

MINUTES OF MEETING

DAGSBORO TOWN COUNCIL

DAGSBORO TOWN HALL – 33134 MAIN STREET

WEDNESDAY – JUNE 19, 2013

The meeting of the Town Council was called to order by Patti Adams, Mayor. Those in attendance in addition to Mayor Adams were Stacey Long, Town Administrator; Vice Mayor Truitt, Councilman Connor, and Councilwoman Flowers, Councilman Hansken and Sgt. Litten of Dagsboro PD.

Order of Business:

- 1. Review of draft budgets and property tax consideration. The Mayor opened the meeting by stating that this is a workshop type meeting to discuss ways to increase revenue in order to meet the expenses of the proposed FY 2014 budget. There is \$421,350.00 in projected revenues, which come from property taxes of \$165,000.00 as they are currently assessed at a rate of .38 per \$100.00 of assessed value from 1994. In that amount however, there is a 3% discount per property if the taxes are received by August 15th, after September 30th there is a 1% penalty assessed if the taxes are not paid. Taking the discount and penalty into consideration the base amount of \$165,000.00 is generally reduced by \$10,000.00. There is additional revenue which comes from business licenses of \$17,000.00, gross rental receipts of \$40,000.00, cable TV franchise tax of \$12,500.00, miscellaneous building permits of \$7,500.00 and finally a transfer from the Water fund of \$45,000.00 to cover general overhead expenses as they relate to the operation of the Water department. There are grant monies that come into the Police Department and then spent for specific items so they are actually not income to the town. The funds that had previously been in the Property Transfer Tax account and the Public Service Impact Fee account have already been reduced as low as possible in order to provide assistance with the budget shortfalls during FY 2012 & 2013. On the expense side of the budget for payroll for 2 FT administrative personnel, 3 FT police officers and 1 PT, currently, the payroll expenses are approximately \$215,000.00. The cost of the Commercial Insurance package that the town carries is approximately \$35,000.00 from Selective Insurance who is the cheapest we could find. Professional fees for audit, engineering and legal fees are in excess of \$50,000.00. There are many other monthly operating expenses listed on the budget and the ones mentioned above are the most substantial making the projected expenses of the FY 2014 budget almost \$494,000.00 leaving a deficit of nearly \$73,000.00. The current account balances for the General checking account is \$224.00, the money market account for Public Service impact fees is \$5,400.00 and the Property Transfer Tax account has a balance of \$1,500.00. There are 3 CD'S with balances of \$27,818.00, \$96,738.00, and \$5,000.00. Mayor Adams commented that withdrawing funds for a CD is not the solution to the problem facing the town and a permanent fix is what we are in search of. Councilman Connor interjected that it has been nearly 20 years since the town has increased taxes at all, and he made mention also that other towns in the area have higher rates**

but that those rates are based on older assessments. The closest we have to what the town needs to meet the budget shortfall is Millsboro whose tax rate is .56 per \$100 of assessed value based on 1992 figures. The town needs an assessment of .55 per \$100 of assessed value with the current 1994 figures to just break even, which is a 17 cent increase. Last year before Ofc. Huff was hired with the Cops Grant, it was unanimously approved by council to set aside \$1,500.00 per year for what the town will be responsible for at the end of Ofc. Huff's third year with the town. We do not have the full amount to set aside for that this year due to exhausting the Public Service Impact Fee account to help cover the general operating expenses. The Property Tax Transfer account has been depleted also helping to cover general expenses, codification of code and document management fees. Times being what they are, we have trimmed expenses where we can and nothing remains and unfortunately none of the expense will do anything but continue to increase, and the amount spent for vehicle maintenance will unfortunately lead the way, as the vehicles are getting older and the mileage is getting higher. There was discussion introduced by the Mayor of reducing costs for engineering and legal fees for council meetings by have the meeting portion of those bills be a flat fee rather than being billed for actual time as there is usually minimal input as compared to the actual meeting length as the charge for both is nearly \$350 an hour, or even consider getting bids from another engineering firm. Stacey stated that the Project Manager for the Woodlands has indicated to our engineer that their current plan is to have the project completed (24 bldg 48 units including infrastructure) within the next 2 year to bring the project to a close and this will add income to our tax base. Councilwoman Flowers voiced the opinion for the people of how can a tax rate hike be enacted without the residents consent or at least their knowledge. Attorney Witsil drafted an opinion stating that there is nothing in the code that requires a public hearing be held as long as the issue is posted on the agenda and that the council has sole discretion concerning levy of rates for water, taxes and other fees without public approval. There was a suggestion made by the Mayor regarding the possible increase in the Gross Rental Receipts tax from 3 to 4 and ½ percent, but with the increase in property tax, it was questioned if the owners would report the actual amount of rents received for taxation, so there is no guarantee that this would help decrease the budget shortfall. Sgt. Litten and Mayor Adams also mentioned the possibility of assessing fines for civil violations of the code as they relate to poor conditions of property in town as well as high grass. The process as it stands now is that we spend money for Certified Mail and legal advice on how to move forward and then nothing further happens. With the adoption of a 3 strike system used to identify, notify and then assess a fine when the notification does not generate a result. Councilman Connor commented that with the current condition of the town unable to pay its bills we must do the responsible thing and solve the situation rather than just delaying it by draining the reserves of the town. There appears to be no other option available but to consider raising taxes.

2. Consideration of cashing in a portion of a CD to help offset general operating expenses. Mayor Adams stated that cashing in a CD is only a temporary fix, short term at best, but we have to have money to get us through until tax money starts coming in. Motion made by Councilman Connor and seconded by Vice-Mayor Truitt to make a partial withdrawal of \$50,000.00 from the CD at M&T Bank. All in favor. Motion carried.

Adjournment: Motion made at 9 p.m. by Councilman Connor and seconded by Councilwoman Flowers to adjourn. All in favor. Motion carried.

Respectfully Submitted,

Duane Kenton

Town Clerk