

Budget Meeting
November 14, 2022
8:00 p.m.

Present: Nick Smith, Mary Ellen DeBenedictis, William Carrow, Ryan Paisley, Shaun Flatter, Town Manager Robert Cote, Chief Carl Hutson, Recording Secretary Sue Muncey, Jonathan Burnett, Marvin Pedigo, and David Ross were in attendance.

Mr. Smith brought the meeting to order at 8:00 p.m.

Discuss and Vote on 2023 Town Budget

Mr. Smith stated Ms. DeBenedictis, Rob Cote, and himself reviewed the budget for five (5) hours already. Mr. Cote spoke with each of the Department Heads. Mr. Cote started reviewing line by line. Mr. Carrow had a question about salaries. Mr. Cote addressed the question when he got to the expense portion of the budget. Mr. Cote started skimming through the budget. The draft budget was sent out to Council prior to the meeting for review. The first part of the budget to be reviewed was the revenues. Mr. Cote reviewed the previous history for four (4) years. He collaborated with the Chief, Office Manager, Director of Public Works, Code Enforcement Officer, and the Public Works Administrative Assistant. Mr. Cote stated the realty transfer lines are uncertain with interest and inflation. He went very conservative with these lines. The real estate tax line is increased due to growth in new homes, not a tax increase. The trash has increased 3%. Our costs went up 3%. This is a pass through. Mr. Smith stated the contract was signed for seven (7) years. This does not have to go before Council. Mr. Cote stated the electric sales amount is given to us by our electric engineer. He projected the rates and sales. There has been an increase in the electric wholesale rate. Mr. Simms will calculate this. The sewer sales rate was determined at the Sewer Committee meeting and approved by Council. We will over perform in 2022. Mr. Cote stated the Sale of Asset will be the sale of the oldest truck in Public Works. The customer service charge was just discussed and voted upon at the Council meeting.

Mr. Hutson discussed the Public Safety revenue. He stated the SRO money increased 3%. The Violent Crime Fund grant was approved. The SALLE and EDIE grants were just approved. These are true numbers. The fines were kept the same. Public Safety Tax was budgeted for \$21,000. The OHS and DRE reimbursements are a wash. Mr. Carrow asked about the SRO Grant. Are we due another payment? Mr. Hutson said yes.

Mr. Cote stated the sale of the water system annual payment is \$320,128. The system was sold for \$5 million. The town received \$3.1 million in May. Artesian paid off the arsenic loan in the amount of \$330,744.20. Mr. Cote stated he took the difference divided by five (5) years and added a 2% interest rate. Mr. Cote stated the total revenue for the 2023 budget is \$7,018,470. Mr. Cote stated the revenue line for 2022 as of this time was off by \$2 from the adjustments from the July budget meeting.

Mr. Cote went into the expenses. He stated the FICA tax is based on salaries. This reflects an 11.5% increase for all town employees. Mr. Carrow stated the L&I budget was the same. Does it include a raise? Mr. Cote stated yes. Mr. Cote stated the retired health insurance payment is made once a year. Going forward it will be paid in the first quarter. Under Administration the health insurance increased due to the Town Manager. The longevity was miscalculated in 2022. This has been corrected in 2023.

Mr. Cote stated the Mayor & Council salaries increased in 2022 due to meetings with Artesian and Town Manager interviews. It should go back to normal in 2023. Mr. Flatter asked if it was on par with historical data. Mr. Cote stated yes. Mr. Flatter asked if the telephone, website, and internet were fixed costs? Mrs. Muncey stated the website was \$207 per quarter and the internet was around \$25 per month. The telephone could fluctuate a little bit. Mr. Carrow asked about maintenance on the building. Are there any big plans? Mr. Cote stated he spoke with our IT Consultant about updating the Council Room digitally and purchasing mini split A/C's for the servers at Town Hall and the Public Works Building. We are also looking into upgrading the doors at the Public Works facility to install cameras and a buzzer. Mr. Paisley asked if there was enough money for all these projects. Mr. Cote stated unless there is something out of the ordinary, the \$18,000 is fine. This year we had a major roofing expense. Mr. Flatter asked about inflation does it make sense to maintain at \$60,000 or increase. Mr. Cote stated he looked at the last three (3) years' worth of expenses. Mr. Smith stated the worker's compensation is up. Mr. Cote stated this is based on the new hire and the Town Manager position. Mr. Cote stated he wants to speak to DFIT. This is through the Delaware League of Local Government. They have lower premiums. The members own the trust. Mr. Cote stated he would like to possibly bring in a representative to discuss this. Mr. Smith asked if the property insurance was decreasing. Mr. Cote stated he will not receive a number until the 1st quarter of 2023. He anticipates that it will decrease. Mr. Paisley asked about attorney fees. Historically it is \$5-6,000. With charter reforms, it will cost a lot of time. Should we up a little bit? Mr. Cote recommended \$10,000. Mr. Burnett asked about ARPA transactions. Mr. Smith stated the attorney fee came out of the 2nd trench payment already. Mr. Carrow asked about donations – costs are rising. Mr. Cote stated that Ambulance 64 and Clayton Fire Company have their own line item. Mr. Carrow asked what if they ask for additional funding? Mr. Cote stated we can increase. Mr. Carrow suggested putting back to \$15,000. It gives a buffer. Mr. Smith asked about Other Professional Services. Mr. Cote stated the 403b accounts are handled through Edelman Financial. TD Ameritrade is getting out of the 403b business. Edelman Financial recommended PCS Services. Currently we are not paying to have the accounts managed. It will cost approximately \$6,000 to manage the accounts. An additional \$10,000 was added for the accounting restructuring in MCSJ. Horty & Horty is restructuring our accounts. They built a new structure in Excel. We are going from one fund to five funds. Mrs. Muncey will call Edmunds to get a contact person to start the project. Mr. Carrow asked about associations for the Town Manager to join. Mr. Cote stated he is a member of the Delaware League of Local Governments and the City Managers of Delaware. He spoke to Joanne Masten about ICMA. He will eventually get into that. Mr. Carrow said after you get settled in more. Mr. Cote stated with the City Managers of Delaware he is gaining more information. He leans on his peers in Delaware. Mr. Smith discussed increasing the donation for Ambulance 64 from \$5,000 to \$10,000 and the Clayton Fire Company from \$10,000 to \$20,000. Mr. Cote states it makes sense to increase. Mr. Flatter asked if this was a one-time donation. Mr. Smith said yes, and they also receive impact fees.

Mr. Smith stated the Public Safety pay reflects an 11.5% increase. Mr. Carrow asked if the police vehicles line was for one vehicle. Mr. Hutson stated it is three (3) payments. Mr. Smith stated this is not a recommendation for 2023, but currently the Public Safety Tax is \$10. It is attached to the property tax. In 2024 it should be increased to \$20 to cover the cost of the vehicles. Mr. Hutson stated at the ICCP Conference they spoke about electric vehicles. Mr. Carrow asked about the fuel cost. Are we addressing it correctly? Mr. Hutson stated it was adjusted in the previous meeting. He is comfortable with \$40,000. Mr. Carrow asked about vehicle maintenance. Mr. Hutson stated they had a couple of significant issues in 2022. They are rotating vehicles out. The costs will go down. Mr. Carrow asked about Public Works with vehicle maintenance. Mr. Ross stated if they have anything big, they use the same vendor as the

police. Mr. Hutson stated their overtime is up. This was due to the office being closed for snow and COVID. The road guys still have to come in and they are paid the overtime rate. They also provide shift coverage when someone is on vacation. Mr. Smith asked about officer pensions – the number went down. Mr. Hutson stated the pension rate went down. Mr. Carrow asked if we still had a part-time officer. Mr. Hutson said yes. Mr. Burnett asked about ammo. Mr. Hutson stated it is for any qualifications. He stated ammo was donated by the Department of Correction.

Mr. Cote stated under L&I the salary increase was included for the Code Enforcement Officer. The subcontractor expense line was increased. The software line was decreased. We had a one-time startup fee in 2022. This is used for permitting, licensing, and code enforcement.

Mr. Cote stated under Public Works it reflects an 11.5% increase in salaries. Under PW Vehicle/Plow Purchase expense – they will be replacing a 15-year-old vehicle. \$75,000 vehicle replacement ¾ ton or 1 ton vehicle. \$25,000 per year over three years and go through a state contract. Mr. Paisley asked if they had to buy a new plow. Mr. Cote stated yes. Mr. Smith asked about the handheld radios. Mr. Cote stated they will get one or two. Mr. Carrow stated the snowplow line is for everything. Mr. Cote stated yes. Mr. Cote stated the trash includes the 3% increase. Line 786-100 Electric – this is what we expect to pay DEMEC. DEMEC has eight municipalities involved. Mr. Smith asked if the ECR transfer expense was mandated by Chris Simms. Mr. Cote stated yes, it is a percentage of our sales. Mr. Cote stated under solar refund – Senate Bill 298 requires no more refunds. Stormwater Capital Reserve – there is no current policy. Policy will be brought to Council. Mr. Cote stated the extra money should go into the reserve accounts. The Town Manager likes to show a balanced budget. Pumping Fees – this is what we pay to move sewage to Kent County. We pay the Town of Smyrna for the “old” town to Lift Station 1. It is gravity fed. This is paid monthly. The “new” town is also gravity fed and is pumped to Southern View. This goes to Kent County. Mrs. Muncey explained that with Kent County you pay per “unit” (per dwelling). It is a set cost. This is paid quarterly. Mr. Flatter stated in line of discussion on reserve accounts, these expenses will eventually be able to be removed from the budget. Sewer engineering fees is sewer rehabilitation due to growth. This will sure up our sewer system. This is what our impact fees are for. Mr. Smith stated the impact fee will pay the sewer engineering fees. Mr. Burnett asked about the stormwater MS-4. Mr. Smith stated the ARPA will be used for sewer rehabilitation. It will fall under impact fees and the general fund. Mr. Burnett stated when the water system was sold the money was to be used primarily for the infrastructure of the town. Now we do not have water expenses. Mr. Smith stated they shifted the cost and paid expenses from the money from the sale of the system, impact, and ARPA funds. This means our infrastructure upgrades can be completed with no rate increases for our customers. Mr. Smith stated transfer taxes are used to balance the budget. Other municipalities use transfer tax for capital improvement. We need to wean transfer taxes from the budget. Mr. Smith stated when transfer taxes are met on the budget, any additional new home transfer taxes go to the reserve accounts until \$50,000 is met and then after that it goes into the Capital Improvement Fund. Existing should go into the Capital Improvement Fund. Mr. Cote discussed the tax base. The transfer tax is impact fees from new homes. Mr. Cote stated the revenue lines will dry up. The expenses will still increase. We need to be creative. Eventually we will have to increase property tax. How will we make this work in 15-20 years? Mr. Smith stated to lower the street, sewer, and stormwater capital reserve accounts by \$3,000.

Mr. Paisley made a motion to accept the budget in its written form on the condition that once the transfer tax line items have been met, the additional money goes into the capital reserve accounts. And furthermore, once those lines reach \$50,000 the remaining money goes into the Capital Improvement Fund. Mr. Flatter seconded the motion. Motion carried unanimously.

Discuss and Vote on Increasing 2022 Donations to the Clayton Fire Company and Ambulance 64 –

Mr. Smith discussed increasing the donations for Clayton Fire Company and Ambulance 64. Clayton Fire Company will increase \$10,000 and Ambulance 64 will increase \$5,000.

Mr. Paisley made a motion to increase the 2022 donations to Clayton Fire Company from \$10,000 to \$20,000 and Ambulance 64 from \$5,000 to \$10,000. Mr. Flatter seconded the motion. Motion carried unanimously.

Discuss and Vote to Adjust Post-Employment Contribution for 2022 –

Mr. Smith proposes to pay \$300,000 from the General Fund to post-employment liability. We have the funds in the General Fund. Mr. Flatter asked if we were paying the deficit up front? Mr. Smith stated yes. Mr. Cote stated the deficit is approximately \$449,000. Mr. Smith stated he would like to take the opportunity while we have the capital in the General Fund. Mr. Cote stated the unfunded amount is \$433,561. Mr. Smith stated we have multiple accounts. Mrs. Muncey stated we have the irrevocable trust account with TD Ameritrade, and we have a Retiree checking account. Mr. Smith asked how much we have in those accounts. Mr. Cote stated we have \$296,000 in the checking and \$158,000 in the trust. Mr. Flatter asked if \$300,000 was an arbitrary number. Mr. Smith stated yes. Mr. Flatter asked if we could pay the \$449,000 and not have to pay it later. Mr. Smith stated he does not want to take too much out of the General Fund. He wants to wait until the audit is caught up. Mr. Cote stated he will get in touch with Milliman. See if we can try to predict what it will be year after year. The market is volatile right now. Mr. Cote asked if other municipalities contract out a consulting firm. Mr. Smith stated Middletown has an investment committee.

Mr. Paisley made a motion that we add an extra \$300,000 toward our 2022 post-employment contribution. Mr. Carrow seconded the motion. Motion carried unanimously.

Mr. Smith asked if anyone had any questions. He asked for a motion to adjourn.

Ms. DeBenedictis made a motion to adjourn the meeting. Mr. Carrow seconded the motion. Motion carried unanimously. Meeting adjourned at 9:57 p.m.

Recording Secretary,

Sue Muncey