**Town Of Dewey Beach, DE**

**Budget & Finance Committee**

**Draft Meeting Minutes February 4, 2012**

**Call to Order** by Chair David King (10:00 am). Roll Call: Mark Allen, Dave Davis, David Jasinski, Frank Shull, and Larry Silver were present, as was ex-officio member Mayor Diane Hanson; Director of Finance and Acting Town Manager Bill Brown, Code Enforcement Official Bill Mears, Lifeguard Captain Todd Fritchman, and Chief Sam Mackert participated their official capacities; also present were Commissioners Joy Howell, Anna Legates, Jim Laird and Marty Seitz, Don Ziegler, Dale Cooke, Steve Montgomery, Georgia Leonheart, Denise Campbell and Kara Nuzback.

**Purpose:** Review of December 2011 and Year-to-Date financial performance and work on the FY13 budget so as to give Bill Brown the input and guidance, as acting town manager, to put together a budget that is at least balanced, and possibly somewhat positive, for the next meeting.

**Approval of minutes.** Sequential motions were made to approve draft minutes for the January 7, 2012 Budget & Finance Committee Meeting and the January 14, 2012 Joint Budget and Commissioner Workshop with minor formatting changes. These were each seconded and passed by unanimous voice vote.

**Financial Reports**

December 2011 Financial Reports. For the month, revenues were $105K, approx. $5K worse than budget; year-to-date revenue exceeded budget by $400K when including Bayard Project revenue. Excluding the Bayard Project (DNREC loan) revenue, revenue was $287K better than budget.

Operating expenditures for December 2011 were $179K, about $4K worse than budget. For FY12 through December 31, 2011, expenditures were $2.6M, $592K worse than budget; of this about $515K was due to Bayard Project expenditures during FY11. All told, through December 31, 2011 the Town has drawn down its General Fund Balance, i.e., the surplus, by $192K.

Details discussed

* Good news, Transfer Tax was up for the months of November and December;
* Most departmental Payroll and HR lines were better than budget, due to incorrect budgeting of 3 pay periods instead of the actual two. This error offsets an incorrect budgeting of 2 versus 3 pay periods earlier in the year – so the year-to-date numbers are now accurate indicators of actual performance in Payroll & HR once again;
* Admin Payroll & HR was up significantly, due to $25K change for Mayor’s legal expenditures (there will be an additional $9K bill paid next month; with a total likely to come close to $50K by the end of the appeal process);
* Commissioners’ expenses ($12K over budget); this is related to the hiring of the new Town Manager, and includes legal expenditures as well as travel, etc. There was some discussion to break this out as a separate line item. Bill Brown was asked to provide a detailed accounting of the final costs of the search process for the file, for future reference.

General Fund Balance Sheet shows Total Net Assets of $1.194M, with restricted Cash & Investments of $1.165M; of which $265K is in a committed account for legal defense and $450K is in a Long Term Debt account. This leaves the town with an operating reserve of $450K as of the end of December, 2011.

 **FY13 Budget review and Discussion**

Coming into this discussion there was a strong consensus of the Committee for a positive balance of a minimum of 5% of operating expenses, and maybe as high as 10%, to build the reserve up to the level of 1-year’s operating expenses, with a minimum of $125,000 positive net cash flow. At the end of the last meeting, the projection for net of revenue less expenditures was approx. -$100,000 to -$120,000.

The main working document for this discussion was the January 3, 2011 draft budget request from the Town.

Points of discussion and consensus changes regarding revenue

**Transfer Tax.** Led by research by David Jasinski, a spreadsheet of condo and single family sales was used to provide data-based input. Trend lines drawn through this data project transfer tax revenue for FY13 as likely to be $300K. David noted this data only includes the MLS data, which includes some single home foreclosures but not foreclosures of entire buildings. This number seemed reasonable to the Committee, especially since we do not anticipate major auction results in 2012, and the consensus was to set Transfer Tax at $300,000.

**Accommodations Tax.** Led by Dave Davis, who coordinated his information with Bill Mears and Bill Brown, and noted the revenue to date for FY12 was $361K. David King noted he has gotten feedback that FY13 is shaping up as a good residential rental year and suggested raising the number to equal the status quo for FY12. There was some concern that rentals might lag with increases in gas prices, and that this number should be lowered. The consensus was to leave this number at $350,000.

**Total Business licenses.** This figure includes the 9% increase, approx. $25K. Following a detailed discussion of restaurant & eatery licenses (see below) to update license fees for restaurants and eateries, there was a consensus to reduce this line item in the budget to $300,000.

**Seasonal Parking Permits.** After discussion regarding several options for reducing the discount for residents and property owners, including providing up to two permits at a reduced discount of $50 each, there was a **motion** in light of running a significant deficit this year, **to recommend to Town Council that the property-owner parking permit discount be suspended for 2012 (and revisit this policy for FY14)**. This motion was seconded and passed by unanimous voice vote. The elasticity of permit sales was discussed and there was consensus that this should result in an additional $50K in revenue, making the budget number for this line item $286,000.

**Parking Meters.** Jim Laird has arranged for a presentation from a “smart” meter vendor next week, and discussion of changes to this item was deferred. There are 70 new meter spaces in the Ruddertowne area that could be metered, and the Town might want to use kiosks rather than single space meters there. Of course there appeared to be a trade-off in revenue from parking permits versus parking meters in this area in 2011.

**Parking Fines**. Discussion was led by input from Bill Brown, based on data prepared by the parking manager. This report included significant conflicting facts, both in terms of number of tickets outstanding 1,300 versus 2,000, and the amount of uncollected parking fines and penalties (booked $587K and have $156K outstanding which would imply revenue of $431K, versus showing $340K collected). And, the collections listed through the end of December do not agree with the number in the December R&E report. Overall, there is a discrepancy of $100K, over which we have no accountability; with nearly $250K in revenue out there, about which the Town is not doing anything at this point in time. This process is seriously broken, and of concern to the Committee. David Jasinski and Steve Huse will work with Town Hall to review and suggest improvements to the parking ticket/fine process. We cannot leave $250,000 on the table, and need to do something about this.

Budget & Finance did not get the requested data on the number of tickets issued MTW evenings at meters, when parking permit requirements were waived. In 2012 when this policy was in effect the Town wrote 8,300 tickets; in 2011 when it wasn’t, the Town issued only about 6,000 tickets. This data is critical for determining parking policy and budgeting for Parking Fines. Apparently this task is too hard for Town staff. David King will review a limited set of parking tickets to see if the data points to particular trends.

At this point there was consensus to leave the budget figure for Parking Fine revenue at $250,000 (budgeted at $340,000 for FY12, but issued $587K of fines and penalties), pending further input. Bill Brown was asked to work with Frank to get a clear, coherent set of numbers for next Saturday’s workshop.

**Dog Licenses**. Discussions ranged from annual license fees (which would raise more revenue but might create logistics problems with overlapping lifetime and annual licenses) to higher license fees. The uniqueness of dogs on the beach in Dewey was highlighted. David King noted that the uptick in this line item in 2012 was due to a change in how the Greyhounds at the Beach purchased licenses, and that the historical number of licenses sold per year is 1,000. There was a **motion and second to raise the dog license fee to $25 for the life of the dog**. This was passed unanimously by voice vote. This will raise the budgeted dog license revenue to $25,000. There was interest in providing a group rate for special dog events; it was felt that this is something the Town Council and/or Town Manager can manage.

**COPS Grant.** Sam Mackert stated that the grant started 3 months late, and so it should run through September 2012 – increasing the amount available for FY13 by $15K. Sam will confirm with the Federal Government this week about getting a 3 month extension, to be able to use these funds to cover salary through September. Sam is confident that he will get approval, and this will increase this line item to $30,000.

**Business license fees for restaurants and eateries** (11:12 am). Stephani Ballard, Town Counsel, led this discussion. Three issues were raised: 1) state law does not provide for different licensing fees for food & beverage serving establishments depending on whether or not alcoholic beverages are served; 2) the occupancy portion of the license fee has been calculated on an ad hoc basis, using seating capacity or a self- reported figure; 3) relief for smaller restaurants with occupancies smaller than 35 (Fire Marshall Occupancy minimum). Counsel’s recommendation is for the Town to move to the use of the Fire Marshall Occupancy Limit to define “occupancy” in the future, the question is what to use for 2012. Her suggestion for 2012 was to use the lesser of seating capacity or Fire Marshall Occupancy Limit, and transition to Fire Marshall Occupancy for future years. During the discussion it was noted that the Fire Marshall Occupancy is a number determined by the structure (safety concerns based on size and exit configuration); seating occupancy capacity is determined after removing floor area occupied by tables, chairs, etc.

A **motion was made to recommend to the Town Commissioners to set a common business license for all food & beverage serving businesses for license year 2012, based on a base fee of $273.00 plus $6.00 times the lesser of seated capacity approved by the Town for 2011 or Fire Marshall Occupancy Limit for all Patron Areas, inside and outside where food and/or beverages are served; and to transition to the Fire Marshall Occupancy for 2013 and beyond.** This motion was seconded and passed by voice vote with 5 in favor and 1 opposed (the dissenting vote was in favor of increasing the base rate now). This change will cost the Town some $6,500 in business license revenue of the proposed $25K in increases.

Points of discussion and consensus changes regarding expenses (11:37 am)

**Lifeguard Department**. The discussion was based on 1/27/12 input from Todd Fritchman showing daily staffing levels and other expenditures. A staffing compliment of 26 provides for manning 15 (out of 18 available stands), plus the Emergency Medical Technician & Guard of the Day, but not including Todd. This staffing level gives 4 single chairs and 10 double chairs. Staffing is geared to provide 37.5 hours/week for each staff member, and only provides overtime (when approved) at the end of the season when staffing has dwindled. Todd does not attempt to vary staffing based on weather predictions or actual weather conditions (except when the beach is closed), but does vary daily staffing based on historical beach use. The projected FY12 total operating budget is $285K, the Town’s FY13 request was $289K, and the request from Todd was $312K. Approx. $10K of this is for the extended season through Sunday September 16, and it includes a $0.20/hour across the board, to give an estimated average hourly wage rate of $11.80.

There was concern that the Beach Patrol is running a suite of ancillary programs that are billed to the Town, including programs that might appropriately be fee based such as the Junior Lifeguard program. A related question is whether or not the Town wants the Beach Patrol running ancillary programs that might jeopardize the safety and security of beach users. All incoming donations received by the Lifeguards are used for equipment and supplies at the discretion of the Captain. None of this money is used for staffing (paid out of the beach patrol operating budget – Todd estimates the staffing costs of these programs to be $35K to $40K).

The Committee tried, unsuccessfully, to learn what the actual costs of the individual/collective suite of ancillary programs, to properly budget for safety and security of beach goers and find ways to additionally support these programs. Todd strongly maintains that he needs 25 staffing units average per day to make this all work – that this level of staffing is needed to fully cover the beach, but also provides the slack to run the other programs with no additional cost.

At the end of the discussions the Committee had consensus to adjust the budget request to $312,000, but is committed to revisiting Lifeguard Department costs.

* Night Beach Patrol. Great program; cost for staffing Friday, Saturday and Sunday nights, Sunday nights on holidays, entire week around July 4th is $8,000. This program uses 1 staff unit from 7:00 pm to midnight, who also checks on beach fire permits. (Chair’s note: 40 days x 5 hours x $15/hr (wage & payroll tax) = $3,000).

**Administration Department (12:19pm)**

**Lawsuit Legal.** Based on prior discussions, move up to $60,000 from $0 (Bill’s original intent was to spend down the committed legal defense fund)

**Legal Fees-Regular.** At the January workshop Mayor Hanson noted that it is likely that regular legal fees would be $9K/month. Commissioner Seitz noted he did a bottom up analysis of minimum legal fee requirements, of $65K for the year, but that $108K might be more realistic. Commissioner Howell noted that twice in the past few months the Town has been threatened with a lawsuit and needed to seek advice/take action to keep the Town safe from further legal exposure. Consensus was to move this number up to $108,000.

**Payroll and HR.** David King noted that while looking at the monthly variances for this line item, there appears to be some $2K to $2.5 in monthly slack built into this budget number. There is likely $25K in this line item not required for current staffing levels. We also need to have actual figures for the salary, etc of the new Town Manager. Bill Brown will scrub these payroll and HR numbers and update with more accurate figures.

**Streets & Highways.**

**Major Equipment**. This is a place holder for contingent repair/replacement of equipment.

**Street Sweeping**. The budget includes a seasonal employee who last year did street cleaning duties, and Steve Montgomery noted this money would be better allocated elsewhere. There was consensus to reduce $3,000 to $0.

**Payroll & HR.** Again seems to run monthly negative variances. Bill Brown will take a close look at this.

**Alderman Court.**

**Payroll & HR.** The Town is interviewing Aldermen, but we yet don’t have good number for salary. Will also need a clerk (cannot have the same clerk serve the Court and Police departments) and bailiff, and a sheltered place for petitioners to wait. Bill Brown was asked to bring back an updated Court budget for the workshop next week, which is dependent on Council making some decisions on the Alderman/Aldermen and Court operations.

**Seasonal PD**

Staffing levels include part time certified officers (from other jurisdictions) who come in and substitute for full time Town officers, e.g., when sick.

**Salaries and wages.** Looking to staff 25 slots (5 dispatch, 4 parking , and 16 sworn officers) when staffed at lower levels had officers attacked and crime was up. Normally have 2 FT Officers and 1 PT Officers on duty weekend nights. The seasonal officers get MT or WTh off, and run half staff those days; everyone works weekends. The seasonal force is split in two and 5 put on day work. Normally bring 2 dispatchers on each shift, and supplement when required (e.g., for 4 hours when the bars let out). (Calls to 911 from a 227 exchange go directly to Rehoboth. If Dewey has a dispatcher on duty, it is transferred here. If not, like this time of year, it is transferred to Georgetown).

 Running $283K for FY12 Salaries & Wages, Bill’s initial request was $255K, and Sam’s proposed staffing looks to be $286K. Bill’s number was based on the number last year, but during the year the seasonal force went $30K over budget, in part due to not including pre-season training and some additional staffing related to the Bayard Avenue Project. There was a consensus to adjust this number up to $286,000, which will also require adding about $4K to Payroll Taxes.

At this point we are about even for the day in proposed additions and subtractions– giving a budget shortfall of $100K, and $250K away from where we need to be to achieve the Committee’s goal for FY13.

**New Revenue Discussion**

Led by Dave Davis; based on survey of Committee and Council. The recommendations include sources of revenue that could be captured both in the short-term and longer-term, including:

1. Contributions to support the operations of the Lifeguards. Not a long-term fix, but could raise $25K this season. Could be based on a solicitation for contributions, sale of sweatshirts, beach event, etc. Needs a champion and program.
2. Entertainment fee. Part of the overall revenue stream we need to create for the Town. Within our control and can be implemented this year, possibly generating $125K. Need to assign people to define and drive the program.
3. Accommodations Tax for hotels. There is a framework that needs to be implemented, but requires a referendum and Charter Change. Needs to be ready for referendum for this fall. (Possible $125K to $150K)
4. Property Tax, possibly specified for infrastructure or beach safety. Needs a champion(s) and needs to be ready for referendum in this fall. Would be a nominal charge, but would put the funds where needed for these important programs.
5. Expand Beach Tax, to cover a broader range of expenditures, e.g., lifeguard operations.

This is a plan needed to put the Town’s financing on sounder footing. There was consensus from the Committee that we need to put forward a package of items – not specifically this package – to the Joint Workshop and Town Council immediately to generate long-term predictable revenue. This package needs to have two components, a fast track component that can be implemented this summer and a longer-term component that is targeted for implementation for FY13, that has to go to Council in May to be ready for referendum in September.

At this point the budget is approx. $100K short of what is needed for a balanced budget. Bill Brown was asked to review operating expenses with his department heads to sharpen his budget request numbers, provide a comprehensive update budget spreadsheet based on the above discussions, and to distribute to the Committee and Council prior to the workshop next week.

**Adjournment.** There was a motion to adjourn; seconded and passed by unanimous voice vote. There will be a joint workshop with the Committee and Council Saturday, February 11 at 1:30 pm. The next Committee meeting is scheduled for March 3, 2012 at 10:00 am. (1:10 pm)