



## South Bethany tax hike stems from shortfall

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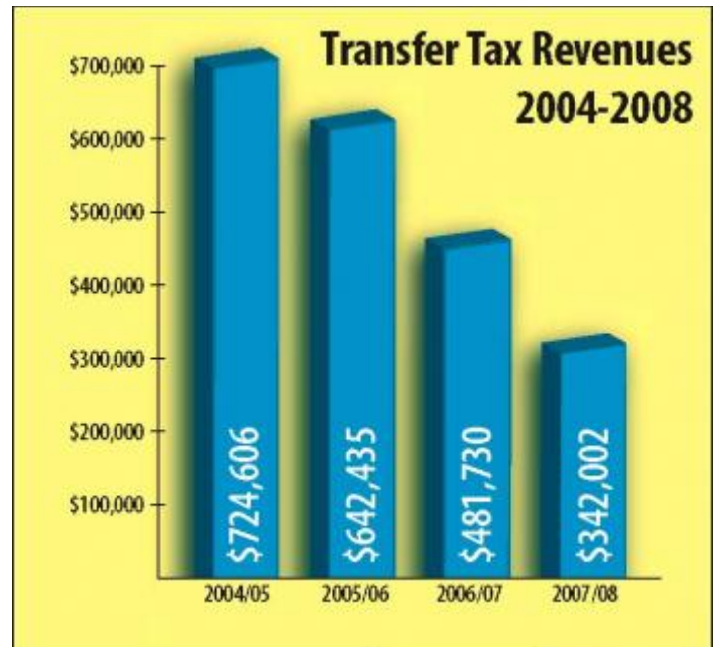
With the turn of each fiscal year comes a budget review for local municipalities.

### Coastal Point

And an increase of a half-cent per \$100 of assessed property value that Bethany Beach has approved this year seems almost inconspicuous compared to the proposed tax hike of other towns. On Tuesday evening, Ocean View passed an 8 percent annual tax increase each of the next five years. Earlier this week, Lewes approved a 25 percent property tax increase in the upcoming fiscal year.

Still, few towns are dealing with the likely inevitability that South Bethany faces. At their April 9 town council meeting, the South Bethany council will examine the possibility of a 154 percent property tax increase – the first tax increase the town will have seen in the past 33 years.

The hike comes after the recent downturn in transfer taxes revenues in the town, which typically served as one of the town's main sources of revenue. Last year, in the 2009 fiscal year, the town suffered a budget shortfall of approximately \$198,000, and matters were worsened when transfer tax revenue reductions contributed to a \$194,000 shortfall this year.



In effort to compensate for last year's deficit, monies were pulled from the town's reserve. The proposed property tax increase and recent fee and permit increases would help generate revenue to cover the town's shortfall, as well as rebuild the reserve.

The tax increase, if passed at the April council meeting, will increase the current property tax rate of 65 cents for every \$100 assessed value to \$1.65. While homeowners paid an average of \$206 last year in property taxes, those same homeowners will be faced with a jump to nearly \$550 this year.

Though efforts have already been made by the town to compensate for the deficit by means of fee and permit increases, Mayor Gary Jayne noted that the property tax serves as the town's only remaining option to raise revenues.

In efforts to compensate for the budget shortfall, the town discussed increased fees at past budget meetings, aimed to generate more revenue for the town. Most of those fee increases, which apply to building permits and mercantile licenses – including open deck, fence, sign and building permits – bring the town of South Bethany into close proximity with those charged by neighboring towns.

In permit and fee increases alone, the town estimated in earlier meetings roughly \$17,000 would be raised in the next fiscal year. Parking permit costs within the town have jumped, too, from \$5 for seasonal passes for homeowners to \$10, and from \$10 for day passes to \$15. Revenue from parking permits alone, assuming permit sales coincide with last year's numbers, could generate \$40,000 for the town, according to South Bethany financial advisor Renee McDorman.

In addition, the town has examined adding beach vending via a cart to bring in a projected additional \$10,500 in revenue this season and has leased property beside the water tower to Verizon Wireless for \$12,000, to house a service building within the town limits. Major purchases and non-essential projects have been postponed, as well, as the town tries to get their financial feet back on solid ground.

South Bethany Councilmen John Fields and Jay Headman examined several alternatives in the quest to relieve the budget deficit, and both voiced opposition to a proposed salary increase for town employees, which would account for 10 percent of the property tax hike if approved.

"It represents a small figure of money in comparison," noted Fields, "but it's the principle of the idea. It is absolutely the wrong time for salary increases. We can't afford this right now. It's the wrong year to raise taxes that much and to approve these salary increases."

Town employees' salaries have traditionally increased annually. The proposed increase this year would grant employees, including members of the police department, a 2.5 percent step increase and a 2.5 cost-of-living allowance (COLA), falling under the federally calculated 3.6 COLA.

"The mayor states that he's coming in under the federal COLA, and that's true," said Fields, "but it's hidden in the budget. It skews the fact that the total salary increases are proposed for 5 percent."

Some council members and town residents have claimed that the salary increase goes against the advice heeded by Delaware Gov. Jack Markell, whose sweeping cuts include an 8 percent reduction in state worker pay.

In addition, Headman recommended examination of the budget of some of the town's committees, including the Beautification Committee, which received \$24,000 for their projects.

"The committee has done an outstanding job," he said at the last council meeting. "Don't get me wrong, but we need to look at where some of this money is going."

The council agreed at their last budget meeting, in February, that quarterly budget reviews ought to be enforced to better track the town's expenses.

The town will discuss the matter further at the next regular town council meeting, scheduled for 7 p.m. on April 9 at the town hall, before considering adoption of the 2010 budget, which includes the increased property tax and town employee salary increases.

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