

Dewey Beach Budget & Finance Committee Meeting Minutes 2/9/2018

The meeting was called to order at 3:33 pm.

Members in Attendance: Claire Walsh, Steve Huse, Joe Kienle, Dennis Trencher, Dave Davis

Others in Attendance: Gary Persinger, TJ Redefer, Paul Bauer, Dale Cooke, Courtney Riordan, Gary Talley, Dave Thomas, Sheena Gosset, Chris Flood (Cape Gazette)

Administrative Items:

The agenda and prior meeting minutes were adopted as written.

The group agreed to tentatively schedule the next meeting for Thursday, March 1, at 3:30 pm.

Discussion of Business:

1. Briefly reviewed the YTD Financials as of December, noting the current status.
2. In reviewing the Departmental Budgets provided by Steve Huse (Interim Finance Director), the following was discussed:
 - a. Dave offered an introduction to the preliminary budgets that have been prepared and reviewed by Steve and Dale with the department heads. Three separate budget spreadsheets were available, including no increases (with a few exceptions), a 2% increase level, and a 5% increase level. The committee decided to review the 2% increase budget for the purpose of this initial pass.

Importantly: This initial budget version is in need of revision and shows a significant shortfall of expenses in excess of revenues, so will need much work before the committee can present a balanced budget to the Council in March.
 - b. Paul Bauer brought up the possible impact on the budget if the town decides to discontinue participation in the LESO program. While not expected, the committee feels that there would be no impact on the current budget under development, but of course this could have impact in future years. Council agreed to keep us apprised of this issue.
 - c. Steve reiterated his approach in this round of the budget, that he believes it is not unusual for an initial pass to have expenses exceeding revenue, and that in the subsequent round he and the staff will work to improve this. He then provided an overview of each of the departmental budget and revenue spreadsheets, beginning with the Summary which showed revenue conservatively estimated at \$2.95 million and expenses at \$3.6 million.

- d. The group reviewed the Revenue page and generally agreed that while conservative in the estimates, the likely impact of the economic cycle taking a downturn and affecting the housing market make it prudent to take a somewhat conservative approach.
- e. However, there are several revenue items that will be more carefully analyzed, such as transfer tax, for which we need an expert opinion, accommodations tax, which will be more carefully analyzed, and building permits, which like transfer tax may be tied to the economy's trend. On balance, the committee felt that both transfer tax and accommodations can be increased somewhat and building permit fees as well, but perhaps more judiciously.
- f. Steve pointed out that like many municipalities, Dewey's personnel costs are roughly 70% of the town's budget.
- g. Reviewing the Administration budget, significant discussion occurred on the lawsuit legal expense (initially estimated at \$310k) and that Steve needs to get a better estimate of that and we discussed the mechanics of the legal reserve fund of \$250k and how that has been utilized and replenished in the past. Much more careful analysis of this is required.
- h. The committee agreed that a headcount sign-off at the beginning of the fiscal year was a good idea and will be incorporated into the recommendations to the Council and new Town Manager.
- i. Dave brought up the issue of looking at police wage competitiveness, but the committee in general felt that with the task at hand to balance the budget, this should be done at a later time.
- j. The police overtime budget needs to be better defined in the spreadsheet.
- k. Seasonal Police was reviewed with no significant comments.
- l. Code Enforcement was reviewed and discussion of the separation of the role from the Seasonal Police was reviewed with no significant recommendations noted.
- m. The Streets budget has not yet been reviewed due to vacation schedule, but only the Municipal Street Aid item needing follow-up and further analysis.
- n. Alderman's Court budget was reviewed and Dale indicated that the head Alderman was invited to attend the meeting to discuss her request for increases, but did not attend, and therefore the budget would remain as currently cast.
- o. Clarification that the beach cleaning is paid out of the Beach Tax fund.
- p. Town Operating Expenses were discussed, noting the cost of the DVD recorder for the security system, the bonus pool, the \$14k allocated to the Bayard project,

and the Rainy Day Fund. The Bayard Project funds and the Rainy Day funds will need more definition and further review.

- q. The 'More research needed' category which includes the DBE revenue and costs need further examination and articulation, as it seems to understate the DBE revenues. Dave indicated that an earlier look at the Auditor's most recent report had an explanation of the DBE revenue streams and is a good source to consult to better define this important item.
- r. Joe asked a question about how many bank accounts the town has, and Sheena answered 19 -- all of which incur fees. The committee members feel that this needs to be looked at as soon as feasible, given the other current priorities. Joe also brought up the current town surplus, and it was a reminder to the committee that once the budget is delivered, we need to address whether some of the non-restricted surplus funds can be moved under investment.
- s. Paul reminded the group that there is no capital budget for this year, but this can and probably should be revisited in the next budget cycle.
- t. Dave asked if the current spreadsheet has all the items found in the budget framework used in the past, and Steve confirmed that he verified this, with the exception of certain categories that were "retired" and no longer used.

Critical Follow-up Items:

With the next meeting tentatively scheduled for March 1, it is imperative that in the intervening 21 days that Steve and Dale work to refine the revenue source projections and identify and revise sufficient expense categories to bring us much closer to a balanced budget.

As progress is made toward this goal, the committee will receive relevant information so that our March 1 meeting can facilitate the completion of the budget in time to deliver to Council.

Call to Action:

With such a wide gap between currently projected revenues and expenses, the staff leadership and Council need to make some hard choices on priorities. If Budget & Finance is charged with delivering a balanced budget, significant changes will be needed in order for that to be possible.

As the Chair of the Budget & Finance Committee, I am willing to talk, meet, and assist in any reasonable way to achieve our mutual goal. But in truth, we need to be able to confidently increase our revenue projections and decrease our expense load significantly in order to make it all work.

I am hereby requesting that by Wednesday, Feb. 14th COB each member of Budget & Finance, and all Council members, forward me by email 3-4 ideas

for closing the gap, with supporting logic and suggested methods, and I will collate and send them out to the group for continued offline discussion.

With no further business to be discussed, the meeting was adjourned at 5:28 pm

Respectfully submitted,

Dave Davis