

Minutes
DAGSBORO TOWN COUNCIL
Bethel Center
Monday, March 23, 2026

I. CALL MEETING TO ORDER

The meeting was called to order by Mayor Russell at 6:00 p.m.

In attendance were Mayor Jason Russell, Vice-Mayor Carol Thompson, Councilman CJ Shortridge, Councilman John Marvel, Town Manager Cynthia Brought, Chief Nicholas Disciullo, Det. Anthony Valenti, and Engineering Consultant Kyle Gulbranson. Councilman William Chandler was absent. See sign in sheet for others in attendance.

II. PUBLIC COMMENT

Tom Morse, 33334 Main St, prepared an impact study based off his own project on Vines Creek Rd. which will consist of seven commercial structures, nine duplexes, and one caretaker home. Tom put together this study to show actual figures in reality because of a comment that was made in the past that the increase would only be \$400, which is not accurate. Therefore, based on his project the 26.75 EDU's considering the EDU increases and the police, fire and ambulance impact fees would be a net increase of about \$35k to \$40k. He stated that his fees to the Town of Dagsboro are over \$180k and if you add in the increase, it will be over \$200k in impact fees, water, and sewer.

Holly Stiles, Cea Dag, reiterated how strongly she feels that the fees for fire, ambulance, and police impact fees have been grossly underfunded. Especially the police department with them being accredited and the challenges they will face with growth of the town.

III. PUBLIC HEARING

**AN ORDINANCE TO AMEND CHAPTER 130-5 TO THE MUNICIPAL CODE OF THE TOWN OF
DAGSBORO BY AMENDING IMPACT FEES - Discussion and Possible Vote**

Mayor Russell confirmed that the Public Hearing was publicized with Town Manager Brought.

Mayor Russell opened the floor for people that were in favor of the Ordinance. There were none other than the people were noted during public comment. There was no one that was in opposition to the Ordinance.

Mayor Russell closed the Public Hearing and opened discussion to Council. Vice-Mayor Thompson stated that this has been discussed quite a bit, but she did not have a chance to review Tom Morse's figures. Mayor Russell stated that it looks as if he took the numbers from current rates and the proposed impact fee adjustments using his project indicators of 26.75 EDU's, adding that it will cost him an additional \$40k in impact fees. Vice-Mayor Thompson confirmed that Morse was the only person approved to get current building permits with these changes. Mayor Russell stated that is correct. Engineering Consultant Gulbranson stated that there are still permits for the Highlands of Pepper's Creek being processed. Mayor Russell stated that it would affect the remaining units at the Highlands of Pepper's Creek and anything past once this is implemented.

Vice-Mayor Thompson made a motion to accept the Ordinance as proposed at the last meeting and during the Public Hearing. Councilman Shortridge seconded the motion. The vote was 4-0 with Councilman Chandler being absent.

IV. APPROVAL OF MINUTES

Approval of Town Council Meeting Minutes March 2, 2026

Approval Executive Session Town Council Meeting Minutes March 2, 2026

Vice-Mayor Thompson asked Town Manager Brought about the insurance. Ms. Brought stated that all the Town's insurance is renewed in April and she will have a meeting with them at that time. Mayor Russell stated that the Town of Ocean View chose to increase theirs from \$2 million to \$10 million and once Ms. Brought meets with the insurance company it will be up for discussion.

Vice-Mayor Thompson made a motion to approve the minutes. Councilman Shortridge seconded the motion. The vote was 4-0 with Councilman Chandler being absent.

V. CONSENT AGENDA

a. Police Department Report

Chief Nicholas Disciullo stated that in February there were 5 DUI's, one of which was a felony drug DUI, they had a burglary investigation, shop lifting complaints, possession of a firearm while under the influence, and there were 2 Division of Family Service intake submissions, and multiple agency assists. Chief Disciullo stated that one of the flock cameras out on the highway was destroyed in a collision it had been up for two weeks and it is getting replaced.

b. Fire Department Report

Councilman Marvel reviewed the Fire Department Report for Council.

c. Treasurer's Report

d. Administrative Report

Ms. Brought stated that the additional services for the water main break on New St. was around \$2100 which is better than we thought it would be. The paving is to start next week (weather permitting) for the potholes throughout the Town.

Mayor Russell asked Ms. Brought if she did attend the online TAP (DeIDOT Transportation Alternative Grant Program) meeting on March 12, 2026. Ms. Brought stated that "yes, she did and is attending one with University of Delaware to see if they could help with this since the deadline is April 17, 2026. Mayor Russell stated he liked the idea of the sidewalks and obviously they aren't going to help repair sidewalks but could use sidewalks in some areas. Ms. Brought stated that it would help with anything new, biking,

safe school, and walkways. She stated that University of Delaware has been through it many times and knows what they are looking for.

- e. **Cemetery Report**
- f. **Code Enforcement Report**
- g. **Water Department Report**
- h. **Correspondence**

Vice-Mayor Thompson made a motion to approve the consent agenda. Councilman Shortridge seconded the motion. The vote was 4-0 with Councilman Chandler being absent.

VI. NEW BUSINESS

a. PKS, Fiscal Year July 1, 2024 – June 30, 2025, Audit Presentation

Alyssa Revell started with the two reports in the packet. The first one is the independent auditor's report which is the main purpose of obtaining an audit and it is to get an auditor's opinion on the financial statements. She stated that they issued a clean or unmodified opinion this year which is the highest level of assurance that can be given, and the full report is on pages 1-4 of the statements. She stated the second report on pages 46-47 is the government auditing standards report. This is not an opinion report, but it reports on any significant deficiencies, material weaknesses or any non-compliance issues found during the audit. There were two significant deficiencies, the first one is a repeat from prior years, and they are required to report this because the town does not employ a CPA on staff to create these large GAAP financial statements. The second one is a new one this year is the Town does not have proper documentation or review of and approval of journal entries. She stated that GAAP wants them to focus on this because journal entries create a variety of issues. It would be beneficial for the Town to set up a policy that states the processes for reviewing all journal entries. Approval and a signature are important. Material weakness identified is the proper segregation of duties of the accounting functions, which is a repeat from prior years, because the town is small in nature and is noted with the town being limited in the personnel that they can have. There were no instances of noncompliance with laws, regulations, grants, or contracts.

Mrs. Revell reviewed the General Fund's statement of revenue and expenditure and changes in fund balance. This is the primary operating fund of the town; it accounts for all financial resources except for Water Fund activity. For the year ending 2025, the town had total revenues of just over \$1 million dollars and total expenditures of \$1.3 million dollars, and this led to a decrease in your fund balance of \$294k. She stated that you can see a comparison of budget to actual there was a favorable variance of revenue of about \$71k over the budget and an unfavorable variance for expenditures \$65k over the budget.

The fund balance in the General Fund is the difference between your assets, which you own and your liabilities, which you owe and is a key financial measure of financial health. The GFOA recommends a Fund balance of no less than 60 days (2 months) of operating expenses. The total fund balance at the

end of the year total was about \$1 million dollars, which is separated into different categories based on how it is spent. The \$32k dollars is your pre-paid, non-spendable portion, about \$1.3 million dollars is restricted for use and that consists of the new construction funds, bond bills, specific police grants, impact fees, and transfer taxes. The assigned funds are about \$56k and are for special events, capital replacement, emergency reserve and street repair and replacement. The unassigned fund balance was negative \$405k at the end of the year, which did increase from the prior year. Mrs. Revell did discuss with Ms. Brought ways to improve that over the next year. Mrs. Revell stated that this can happen because of reoccurring losses year after year. Mrs. Revell stated that it did not meet the GFOA recommendation of 2 months of expenditure.

Mrs. Revell stated that looking at your total revenues of just over \$1 million and where they come from, the largest source of revenue in the General Fund for this year was the property taxes, which were about \$444k or 43% of the total General Fund revenues. Following that is the intergovernmental funds which consisted of grant funds of about \$307k, or 30% of your total revenues. Another significant source of revenue was charges for services which were about \$133k or 13% of your total revenues. Compared to last year the revenue did decrease by \$379k, which was due to a decrease in grant revenue and fines and forfeitures.

The General Fund expenditure summary of where they are spent was discussed. The total expenditure was about \$1.3 million. The largest area of expenditure is Public Safety, which is about \$654k or 49% of your expenditure. The general government was about \$465k or 35% of your total expenditures. Compared to last year the expenditure decreased by about \$231k which is mainly due to a decrease in capital outlay, which includes police vehicle purchases or the additional lot that was purchased last year. Mr. Haynie stated that it tracks with the intergovernmental grant revenue because grants are typically large amounts of money in and large amounts out.

Mrs. Revell then reviewed the Water Fund, which accounts for all the operations and maintenance of the water services to customers. She stated that this should be looked at like a business where the revenue should meet or exceed your expenditure. For the year ending 2025 the Water Fund had a net operating income of \$12k, which is positive that the revenues did cover the expenses. The service charges did increase by about \$22k. She stated that the expenditure for the Water Fund increased by about \$26k and the impact fees this year were \$16,500 which did decrease from last year. Mr. Haynie stated that the important number to look at in these proprietary funds are the operating revenue and expenses and as you can see it is tight and has been for a while. Andy Haynie stated that on this page typically you just look at operations, profit and loss, before what they call the non-operating revenues, like the impact fees, which are hard to plan for. Unlike the operating items that is the revenue you are always going to be taking in for operations and the same for expenses. He stated that it is positive that it was income, but it is tight.

Mrs. Revell stated that the Water Fund has a net position. In the General Fund we talked about the fund balance which is short term resources. In the Water Fund, which is an enterprise or business type fund, we look at it as net position or long term which consists of infrastructure, capital assets, and long-term

debt. For the year 2025 the town's Water Fund had a total net position of about \$2.2 million. She stated that a majority of this is invested in capital assets which is the water infrastructure which was about \$1.6 million and then there was unrestricted net position of about \$584k.

Mrs. Revell stated that one key financial indicator that they like to look at for the Water Fund is the working capital. This would be the current assets less the current liabilities and it indicates the spendable portion of the water capital. It constitutes a buffer for meeting future obligations. The GFOA recommends not less than 45 days of working capital, and you can see here that the town had 502 days of working capital. She stated that you have a lot of assets and not a lot of liabilities which is a good thing.

A new accounting pronouncement was implemented for 2024 and 2025 they had to implement the GASB 101 which is for compensated absences. In the past the town only recorded the liability for unused vacation time but with this new GASB they must estimate or calculate what will be used for also your unused sick time in the future. It didn't affect the town too much because of the very few employees, but it did slightly increase your accrued compensated absences liability. Mr. Haynie stated it wasn't a huge impact on the Town, but it is something that all governments must adopt this year and is similar to the pension liability that the governments had to take on about five years ago. Basically, it created an estimate. The thought process is that employees are going to have sick time regardless of if you pay out sick time when they leave, so they took actuaries like they do with the pension to figure out what a standard employee takes in sick time in the future and what liability does each municipality pay for that future time. The calculations are detailed above what PKS gets into, which is why the actuaries get involved.

Mrs. Revell stated that looking forward to 2026 the GASB will be implementing two new pronouncements 103 and 104. GASB 103 is to improve key components of financial reporting and enhance effectiveness in providing information essential in decision making and assessing a government's accountability. GASB 104 this statement requires certain information regarding capital assets to be presented by major class. Mrs. Revell stated that PKS will take care of these during the audit.

Mrs. Revell stated that the smaller packet is the auditors' communications which includes two letters. The first one being the management letter, this just refers to best practices and opportunities for strengthening internal control and procedures of the town. The second letter is communication with those charged with governance. Basically, it states that there are no other matters noncompliant to report and that they reviewed and agreed with all estimates reported in the statements. There were no disagreements with management or significant difficulties encountered during the audit. It stated that they implemented GASB 101 Compensated absences. Finally enclosed in that packet are the proposed journal entries from the audit.

Mayor Russell asked if they had any concerns working with the staff as far as honesty and forthcoming nature with respect to the audit. Both Mrs. Revell and Mr. Haynie both replied, "no they do not." Mr.

Haynie stated that is clarified in the communication with governance and it is also confirmed with the fact that they issued an unmodified opinion which means that the amounts and numbers were not materially different than the final numbers that were proposed in journal entries.

Mayor Russell stated that Councilman Chandler was unable to attend tonight but he did have two questions. His first question, there was a negative financial picture, negative unassigned fund balance expenses exceed revenue on page 14 of the report. PKS is urging budget realignments, revenue adjustments or cost cuts to bring the negative fund balance back to a positive. Councilman Chandler asked Mayor Russell to ask what PKS's recommendations would be as long term accountants to fix that. Mrs. Revell stated that her recommendation would be a balanced budget. The budget amounts were lower than the expenditure and she is aware that some things are hard to budget but work on getting it more balanced. Mr. Haynie stated that he has worked with other municipalities that like the town have had unexpected expenditure with the snowstorm damage and the water main break. He suggested looking at the line-item expenditure at the back of the audit and work to improve the ones that are out of line with the budget. He stated that while the Water Fund is positive, if you have one major repair it could wipe out the positive fund balance. Currently it is tough for municipalities. He suggested applying for grants to help with some of the capital items because they have seen a lot of municipalities, when they are not making their budget or falling behind, is because of large repairs to infrastructure things that have come up. Mr. Haynie stated that we need to be competitive with the grant funding because the grants help fund a lot of those large repairs.

Mayor Russell stated that Councilman Chandler's second question was should the Town be concerned about the material weakness and the two significant deficiencies that are shown on the financial management recurring problem of the staffing issue. Is there anything that the Town can do outside of hiring? Is there additional training available? Mr. Haynie stated that outside of hiring the Council is involved to a degree, there could be extra steps that this Council may have the ability to do it, but who is to say that the next Council may not. One suggestion would be to request a monthly list of the journal entries, but even with that it is not a full proof plan because it would still be prepared by the limited staff. Mayor Russell stated that Council is given a financial report monthly for the meetings so are you saying above and beyond those? Mr. Haynie stated "yes, approval of those and attachments of proper support like receipts." Mr. Haynie stated that the financial statement preparation doesn't bother him so it shouldn't bother the Council, PKS does financial statement preparation for about 95% of the towns that they work with.

Mayor Russell stated that he appreciated how much PKS has helped Stacy with the questions as she was taking on this new position, and he hoped that PKS will continue do so. He asked if there was any training available for her that they would recommend as he felt it would be in the Town's best interest to pursue that for her. Mr. Haynie stated that they appreciate her reaching out as it is easier to answer a question during the year rather than it be discovered during the audit, which is typically two months after year end.

b. Business Development Committee

Mayor Russell stated that Councilman Chandler and he discussed this idea further and that he put out some information to the public to see who was able and willing to volunteer for the Committee. He stated that he received more feedback than he expected and felt it was fantastic that people wanted to be involved. While he appreciated that there were 15 interested applicants, he felt that there were too many for the Committee, he would like to narrow the list down to about seven people. Mayor Russell reviewed the list of applicants Frank Duffy, from Houndstown; Jaime Idzi, from Yuppie Puppy does reside within the corporate limits; Emily Mais, from the Chamber of Commerce; Allison Schuch, from Fels Point Surf; Jackie Slonin, from JS Strategies and resides in town; Barry Hurst, resident within town; George Schwendtner, Property Tenders; Tom Morse, Morse Roofing and Siding; Clay Snead, Snead Properties; Anne Fernsterwald, owner of Fin & Claw Seafood, resident in town; Tristan Smyth, owner of Milk and Honey Café; and Melissa von Bank, from Bethany Fenwick Area Chamber of Commerce. Mayor Russell stated that there were three interested people that reside outside of corporate limits and felt that was a disqualifying factor, however he would like the Committee to consult with those applicants to hear their ideas. Mayor Russell stated that Councilman Chandler recommended Frank Duffy, Jaime Idzi, Emily Mais, and Tom Morse which Mayor Russell stated that he agreed with those four. Vice-Mayor Thompson stated that she did as well. Mayor Russell stated that he would like to see George Schwendtner, as he supports a lot of the events in town, Allison Schuch, and Trystan Smyth. Mayor Russell stated that he would reach out to these individuals and set up a meeting and anyone on Council to attend to give the Committee a sense of direction. He would like the Committee to report to Council on a quarterly basis unless the Committee felt they needed to report more often.

c. Change of Use Application Fels Point Surf, 33214 Main Street, Storage Retail

Town Manager Brought stated that this is in good shape, the location is where Charles Moon Plumbing was located. Mrs. Schuch has submitted sign permit applications, and we have been working with her.

Allison Schuch, owner of Fels Point Surf, was started in Baltimore 23 years ago, but has a location in Bethany Beach and Dewey Beach, as well as a sister store called Tangerine Goods in Bethany Beach. She stated that her husband owns Su Casa Furniture, two in the Baltimore area and one in Ocean View and one in Bethany area. She purchased the property about three years ago and has been using it as the in between for her stores as a warehouse. She had hoped to open a shop last spring, but time got away from her with staffing, and she couldn't leave a brick-and-mortar store unattended. The store would be a men and women's clothing, jewelry, gift and accessory store. Her company is Fels Point Surf Company, but this will be Fels Point Surf Collectives so it will have the best parts of the surf shop, Tangerine Goods, and some art from Su Casa. Mrs. Schuch stated that she loved the Town of Dagsboro and everyone in the community that she met was awesome. She is very active in the area with different organizations like Chamber of Commerce and Southern Delaware Tourism. She has been in the area for 15 years but only lived in Dagsboro for three years. She stated that she is excited to be here and to get the space on Main Street spruced up with flowers.

Mayor Russell asked Engineering Consultant Gulbranson if there were any issues with approving on his end. Mr. Gulbranson stated "no, there were not."

Vice-Mayor Thompson made a motion to accept the Change of Use application for Fels Point Collective. Councilman Shortridge seconded the motion. The vote was 3-0 with Councilman Chandler being absent and Councilman Marvel leaving the meeting early for an emergency.

d. Contract Town Manager Renewal

Mayor Russell stated that he appreciated everything Town Manager Brought does and would like to keep her if she is willing to stay. Vice-Mayor Thompson stated that she agreed and that the town is fortunate to have her talents be a part of this administration.

Vice-Mayor Thompson made a motion to approve the Town Manager employment agreement. Councilman Shortridge seconded the motion. The vote was 3-0 with Councilman Chandler being absent and Councilman Marvel leaving early for an emergency.

e. Town Grass Cutting Bids

Mayor Russell stated that we received more than one bid this year and asked if Council had questions. Mayor Russell stated that the Adkins Property Maintenance bid is above and beyond in detail, and he wondered if the current landscaper was doing all the detailed items. He stated that Adkins Property Maintenance LLC and Coastal Lawn & Landscaping LLC stood out the most for him. Mayor Russell stated that Gray's Creative Touch gave two options, one being a one-year contract and the other one was a three-year contract. He stated personally that he doesn't like the idea of a three-year contract and asked for Council's thoughts. Vice-Mayor Thompson stated that she is not in favor of a three-year contract either. Mrs. Thompson asked if we received any feedback from their current customers or any place that they have done. Ms. Brought stated "no, but they are all licensed and insured." Mayor Russell stated that they are all local. Adkins lives in Frankford and Coastal Lawn and Landscape's owner is Greg Morris's son-in-law which he disclosed in his bid as he was unsure if there would be a conflict of interest, but Mayor Russell felt that it wasn't. Mayor Russell stated that all the bids were within a thousand dollars of each other. Ms. Brought stated she has faith in both from what little bit she does know and that they are in good standing.

Vice-Mayor Thompson made a motion to approve the bid from Coastal Lawn and Landscape LLC. Councilman Shortridge seconded the motion. The vote was 3-0 with Councilman Chandler being absent and Councilman Marvel left the meeting early for an emergency.

VII. OLD BUSINESS

There was no old business.

VIII. PUBLIC COMMENT

There was no public comment.

IX. ADJOURNMENT

Vice-Mayor Thompson made a motion to adjourn. Councilman Shortridge seconded the motion. The vote was 3-0 with Councilman Chandler being absent and Councilman Marvel left the meeting early for an emergency.

Meeting adjourned at 6:51 p.m.

Respectfully Submitted,

Stacy West, Finance Clerk