities that go on in town and with an additional recommendation that the Mayor and the Town Manager perhaps either via phone or letter contact the supervisor at Artesian to see if the Town can get a discount. (Administrative Assistant's Note – This motion was not seconded.)

Councilman Junkin clarified that Councilwoman Callaway's motion is different than the initial recommendation. Councilwoman Callaway confirmed that it is different than the initial recommendation. Councilwoman Callaway said there are pros and cons to each option. Councilwoman Callaway referred to the environmental concerns with the well and some of the additional maintenance issues the Town might incur with the well as opposed to the non-maintenance issues with Artesian. Mayor Jankowski referred to rust stains that can be caused by well water.

Mayor Jankowski asked if Councilwoman Callaway wanted to rephrase the motion. Councilwoman Callaway said yes. A motion was made by Councilwoman Callaway, seconded by Councilwoman Voveris, that Council approve the Artesian option for additional water supply for South Bethany landscaping and other activities choosing the 2 inch service with a 1 inch meter. Mayor Jankowski confirmed that the Artesian option referred to in the motion includes the installation of a meter pit. Councilwoman Callaway confirmed that it did include the installation of a meter pit. (Administrative Assistant's note – This motion was not voted on.)

Council discussion took place regarding the different options.

Councilman Caputo felt that Councilwoman Callaway's motion should include the costs.

A motion was made by Councilwoman Callaway, seconded by Councilwoman Voveris, that Council accept the proposal from Artesian as the Town's water option for South Bethany landscape water supply and that Council choose the 2-inch service with a 1-inch meter at a cost of a \$4,500 connection fee which includes the installation of a meter pit. A 1-inch meter will flow 60 GPMs of which the Artesian yearly fee is \$253.80 and water usage estimated at 96,000 gallons at \$565.15 for a total per year of \$818.95 ($\$253.80 + \$565.15 = \818.95). The motion was unanimously carried.

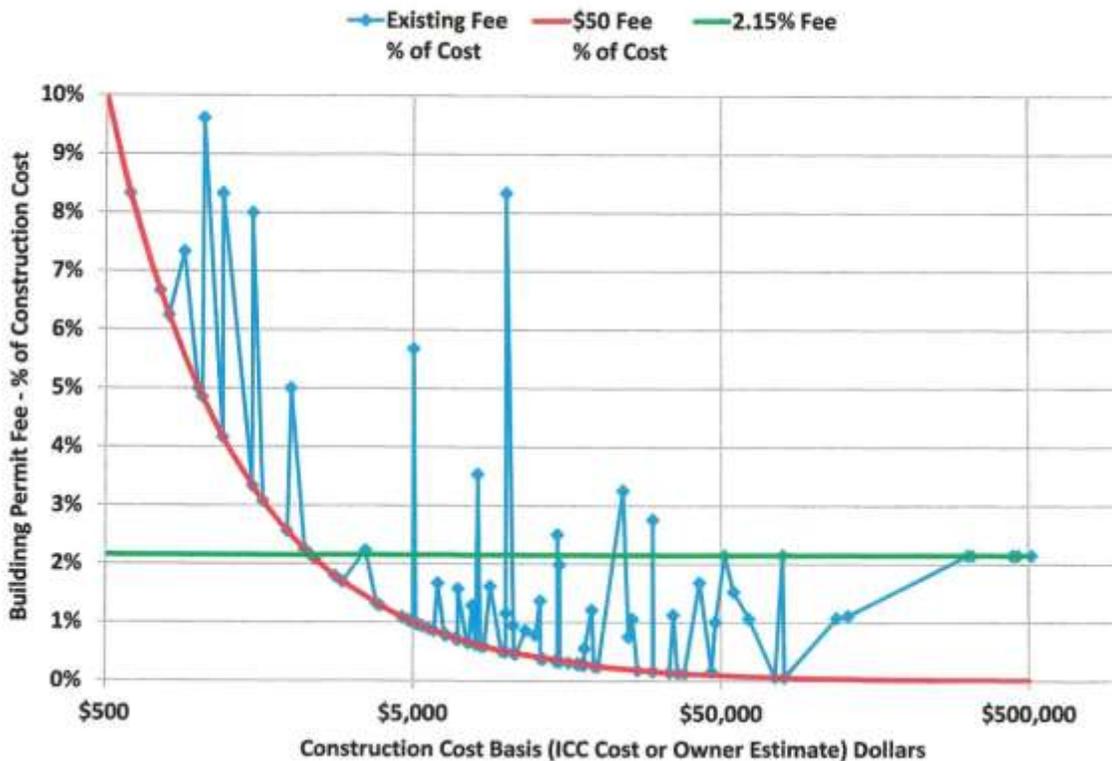
DISCUSSION AND POSSIBLE VOTE TO REVISE SOUTH BETHANY'S BUILDING PERMIT FEES

Councilman Gross noted that this is the third workshop that this topic has been discussed. Councilman Gross stated that the objective is to simplify and clarify Items 1-7 and 11 on the Town's permit fees schedule (Schedule of Fees). Councilman Gross stated that Council agreed on (and it is now in place) a cost approach for new construction, substantial reconstructions, and additions which is the ICC building evaluation data as a basis for arriving at cost (% x ICC Index x Floor Area). All other items would fall under a percentage of the construction costs. (Administrative Assistant's note: In Councilman Gross' proposed approach the following exceptions and conditions apply: 1) Construction cost for a project is a contract or bid by a licensed contractor or a detailed estimate which may include labor, time, and rates by trade and materials description, quantities and unit cost, 2) The minimum permit fee is \$50.00, 3) No permit is required for construction costing less than \$500.00, and 4) No permit is required for maintenance and ordinary repairs [see Code § 145-68A(1)], nor for one-on-one replacement of some items [see Code § 145-68A(6)].

At this point Councilman Gross believes Council needs to address the percentage that ought to be applied – a fair and equitable percentage.

Councilman Gross asked Councilman Junkin to present the following analysis:

**Building Fee - % of Construction Cost -
FY 2013 Report Where Construction Cost Data Are Available**



Councilman Junkin explained that the chart (see previous page) represents information from the FY 2013 Building Permits spreadsheet. All of them had an estimate of construction cost either from ICC or from the person getting the permit – these permits totaled about \$83,000. Councilman Junkin further explained that \$50 permits don't require construction costs – these permits totaled \$6,000. Councilman Junkin and Councilman Gross could not determine the percentage on the \$50 permit fees because they did not know the construction cost of those projects. The above curve is based on \$82,451 worth of fees rather than \$89,174 because Councilman Junkin could not plot fees that he did not have the information on. The chart plots the percent the property owner paid in building permit fees versus what their improvement cost. The blue dots represent the percent of cost the property owner paid in building permit fees, the green horizontal line is what the property owner would have paid if they paid 2.15% of construction cost, and the red lines represents the percent the property owners paid for \$50 permits. Councilman Junkin explained that the blue dots that are way above the green line represent property owners that paid a building permit fee calculated by the ICC Index x 2.15 % per square foot even if they were just putting tile on a floor. Councilman Junkin explained that the code says if a property owner is doing something that is based on square feet the Town has to go to the ICC book which estimates it at a \$107 and then the property owner has to pay 2.15 percent of that. For clarification Mayor Jankowski asked if the real high blue dot represents a property owner that paid a higher percentage for a permit than somebody who was building a new house. Councilman Junkin said yes. Councilman Junkin explained that anybody that is above the red line paid on a per square foot basis for some of the parts of the project and the project did not cost \$107 per square foot – which meant the percent went up. He added that the people on the red line on the right had expensive jobs but they only paid \$50 for the permit (almost 0%). Councilman Junkin stated that this curve does not make a recommendation.

Councilman Gross said that the Town needs to collect roughly \$100,000 a year to support the Town's code enforcement activity (salary, overhead – truck, office space, and administration). Councilman Gross stated that the seven new houses last year covered 70% of that. The owners that paid more than \$50 for the permit covered another 21%. The \$50 permits (117) covered 7%. Councilman Gross stated that the prior Code Enforcement Constable pointed out this inequity last April. Regarding new houses, Councilman Gross said the owners pay more taxes every year after the house is built (double what they paid before). Councilman Gross believes the Town should not charge new house owners excessive fees to cover the fees for all the property owners.

Mayor Jankowski stated that she did not think Council was discussing new construction again. Councilman Gross said Council is talking about what is an appropriate fee and it applies to both. Mayor Jankowski stated that Council is not discussing new construction. Councilwoman Voveris and Councilwoman Callaway agreed that Council had voted to leave the new construction fee alone.

Councilwoman Callaway stated that at the last workshop Council asked for specific examples of what Councilman Gross considered to be unfair fees and then present a suggested percentage in order to make comparisons. Councilwoman Callaway stated that the chart has not clarified for her what is fair and unfair.

During discussion Councilman Junkin stated that according to the ICC Index guidelines, you are supposed to figure out what it costs to run your code department, estimate how much construction is going to be done, and then you multiply by the index and figure out what percent you need to get the amount of money needed to run the code department.

Council discussed the cost of running the Town's code enforcement office.

Before making a decision, Mayor Jankowski said that she would like to see the following: 1) Which towns don't have the county do their inspections for them and what are the percentages associated with their building permit fees, 2) The Code Enforcement Constable's ideas regarding building permit fees, and 3) The cost of running the Town's code enforcement office.

Mayor Jankowski suggested that Councilman Gross' proposed approach needs to be revised based on Council's decision to not consider changing the new construction fee (until May).

Mayor Jankowski proposed that Council have the Code Enforcement Constable come to a workshop because there is other information she would like to see before making the final decision. Councilwoman Callaway said she does not think it should come to a meeting until the Code Enforcement Constable has a proposal with figures and comparisons and real life examples. Councilwoman Callaway would like to have the information before the meeting in order to digest it prior to the meeting. Councilwoman Callaway thinks it would be important for Council to come up with a statement as to why Council is making the changes to the fees in order to present the changes to the community.

Regarding the cost of running the code enforcement office, Councilman Junkin said it usually costs at least 2 times the person's salary. Councilman Gross agreed. After discussion, the Finance Director said she can get an estimate for Council. Councilman Junkin said he needs to look at what the social security and benefits are plus the overhead. He added that quite often it comes to 2 ½ times. Councilman Gross agreed. Mayor Jankowski asked if it should be calculated at 2 ½ times the salary. After discussion the Finance Director said she would calculate it both ways.

Councilman Gross asked if Council's view is that the Town should be consistent in the percentage applied (new construction and other construction). Councilman Junkin said that is his view. Councilman Gross said that is his view.

Councilman Gross stated that if Council is not willing to take a look at the 2.15% again, Council should table this matter until Council gets into the new budget cycle. Mayor Jankowski said she would like to see the data first. Councilwoman Voveris agreed saying she thinks Council should be prepared to move. Councilman Gross stated that if Council is not going to look at the fees in a comprehensive way he does not believe Council can make a reasonable decision until the next budget cycle. Councilwoman Voveris agreed and said she thinks it should all be looked at. Councilman Junkin said Council has to look at it before May so that it becomes effective in May. Councilwoman Voveris agreed.

A motion was made by Councilman Gross that Council table this matter until the new budget cycle. (Administrative Assistant's note: This motion was not seconded and was not voted on.)

Councilman Caputo said he would be willing to help out on any documentation that Councilman Gross might bring forward.

Mayor Jankowski suggested bringing this topic up at the November workshop in order to have it ready for the budget cycle. Councilman Junkin said he thinks that is appropriate.

Councilwoman Voveris said she would like to have the information ahead of time in order to digest it prior to the meeting. She does not want it brought to the meeting – she needs more time to review it in order to ask questions and get answers. Mayor Jankowski and Councilwoman Callaway agreed.

Mayor Jankowski thanked Councilman Gross and Councilman Junkin for the work they did.

DISCUSSION AND POSSIBLE VOTE ON BUDGET AMENDMENTS

Councilman Caputo stated that the Town is on a modified accrual basis of accounting (generally accepted accounting principles for municipalities) – primarily a cash basis of accounting – the accruals are done at year end.

Councilman Caputo reviewed some accounting issues using a white board to show examples. Council asked questions throughout the presentation.

Councilman Caputo reviewed the following information which he had sent in a memorandum to the Town Council. The memorandum was dated September 25, 2013.

Introduction: Edmunds Financial System is in full production mode. We still need to clean up our data, such as loading last year's information and load fixed asset information. Edmunds clearly displays Adopted Budget, Budget Amendments and Budget Transfers in its reporting.

Item 1.) Revenue From Taxes - In April 2013, we adopted our Annual Budget and estimated the Property Tax to be \$494,540.00 (page 7 of the Budget). We actually billed \$487,198.10 in May. Accordingly, I propose we adjust the Revenue budget for Property Taxes down by \$7,341.90 (\$494,540.00 - \$487,198.10) to reflect the finite amount as billed.

Item 2.) Diffuser - In FY 2013, we budgeted and encumbered a Diffuser project contract. The contract (supported by a Purchase Order) lapses both FY 2013 and 2014. It was fully budgeted in FY 2013, and nothing was budgeted in FY 2014. Accordingly, I propose we adjust the Expense Budget up for the \$3,917.60 portion of the original diffuser contract that will be expended in FY 2014.

Item 3.) Hurricane Sandy Expense Budget - In the FY 2014 Adopted Budget, we budgeted an expenditure of \$26,632 (page 18 of the Budget) for "Hurricane Sandy Reimbursement". Both a revenue and expense of \$26,632 were budgeted (page 18), so the budget would balance. There will be no Hurricane Sandy Reimbursement Expenses to such an account, and accordingly we should reduce the expense budget by \$26,632.

Item 4.) ARM Budget Entry - In the FY 2014 Adopted Budget (page 15 of the Budget) for MSA we budgeted an expenditure of \$30,000 for "Transfer to MSA reserves". This should have been recorded in the budget as a "Budgeted Surplus" (net difference between budgeted revenue and expenses), and the actual surplus should be settled out at year end. There is no official MSA Reserve, it is technically "Fund Balance Restricted by Other Governments", and the actual surplus or deficit is booked at year end. This correction has no effect on MSA surplus or deficit.

A motion was made by Councilman Junkin, seconded by Councilman Caputo, that Council accept Councilman Caputo's four recommendations in Councilman Caputo's memorandum to Town Council dated September 25, 2013.

Councilman Caputo stated that going forward Edmunds' reports will be in the Treasurer's packet. Councilman Caputo reviewed various Edmunds' reports using the overhead projector.

Councilman Gross asked how you decide which items need to be amended. Councilman Caputo said when there is a finite issue. Councilman Caputo used Item 1 from the September 25 memorandum as an example of a finite issue. Councilman Junkin stated that a grant would be an item that would need to be amended.

During discussion Councilman Caputo stated that there are three conventional ways of dealing with open encumbrances or unspent monies at year end. That has to be taken into consideration in budget building and year end closing. The Town now has a system which does this. Councilman Caputo said Council needs to adopt a policy regarding open encumbrances.

Mayor Jankowski asked for more discussion. Councilman Gross asked to state the motion. Councilman Junkin said the motion was to accept the four amendments Councilman Caputo suggested in his memorandum to Town Council dated September 25, 2013. Councilman Caputo said there are actually only three proposed amendments. Item 4 of the memorandum is not an amendment. Councilman Junkin amended the motion to say that Council accept the three amendments Councilman Caputo suggested in his memorandum to Town Council dated September 25, 2013.

During discussion Councilwoman Voveris asked that Council save it and talk to Councilman Rae about it because he had issue with budget amendments at the last meeting. Councilwoman Voveris said he needs to be brought into the fold. Councilman Caputo said there is enough

council members present to pass the motion or vote the motion down. Councilman Caputo noted that council members do not have to vote in favor of the motion if they want Councilman Rae to look at it. Councilman Caputo said he has offered to give Councilman Rae a demo on occasions when Councilman Rae was in Town Hall. Councilman Caputo added that he will be doing a demo at the October workshop. Mayor Jankowski called for a vote. The motion was unanimously carried.

Councilman Caputo said he will be bringing forward amendments in the future that are finite. Councilman Junkin suggested that budget amendments like a grant would not come forward for a motion. Councilman Caputo said correct unless there is a matching grant for which the Town has not already budgeted. Councilman Gross said it seems to him that everything, except possibly grants, should come to the Council for approval. Councilman Caputo said anything that is material, although Councilman Caputo thinks Council needs to give the Town Manager and Finance Director some latitude for making immaterial budget transfers. Councilman Gross said that should be defined. Councilman Caputo said it is on the agenda for the Budget and Finance Committee meeting.

Mayor Jankowski thanked Councilman Caputo.

DISCUSSION OF POSSIBLE ORDINANCE REGARDING HEIGHT LIMITATION FOR HOUSES

Councilman Junkin said at the Town of South Bethany Sea Level Rise Committee meeting today the committee talked about focusing on code changes that the committee would recommend to Council addressing sea level rise. One of the things the committee is looking at is the FEMA map. The FEMA map is going to change next year by about a foot. The committee believes the Town should require freeboard on new house construction. The committee does not know yet what the measurement should be, but the committee is thinking of some measurement in the 18 inches to 3 foot range. Councilman Junkin said the committee also has to look at increasing the height limitation for houses. Mayor Jankowski asked when the recommendations might be coming to Council. Councilman Junkin said he thinks early summer is the earliest the Town might actually have the code changed. Mayor Jankowski asked if the Code Enforcement Constable could relay (or recommend) to property owners who are building new houses prior to the code changes to take this into consideration when building a new home. Councilman Junkin said the Town can let them know that these things are coming. Councilman Junkin noted that they have to build to code, and they cannot violate the current height limitation for houses.

Mayor Jankowski thanked Councilman Junkin for the update.

PUBLIC COMMENT PERIOD

There were no comments from the public.

ADJOURNMENT

A motion was made by Councilwoman Voveris, seconded by Councilman Junkin, to adjourn the September 26, 2013, Town Council Workshop Meeting at 7:15 p.m. The motion was unanimously carried.