


**TOWN OF
OCEAN VIEW**
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MEMORANDUM

TO: Mayor Reddington and Town Council Members
FROM: Dawn Mitchell Parks, Finance Director
Carol S. Houck, Town Manager 
DATE: January 7, 2021
SUBJECT: Input for preparation of first draft FY22 Budget

To get started on the preparation of FY22 Budget, we are looking to get initial guidance from Mayor and Council.

Below are items for your consideration.

OPERATING BUDGET

REVENUE:

1. Discount on Real Estate Property Tax: The FY21 budget included an 1% discount on Real Estate Property tax for all citizens that paid in full by July 31, 2020. This resulted in an overall savings \$16,412 to our taxpayers (2,037 accounts out of 3,203 accounts).

Does Council support the continuance of offering a discount for early payment and if supported, what percentage?

2. Transfer Tax: The funding ordinances for Street Repair & Replacement Trust Fund (SRRTF) and the Capital Replacement Trust Fund (CRTF) account for 37.5% of transfer tax received from Sussex County. Currently the Town receives 1.5% of the sale price with a 1% processing fee held by Sussex County. For FY21, the Transfer Tax surplus funded the Emergency Reserve Trust Fund (ERTF) to 20% of the FY21 Operating budget with the remainder to SRRTF. The FY21 Operating Budget had no reliance on Transfer Tax.

Does Council support to continue with the Operating Budget having no reliance on Transfer Tax for FY22?

EXPENSE – Compensation:

1. Health, Dental and Vision Benefits: Currently the Town provides the State of Delaware Highmark Basic insurance coverage (subscriber + family) at no cost to the employees and as well, Dominion Dental (subscriber + family) at no cost to the employees. In September, the State Employee Benefits Committee approved the expansion of eligibility for the State of Delaware's vision plan to include Participating Groups such as Ocean View starting in July 2021. There are two (2) tiers (low and high) with rates for subscriber, subscriber + spouse, subscriber + children and subscriber + family.

Does Council support the continuance of offering Health and Dental coverage (subscriber + family) for the basic plans at no cost to the employee with the addition of the basic vision coverage for subscriber + family (\$16.84 per month per employee) in the first draft of the FY22 budget?

2. Wage Increases (COLA and Merit): During the December 11, 2018 Town Council meeting, Council agreed that the CPI-Mid Atlantic rate should be used for Cost-of-Living salary range adjustments which is the method used to set council pay each year. The December CPI will be released on January 13, 2021.

In FY2021, our current fiscal year, staff with satisfactory or higher ratings on their annual evaluation were awarded a .9% merit increase and a COLA of 2.407% to meet the all in 2020 projection of 3.3% (this excludes the Chief and Town Manager who have employment contracts). Now, according to Salary.com, which provides compensation data and analytics, the consensus seems to be that merit increases are projected to be an average of 2.6% in calendar year 2021, our fiscal year 2022).

Does Council support the use of the CPI-Mid Atlantic rate for salary range adjustments for all staff in the first draft of the FY22 budget?

Does Council wish to provide guidance for any merit % above the CPI rate?

We are looking for guidance, if desired, for a maximum increase that would be made up of CPI and Merit for the 1st draft of the FY22 budget.

3. Annual Payout (Buy Back) of Sick / Medical Leave: The Personnel Manual that was signed into effect on January 14, 2020 states that at the end of the calendar year each employee that has more than 10 days of sick leave accrual remaining may opt to be paid for days in accordance with the terms in the Personnel Manual. In the next week, each eligible employee will receive a memo with the amount of sick time eligible for buy back from the Town. Remember, this is a technique that helps reduce the Towns liability and to reduce future pay out risk. The first draft of the FY22 budget will include the maximum amount eligible for buy back plus the payout of the one employee that had an accumulation of more than the maximum of 100 days at the time the Personnel Manual was adopted. Future drafts of the budget will reflect our actual buy back position.

EXPENSE – Other:

1. Community Events (G&A): We are requesting approval prior to the approval of the FY22 budget for the following community events so that, where necessary, entertainment can be booked by the end of this fiscal year.

• Concerts in the Park	\$ 6,000
• Classic Movies Wednesday	\$ 8,000
• Cops & Goblins	\$10,000
• Holiday Market and Tree Lighting	\$ 8,000
• Holiday G&A	\$ 3,000
• Other Events	\$ 5,000 (Arbor Day, Fire & Ice, Chicken Festival)

CAPITAL BUDGET

1. Contingency: For purposes of the 5 Year Capital Improvement Plan for FY22 through FY26, we request that a 10% Contingency Line be added in FY22. As contracts are brought before Council, the actual 10% contingency will be identified for Council approval. The 10% contingency is derived from project estimated costs.

WATER BUDGET

1. The 5-year agreement with Tidewater was signed in April 2018 for FY19 through FY23. For FY22, year 4 of the agreement, Operation & Maintenance services is \$34,068 or monthly payments of \$2,839. Meter reading and Billing services is \$32,100 or monthly payments of \$8,025.