



# Coastal Point

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## Bethany adopts parking, property tax increases

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By M. Patricia Titus  
News Editor

Bethany Beach Town Council members last Friday voted unanimously to adopt a proposed \$4.9 million budget for their 2010 fiscal year, which begins April 1. The budget includes a 3 percent increase in property taxes, from 16 to 16.5 cents per \$100 of assessed property value; as well as a 20 percent increase in parking fees – up 25 cents per hour to \$1.50 per hour, with accompanying increases in daily and longer parking permit fees.

At a public hearing on Friday afternoon and at the subsequent town council meeting, both residents and business people expressed concerns about the increases in the two rates.

Resident and former mayor Jack Walsh said he felt the increase in property taxes was not needed and wouldn't make enough of a difference in the town's bottom line to be justified.

"Fifty thousand dollars a year would have little or no real impact on a budget of almost \$5 million a year," Walsh said of the estimated \$48,000 that would be brought in by the property tax increase next fiscal year. Walsh further noted that the town has almost \$2 million in reserves upon which it could draw.

The issue got some traction with Mayor Tony McClenny, who proposed Friday night that the council consider dropping the property tax increase this year, in light of the economy and the comparatively small amount it would add to the town's operating funds.

Finance Director Janet Connery had said at the public hearing on Friday afternoon that the town's undesignated funds, or reserves – about \$872,000 in the general fund, where the property tax money would go – are needed to carry the town over from the revenue-poor end of the fiscal year to the time in the 2011 fiscal year when revenue will start to flow into the town's coffers again.

Those undesignated general-fund reserves amount to about 2.6 months of operating costs for the town.

But while Council Treasurer Jack Gordon said the town could make it through without the \$48,000 – "Yes, we can. No problem." – it was the argument of the town's Budget & Finance Committee, reiterated by Town Manager Cliff Gravier at the March 20 council meeting, that won council support.

"The budget committee, philosophically, wanted to balance revenue coming in to expenditures," he said, "not to pull from the previous year's reserves. We're not feeling the budget woes that other local municipalities are because we've worked to build our reserves."

Gravier noted that Connery had sounded a strong note of alarm in reporting that the town's 2009-fiscal-year transfer tax revenue was 58 percent less than it was in the 2006 fiscal year, with a sharp decline seen in the past three and a half months over the same period in prior years.

Bethany Beach took in just \$51,000 in transfer tax revenue between Dec. 1, 2008, and March 19, 2009, compared to \$207,000 and \$230,000 in the same periods in the 2008 and 2007 fiscal years, respectively. If that trend were to continue, Connery noted, the 2010 fiscal year would bring in less than \$200,000 total in transfer tax revenue – \$250,000 less than has been budgeted based on prior years' revenue.

"If we have a bad year," Gravier added, noting the unpredictable potential for a severe storm or strong impact from the economy, "we'd need to tap into that reserve, and next year we could have a budget that will necessitate a serious tax increase."

Bethany Beach raised its property tax rate 100 percent in 2007, doubling from 8 cents per \$100 of assessed value to 16 cents. Nonetheless, the town's property tax rate remains at or below the predominate rates throughout the area.

At the time, Connery and the budget committee recommended small, steady increases in property taxes each year, to help reduce the town's reliance on unpredictable transfer tax revenues and ensure it could keep up with inflationary costs for fixed needs, such as salaries.

Without that "revenue enhancement," as it has been dubbed, Connery projected that the town would be tapping into its reserve in each of the coming five fiscal years, at ever-increasing amounts – \$190,000 in 2010, \$239,000 in 2011, \$295,000 in 2012, \$357,000 in 2013 and \$353,000 in 2014.

Including a half-cent increase in the property tax rate in each of the five coming fiscal years, as well as this year's other proposed revenue increases (which were not projected out in the coming years), Connery projected the town will be revenue-neutral in 2010 and 2011, tap just \$7,000 in reserves in 2012, tap another \$19,000 in reserves in 2013 and then add \$35,000 back to the reserve fund in 2014.

Additionally, the increase would mean very little difference for most of the town's property owners. The property tax increase will mean 57 percent of property owners will see their annual tax bill from the town increase \$13 or less, and 80 percent of property owners will pay \$25 additional, or less.

Combined with a \$25 decrease in trash collection fees and a 63-cents-per-front-footage decrease from the town's water system sinking fund, due to the retirement of a loan, and the new \$37 ambulance service fee, property owners will see anything from a \$5.50 net increase on their May 2009 bill to a \$6.50 decrease from the 2008 bill.

It was a winning argument that saw McClenny's motion to eliminate the property tax increase in 2010 budget defeated 6-1.

"I'd rather see us do it now," said Councilman Bob Parsons. "We could cut taxes next year. We cut them in '91, after we raised them in '90," the longtime councilman noted, urging head-shaking skeptics to reconsider their expectations on that basis.

But residents and council members alike expressed some scrutiny last Friday of the need to maintain other large reserves for things such as the emergency beach and boardwalk fund, and the reserves in the sanitation and water departments.

"The reserves need evaluating," said Walsh, who questioned the need to continue to accrue depreciation costs on items such as trash trucks that have already seen increased life above what was originally expected.

Walsh said he was also skeptical of the need for so much to be devoted to the beach and boardwalk fund when the new dune much better protects both from storms. Gordon, however, pointed out that the town's boardwalk is not insured or insurable, should a storm manage to penetrate the dune, and he also noted that the boardwalk gradually deteriorates and would be in need of repair at some point regardless.

Councilman Joseph Healy said, though, that he would like the reserves to be considered in the coming months, to see whether they are funded at higher levels than needed.

Margaret Young was among the council members who also urged the council to consider the property tax each year and not just automatically seek out the half-cent increase that has been recommended. Should revenues pick up again, they said, the town could decide not to continue the small increases.

## **Parking fee increase a concern for businesses**

Council members also heard objections on Friday to the proposed increases in parking-related fees. Connery's budget recommendations included a 20 percent increase in parking fees, which she predicted would need to continue to happen about every five years.

That works out, this year, to an increase from \$1.25 to \$1.50 for an hour of parking at a metered space, along with increases from \$11 to \$13 for daily parking permits, from \$33 to \$39 for three-day permits and from \$70 to \$84 for seven-day permits.

The town will also increase its seasonal fee charged to larger shuttle buses dropping off passengers in the town – from \$3,000 to \$6,000 for buses with a capacity of 11 or more people. That more closely mirrors rates charged at state parks. The rate for smaller buses remains at \$3,000.

Property owner and local restaurateur Dick Heidenberger said he was concerned about the increase's potential impact on his five businesses in the downtown area during the current economic crisis.

"Our customers are cutting back on buying drinks," he explained. "We're already cutting back on things like serving bread."

Heidenberger said that, while 2008 was a good year for his businesses, he was concerned that "the increase sounds like a lot" to his potential customers, who might be less inclined to go out to eat in downtown Bethany if they have to pay 25 cents more an hour to park.

Sedona restaurant owner Marian Parrett said she was similarly concerned about the impact on her patrons.

"We heard a lot of complaints from our customers after the last increase," she noted, saying that people are paying more attention than ever what they get for their money and emphasizing that the town can't afford to alienate its tourist business when businesses are trying to bring in more customers. "I don't think the parking increase is going to help," she added.

Likewise, Bethany-Fenwick Area Chamber of Commerce Executive Director Andrew Cripps said the Chamber had concerns about the impact of the parking increase on member businesses. He also said he wasn't sure the end result wasn't going to be a decrease in parking revenues for the town.

"Rehoboth Beach last year raised their rates, and they saw no increase in revenue," he pointed out.

However, Connery, Gordon and Gravier noted on Friday that the parking increase from \$1 to \$1.25 per hour two years prior had not resulted in a decrease in revenue for the town. In fact, the town had seen a 1.4 percent increase in revenue above the amount accounted for by the rate increase alone.

Gravier said some small drops in meter parking revenue were seen last year, in a summer that was one week shorter than usual. But he emphasized that those were made up for by an increase in the use of daily and weekly parking permits, which essentially eliminate the need to feed the meters during the day but otherwise contribute the same kind of funding to the town for the use of the spaces.

Moreover, he said, the town was keeping its parking fees on a similar level to other local towns, including Rehoboth Beach, where the same \$1.50 rate to be charged now in Bethany is already in place for lots near the beach. Ocean City, Md., officials have been looking to increase the parking rate for their Inlet Parking Lot to \$1.50 per hour in the shoulder seasons and \$2.25 per hour in peak season.

Bethany Beach uses its parking revenues for seasonal costs, such as lifeguards, bandstand entertainment, seasonal police and maintenance and cleaning of the beach, boardwalk and comfort station.

Connery emphasized on Friday afternoon that the intention of the increase to both property taxes and parking fees was to balance the town's increasing costs among its summer visitors and property owners, and the services they receive.

Both sets of costs and revenues are aimed to be roughly even – with year-round-type revenues budgeted to bring in just \$21,000 above year-round-type costs, while summer-type revenues bring in about \$193,000 above related costs (about 7 percent of the summer revenue as "excess").

Council members did not discuss reducing or eliminating the parking rate increases, though Parsons said he could see both sides of the issue. Gravier did, however, emphasize that business owners are able to purchase daily or weekly parking passes at the same rates, which could be handed out to customers in lieu of them feeding the meters with coins.

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