



The Town of Fenwick Island

800 Coastal Highway, Fenwick Island, DE 19944-4409

302-539-3011 (302-539-1305 fax)

www.fenwickisland.delaware.gov

BUDGET AND FINANCE COMMITTEE MEETING

May 20, 2024

MINUTES

COMMITTEE MEMBERS IN ATTENDANCE:

W. Rymer, E. Bishop, N. Magdeburger, J. Napolitano, K. Zanelotti and B. Waide at Town Hall
J. Bortner, L. Lear, and J. Lee (W. Hayden joined meeting while in progress) via Zoom

ALSO IN ATTENDANCE (in person or via zoom):

Mike Morrissey, D. Gary, E. Ellinger and L. Dabbondanza were in person.

Rymer called the meeting to order at 2:00pm and the Committee did the Pledge of Allegiance. The committee reviewed the previously provided Draft Minutes from the March 18, 2024 meeting. No changes were requested. Magdeburger motioned to accept the minutes as drafted with Lee seconding the motion. The motion was passed with a 9-0 unanimous vote.

FY25 Budget Draft

The committee members were presented with the first draft of a proposed FY2025 Budget as compared to the FY2024 Budget and the current FY2024 Forecasted results.

Significant items reviewed and discussed:

- Revenues of \$2,622,005 for FY25 Budget compare favorably to the FY24 Budget of \$2,500,004. Increases related to increased Interest Income, rental tax revenues, building permit revenues, parking tickets and slight increase in property tax revenues. There are no increases in the property tax rates or any other fees reflected in the proposed budget. The FY25 Budget revenues are approximately \$176,000 less than the Forecasted FY24 revenues. This decrease is driven by the elimination of \$114,000 of ARPA revenues from FY25 (fully spent in FY24), \$31,000 of surplus equipment sales, \$19,000 of other grants.
- Projected total expenses of \$2,756,411 for FY25 Budget represent an approximate \$61,000 increase over the FY24 Budget. This increase is being driven primarily by increases in health insurance costs (\$30,000), general liability and casualty insurance (\$9,500), overall IT support (\$6,500), BBVFC service fees (\$6,700), Lexipol police policies and manual system (\$6,500) and Code rewriting efforts (\$6,500). These costs are partially offset by a forecasted decrease in legal expenses of \$25,000. The FY25 Budget expenses are approximately \$107,000 higher than the FY24 Forecasted expenses. The largest drivers to this increase are salaries/benefits (\$77,500 of which \$50,000 directly relate to health insurance costs), general liability and casualty insurance (\$9,500), BBVFC service fees (\$2,700), Lexipol police policies and manual system (\$6,500) and Code rewriting efforts (\$6,500). These costs are partially offset by a forecasted decrease in legal expenses of \$10,000. The town received a 28% increase in health insurance premiums from the state-provided insurance program. The admin team will research options for health insurance for the FY26 policy year (no changes for this upcoming fiscal year). There is an overall



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“deleveraging” of salary expenses due to the transition of certain positions to new hires/recently promoted employees resulting in a decrease in the salaries for those positions (i.e. Police Lt position been replaced by recently hired patrol officer position).

- Overall, the first draft of the FY25 Budget reflects expenses exceeding revenues by \$134,406 which compares to an operating loss of \$195,340 for the FY24 Budget (\$61,000 improvement). The current FY24 Forecast reflects revenues exceeding expenses by \$148,404. The primary reasons for these differences are mentioned above.
- First draft of the FY25 Budget reflects RTT revenues of \$350,000 (transfer to general ops of \$300,000) as compared to FY24 Budget of \$225,000 (\$300,000 transfer) and current FY24 Forecast of \$550,000 (\$300k transfer).
- The committee reviewed and discussed all schedules detailing revenues and departmental expenses.
- FY25 Draft Budget for Capital Expenditures totaled \$231,203 but did not reflect the impact of the Dredging Project (discussed below), impact of an infrastructure grant requested (not yet granted) which would require a \$102,500 match, and a \$25,000 IT project related to a potential document management system. The large items discussed in FY25 Cap Exp draft include \$84,000 for street maintenance, \$74,000 for a new “lifted” police pick-up truck (used for normal patrol operations as well as provides high water capability), \$25,000 for necessary police building improvement to obtain accreditation and \$15,000 for backflow preventers.
- FY24 Forecasted cashflows reflect an anticipated overall cash balance of \$4,160,000 as of July 31, 2024 which consists of the following large balances: general reserve of \$1.1 million, \$1.48 million of RTT, \$606,000 of Dedicated Street Funds and \$800,000 of Dredging Reserves.

Significant items discussed after the detailed review:

- Dredging project: initial contractor bids on the project significantly exceeded estimates, final bids on the rescope project to be received May 29 and town representatives will be presenting to Sussex County Council to request \$500,000 in additional financial support. Once these factors are determined, the committee and town council will be presented with updated cash needs which will help determine the impact on current reserves and any potential property tax increases in future years.
- Review all fees and licenses for an approved/updated FY25 Fee Schedule. Possibly consider an increase in the parking rates and/or extending the time of “paid parking window” further into the shoulder seasons (wider than current May 15 to Sept 15).
- State is considering an 8% tax on rental income earned on residential homes. Currently not taxed at the state level. Fenwick currently charges 8% on this rental income. Hotels are taxed 8% at state level and 3.5% by Fenwick. If state implements this 8% tax on residential rental income, how should Fenwick respond to its current tax rates for both residents and hotels? A “revenue neutral” model with an equal tax rate for both hotels and residents (all Short-Term rentals) would be approximately 5.1% (hotel increase 1.6% and residents/ST rates reduce by 2.9%).



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- As overall expenses continue to grow, at what point will Fenwick consider a property tax increase? Over the last few years, the town has utilized RTT revenues and other general reserves to offset any operational funding needs. This discussion has been ongoing since the FY2021 Budget process. The town currently has more than adequate reserves to meet its desired levels of 3-6 months of operating expenses and could possibly continue this approach for a few more years depending upon the impact of dredging or other large capital projects but at some point, property taxes will likely need to be increased to ensure the reserves won't drop below the desired levels.

There was no New Business.

The meeting was then opened to public participation.

- No public comments were made.

The committee's next meeting will be scheduled at a later date.

ADJOURNMENT:

A motion was made by E. Bishop and seconded by B. Waide to adjourn the meeting. The motion was passed unanimously and the meeting was adjourned at 3:32pm.