



## Bethany 'on solid financial footing'

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Minor changes in taxes, services recommended

By M. Patricia Titus  
News Editor

While some neighboring towns are struggling to keep red ink off their balance sheets, Bethany Beach's finances are healthy, Finance Director Janet Connery reported to the town council at their Feb. 17 workshop.

"Actions taken in past years have put the town on solid financial footing," she said Tuesday, pointing to a 2007 tax increase of 8-cent per \$100 of assessed value and a reduction in town staff made through attrition in recent years, as well as funds being built for replacement of depreciating town assets. "We are not in financial trouble."

The town has already cut its staff from 39 full-time employees in 2007 to 34 employees at present. The town's draft budget also proposes dropping to 32 full-time employees in the upcoming 2010 fiscal year, by eliminating two vacant positions in the town's public works and sanitation departments – a reduction of 18 percent since 2007.

The proposed reduction in staff saves the town an estimated \$81,000 over its 2007 staff costs. Staff costs are by far the largest portion of the town's approximately \$4.9 million annual operating budget, with public safety – including police and lifeguards – being the biggest element of the town's operating costs overall. Connery noted that the town has seen an increase of \$90,000 in seasonal and part-time employee wages alone since 2007.

"We don't want to have to send out a flyer to everyone and ask if they want to lay off staff or raise taxes," Town Manager Cliff Gravier commented Tuesday, alluding to a recent survey sent out by the Ocean View Town Council that asked that town's property owners essentially that question as Ocean View tries to deal with operating expenses that are exceeding its revenue.

That kind of choice weighed on the minds of council members on Tuesday as Gravier presented information to them about the state's estimated \$600 million budget deficit and Sussex County's estimated \$8 million budget deficit. Both of those deficits are concerns for Bethany Beach and other municipalities, as the towns anticipate potential reductions in grants, services and even transfer tax revenues through the larger government entities.

"We can expect something to trickle down," Gravier said.

The town receives an estimated \$100,000 in state grants for public safety each year, another \$25,000 from Sussex County for public safety and \$130,000 in Municipal Street Aid funding through the state, all of which could be reduced or eliminated as the state and county governments attempt to balance their bottom lines.

Legislators have previously ruled out reducing the 1.5 percent transfer tax that goes to municipalities on the sale of property inside their town limits, Gravier emphasized, "But that was before the magnitude of the problem was known."

The result of that uncertainty, combined with a continuation of reduced transfer tax revenues, is another conservative draft budget for Bethany Beach.

### Trash collection slashed

In a nod to the proposed reduction in full-time staff positions, including one in the sanitation department – where full-time staff has dropped 26 percent since 2007 – Gravier has proposed a slight reduction in one town-provided service: trash collection.

"This is something we can accomplish. And it makes sense to do it now," he said, referencing the eliminating of that vacant full-time position, as well as Public Works Supervisor Brett Warner's willingness to help out his reduced staff by driving a trash truck, if necessary.

As recommended on Tuesday, the town will reduce its trash pick-up schedule between Oct. 1 and May 1 to just one time per week. Summer-season trash pick-up will continue to be done twice per week. Gravier said Warner had

looked at reducing summer collection to one day a week, as well, but felt town staff couldn't complete the pick-up route in a single day. Connery, meanwhile, noted that the town could find in six or seven years that it needs to return to a higher level of service.

Council members gave Gravier the go-ahead to get the reduced schedule moving on a test basis as soon as possible, so the town can judge this spring whether the reduction will work as proposed or will need some fine-tuning for a full off-season of implementation in the fall. He said he could possibly get the program running in March, pending timely notification of all affected property owners and residents.

However, the change will not directly translate into a reduction in costs for sanitation department, since the reduction of service will come with a reduction in collection rates for residential properties, dropping from \$225 per year to \$200. Commercial rates will remain at current levels.

The end result is a reduction of revenue for the sanitation department, by \$65,000. But Mayor Tony McClenny emphasized Tuesday that the change will also result in town staff being redirected to other tasks.

"It's a way to more sensibly use our resources," said Gravier. Connery noted that not reducing the trash schedule in the off-season would permit the town to eliminate only one of the two vacant positions. Reducing the trash schedule is also expected to further extend the life of the town's trash trucks.

The town has not yet seen any significant savings on its trash tipping fees from the townwide voluntary curbside recycling program it instituted about a year ago, Connery reported. With only 20 percent of properties participating, only a 4 percent drop in tonnage has been seen. That led Councilman Bob Parsons to suggest the town look at the possibility of making the recycling program mandatory. The council plans to tackle that idea at their next council workshop.

### **Property taxes, parking fees may rise**

Connery noted on Tuesday that the town's transfer tax revenue has remained at reduced levels, with just \$450,000 in transfer tax anticipated in the 2010 budget, as drafted. She said the town has become increasingly less dependent on transfer taxes as it has dealt with reductions in that figure in recent years.

Council members pointed to the anticipated settlement on condominium units in the renovated Blue Surf as likely to boost that draft revenue figure by about \$200,000, but Connery questioned whether the town wanted to depend on money from that single project as a reason to raise the conservative budget figure. The council consensus was to stick with that conservative number.

Connery pointed out that the town has been using its transfer tax revenues to fund its replacement reserves, which means that meeting, failing to meet, or exceeding the budgeted transfer tax amount will determine whether the town needs to pull from its existing reserves to meet replacement needs or will generate additional funds for those reserves.

The town loses an estimated \$650,000 in depreciation of assets each year, which it tries to cover with that amount, plus 5 percent, in its replacement funds.

Connery also said Tuesday that the 2010 budget plans for a 5 percent decrease in summer visitors in 2009, due to the nationwide economic troubles. But she said she expects the town's number of summer visitors to slowly, but steadily, increase in subsequent years, as it traditionally has done.

The town's expenses continue to grow each year, however, especially since it is now budgeting for covering its depreciation and debt service costs. That has led to a need for increases in some fees and taxes.

"The rate changes proposed for 2010 are not a response to the nationwide economic situation," Connery said, emphasizing long-term planning on the part of the town's Budget & Finance Committee, before introducing a slate of minor to modest increases proposed in several areas.

Property taxes would increase under the proposed 2010 budget, but by only one-half of one cent per year – that's from 16 cents per \$100 of assessed value to 16.5 cents per \$100 of assessed value – about 3 percent per year, to cover those annual increases in the cost of doing business. The increase will generate about \$48,000 of additional revenue.

Connery noted that 57 percent of the properties in the town will see an increase in their property taxes of less than \$13; 80 percent of properties will pay less than \$25 additional under the increased tax rate, which she said will avoid large single-year increases.

Also proposed are a 20 percent increase in parking meter and visitor parking permit rates. The meter rates will increase from \$1.25 to \$1.50 per hour – which Connery noted is the same rate now planned to be charged in Rehoboth Beach's Rehoboth Avenue and beachside lots but is less than the \$2.25 rate Ocean City, Md., officials

approved this week for parking at their Inlet area. (The former rates in Ocean City were \$1.50 per hour on weekdays and \$2 per hour on weekends.)

The parking meter rate increase is expected to generate \$143,000 additional revenue for Bethany Beach. The related fees for one-day, three-day and seven-day parking permits will increase from \$11 to \$13, from \$33 to \$39, and \$70 to \$84, respectively, based on the meter rate. No increase for property owner parking permits is planned.

### **Most home owners won't see much change**

On the positive side for citizens, Bethany's budget calls for a reduction in the town's Sinking Fund fee, used to pay for loans to the Water Department. The fee will be reduced from \$1.70 to \$1.07 per front footage – generating a \$31.50 reduction for most property owners. That reduction comes as one of the two loans is retired this year.

Connery noted on Tuesday that the remaining loan is expected to be retired in 2014, at which time the town could eliminate the Sinking Fund fee entirely. But with an estimated cost of up to \$2.2 million for a new water storage facility the town now knows it needs, Connery said the town could elect to temporarily loan the Water Department money for that project and replace it with another loan in 2014 that would simply extend the reduced fee until it is paid off.

All told, Connery said most property owners will see only a tiny difference in what they pay to the town, up or down. The \$13 to \$25 additional property tax, combined with the \$37 ambulance service fee the town will assess on behalf of the Bethany Beach Volunteer Fire Company, is essentially offset by the \$31.50 decrease in the Sinking Fund fee and the \$25 trash fee decrease.

Most property owners will see between a \$6.50 decrease in what they pay the town and a \$5.50 increase, as assessed in the town's annual May billing this year, just after the start of the fiscal year. That's a flat dollar amount and not a per-month or percent increase – just a handful of dollars one way or the other, even with a tax increase and ever-increasing expenses.

For the town, the bottom line is \$4.93 million, both in revenue and expenditures, for the 2010 fiscal year. Reserves are expected not to be tapped or increased under the proposed budget.

Over the longer term, in a five-year projection, Connery predicted a likely need for the half-cent property tax increase to come annually, along with the 20 percent parking fee increase recurring on a five-year basis. Operating expenses are expected to continue to rise at a rate of 3 percent per year.

Under the proposed long-term budget philosophy, that will allow the town not to tap into its reserves in 2010 and 2011, but require taking out \$7,000 and \$19,000, respectively, in the 2012 and 2013 fiscal years before the town begins to build its reserves again in 2014, adding a projected \$35,000 that year.

Connery warned that without the proposed "revenue enhancements," the town can expect to use \$190,000 of its reserves in the 2010 fiscal year, \$239,000 in 2011, \$295,000 in 2012, \$357,000 in 2013 and \$353,000 in 2014 – a total of \$1.4 million in reserve funds used up through the 2014 fiscal year. That number could grow to \$2.2 million by 2014 if the town also sees a further reduction in transfer tax revenue.

The town, as of March 31, 2010, is expected to have \$300,000 in its emergency reserves, \$800,000 in its reserves for the beach and boardwalk, and \$1.76 million in its reserve for capital replacements. Some \$872,000 – 2.6 months of operating costs – is kept in an undesignated reserve. The town also has \$500,000 reserved for its new water tower, plus \$263,000 for capital replacements in the Water Department.

The Budget & Finance Committee will meet again this Friday, Feb. 20, at 2 p.m. to consider the proposed budget. There will be a public hearing held prior to the council's anticipated adoption of the coming year's final budget before April 1.

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