

Dewey Beach Budget & Finance and Town Council Joint Workshop Meeting Minutes for Feb. 8, 2019

The meeting was called to order at 3:32 pm by Mayor Redefeer.

Council Members in Attendance: TJ Redefeer, Dale Cooke, David Moskowitz, Gary Persinger, Paul Bauer

B&F Members in Attendance: Lynn Winkler, Zeke Przygocki, Bill Stevens, Phil Winkler, Dave Davis

Others in Attendance: Scott Koenig, Town Manager, Sheena Gosset, several members of the public and press.

Administrative Items:

Mayor Redefeer opened the meeting and turned the meeting over to Dave Davis of B&F.

The agenda was adopted as written.

Dave and Phil Winkler are note takers for the meeting.

Discussion of Agenda Items:

1. Revenue Projection for Upcoming Budget: The discussion began with Mayor Redefeer reporting on the research he was asked to do on the current real estate market and economic trends as they possibly relate to the projection of Transfer Tax and Building Permit revenues. Single family housing in Dewey has increased substantially on average price per dwelling over the past several years from \$525k in 2014 to \$725k in 2018. Number of SFH sales over the last five years increased from 52 in 2014 to 77 in 2017, then declined in 2018 to 49 but with the average price at \$725k and \$450k for townhouse/condo units. He also noted that the housing market is expected to continue on a strong path through the remainder of 2019 but is questionable beyond that.

It was also noted that the Ruddertowne project was expected to be complete after 2019, and that while revenues for the town generated by the project would begin to subside in building permits, transfer tax would continue.

Scott indicated that the current budget draft has been updated and is now has less than a \$24k deficit of expenses over revenue. This is down from \$111k as of the last B&F meeting on 1/25, representing his continued work to refine costs and include relevant expenses.

The discussion of the revenue projections using the Revenue Analysis spreadsheet began with focus on Transfer Tax and Building Permits first. Zeke suggested polling Bill Mears for input on Building Permits and Scott agreed to do that.

Scott indicated that he would be comfortable increasing the Transfer Tax projected 2020 revenue from \$600k (current year figure) to \$630k. The group discussed this level, considering the previous five-year levels and context of the economic situation and generally agreed that a level of between \$630k and \$650k would be acceptable and Scott will adjust and confirm in a subsequent budget draft.

A level of \$360k for Building Permits was discussed and generally agreed by the group.

A level of \$510k to \$520k was discussed and generally agreed by the group for Accommodations Tax.

A level of \$102k for Residential Business Licenses, and \$210k for Commercial Business Licenses was agreed by the group.

A Seasonal Parking Permits level of \$286k, Daily Parking Permits of \$257k, and Parking Meters of \$327k was agreed by the group.

The remainder of the revenue categories listed on the Revenue Analysis spreadsheet were not reviewed.

2. Set Aside Accounts: As agreed in several prior meetings, the topic of how to evaluate current set aside accounts was discussed. The Legal & Litigation set aside account was discussed first, and no clear direction on a change to the balance was agreed upon, though the balance in the account is \$268k, one current lawsuit is pending, and the town's exposure is \$100k on each lawsuit.

The 20% of Building Permits to Infrastructure set aside was discussed, and due to its codified nature, no change was recommended.

The Comprehensive Plan set aside, currently with a balance of just under \$68k was judged to be higher than is needed given the status of the plan and need for near-term revenue for this purpose. The group agreed that Scott will review the current costs attributed to this, and any excess can be reallocated to the Infrastructure account.

The Technology Improvement Funds account was not discussed or modified.

The Rainy Day Fund is eligible for reallocation due to its non-specific use and objective, and Scott brought up a number of expected costs that include items that are likely to occur in the upcoming budget year and in total approximate the current balance of the Rainy Day Fund. It was agreed by the group to relabel the Rainy Day Fund category as Capital Projects, Studies & Vehicles to match the expected costs raised by Scott. This is in anticipation of Scott completing a proper Capital Expense Budget for the 2020-2021 fiscal year budget.

A brief discussion of the Brown Advisory funds category ensued, and it was generally agreed that the overall review and adjustment of surplus funds balance and allocations was necessary and would be undertaken soon.

The sale and proceeds from the LESO Surplus Equipment was briefly discussed, but no determination how and when any funds resulting from this would be allocated.

Gary identified two additional set asides, a Transfer Tax Recoupment Account and one for Signs and Striping of Parking Spaces and such are not culled out in explicit accounts but are included in the General Funds balance. No definitive decision was made on how to deal with or adjust these.

3. Expense Category Discussion: Scott provided a brief overview of expense categories that he is reviewing, such as Legal and Professional Fees. A brief discussion of the Police Pension Fund rate revealed that this is a cost that requires no particular consideration as it is specified to the town. Scott noted for the group that the set aside accounts are being converted to cash management accounts with a 1.6% interest on each. Scott reiterated that the current deficit between total revenue and expenses has been reduced to less than \$24k, and he continues to refine and work toward a balanced budget.
4. New Potential Revenue Streams: The first topic in this discussion was the pending resolution for adding a Hotel Lodging Tax and setting that at a level of 3%. Mayor Redefer pointed out that with approximately 569 hotel rooms in Dewey and at a level of 120 days (low) at approximately \$200 per night, this would potentially yield \$140k in revenue for each 1% Hotel Lodging Tax assessed. The Council was due to vote on a Resolution to move this forward the following day.

The possible adjustment of Fees and Licenses was discussed but tabled for this fiscal year due to the recent adjustment in rates for some of these, and that the town will revisit the frequency and levels of such costs in the near future.

The carryover of the idea of an Infrastructure/Bayside Tax from the previous B&F year was discussed that would be similar in some ways to the current Beach Tax that has netted nearly \$5mm in the account for future use. Dave brought up an alternative possibility of reassigning costs for Lifeguards into the Beach Tax Fund, thereby freeing up several hundred thousand in personnel costs that could be put toward infrastructure projects for the town. It is widely known that Dewey's infrastructure is in dire need of attention, let alone the need to begin saving toward a future sea level rise event.

No particular decision was made, but the group generally agreed that the town needs to begin work on a comprehensive plan for town infrastructure updates/upgrades. Jim Tyler was in attendance at the meeting, and it is imperative that the town begin making significant progress on this front and funding the projects post haste. Scott brought forward an interesting statistic that each linear foot of stormwater drainage pipe can cost as much as \$75-125 and that statistic sets a tone for the seriousness of this issue and hopefully imparts a sense of urgency for Council to begin dealing with and making progress on this critical town issue.

Key Action Points:

1. The set aside balance for the Comp Plan will be reallocated based on the current bills outstanding to complete the now complete plan and the excess funds moved to the town Infrastructure account.
2. The Rainy Day Funds account will be relabeled as Capital Projects, Studies and Vehicles and the list of projects that fall under this category will be revised based on Scott's continued review and work on this and Council's guidance.
3. Scott will continue work toward a balanced budget using the revenue levels agreed in the meeting and reallocation of set aside funds.
4. Council will continue work on the Lodging Tax Resolution and keep B&F informed.
5. B&F will schedule another meeting prior to early March to complete one additional review of the draft budget prior to submission to Council.
6. B&F will begin work to further assess and quantify how an Infrastructure/Bayside Tax OR reallocation of Lifeguard costs to the Beach Tax fund could impact the town's infrastructure revenue stream for the coming near- and longer-term fiscal needs.

With no further business to be discussed, the meeting was adjourned at 5:35 pm

Respectfully submitted,

Dave Davis, Chair of Budget & Finance