

**TOWN OF OCEAN VIEW  
DELAWARE**

February 3, 2021

Honorable Mayor and Council,

**FISCAL YEAR 2022 BUDGET MESSAGE**

On behalf of the Administrative and Financial Divisions of the Town of Ocean View, with support from all departmental teams, we are pleased to submit our proposed FY2022 Budget for your consideration. This document represents the Town's financial plan for the next fiscal year and a five-year Capital Program. This first draft takes into consideration forecasting efforts, information gained from our Comprehensive Development Plan update, direction and feedback from Mayor and Council, proposed projects, and emerging initiatives. We have attempted to position our community so that we can address near and longer-term needs as well as react to revenue trends while maintaining a high level of service delivery. You will note that we have maintained last year's format and will track changes as we move from this draft to the final adopted FY2022 budget.

Calendar year 2020 brought rapid changes to our Town, State, Country, and World. No doubt it had the potential to impact our success at meeting our financial plans, objectives, and completing Town projects. At writing, I am pleased to report that the Town of Ocean View fared well given the unprecedented changes experienced. We responded quickly to how and where staff worked and the need to reconsider how employee and family illness was managed. We identified spending holds early to buffer any unknowns. We adjusted the way staff engage in our office spaces and we attempted to manage expectations, our own and that of our residents. Along with our engaged Mayor and Council we kept lines of communication open, quickly made decisions based on the information we had and continued to move our work forward. Some highlights from the past year include:

- Delivery of a complementary Audit.
- The Finance Director secured \$12,000 in reimbursement from the Federal Cares Act for Town expenses associated with COVID-19.
- The Chief of Police successfully obtained numerous donated supplies to support staff needs associated with COVID-19.

- Implemented our first bicycle safety project with the installation of experimental “green” pavement markings at five key intersections and one commercial driveway along State Route 26.
- Launched the ability for Town of Ocean View water utility customers to pay bills on-line.
- The Town of Ocean View, through the efforts and commitment of the Ocean View Police Department has again been recognized to be the Safest Place to live in the State.
- Issued our first half-year new construction tax billing which reduces the lag in our receipt of revenue.
- Finalized negotiations with Mediacom for a successor agreement and obtained grant funding for the development of the Town of Ocean View Government access channel – expected to launch Spring 2021.
- Coordinated an outreach effort by forming a Pedestrian Safety Committee with the other four area beach towns that is focused on delivering a consistent safety message/approach to pedestrian safety in the area.
- Completed the necessary research of various budget software options.
- Began efforts to update the Town’s website – expected launch Spring 2021.
- Successfully completed the 2020 Comprehensive Land Use Plan (certified by Governor Carney on June 22, 2020) and aspects of the plan have already been implemented (Bike and walkability, etc.).
- Successfully completed the design of the first phase of sidewalks aimed at pedestrian connectivity which includes a safe path to John West Park and Town hall facilities/offerings.
- Enjoyed strong community support for our limited and “restyled” events offered under Covid-19 restrictions.
- Successfully implemented Ordinance 365, amending Ocean View Code to clarify fees, parking, and other requirements for rental properties to better control overcrowding and parking issues driving complaints in neighborhoods. Going into the new permit year we have only 15 properties that have yet to submit the required information. Failure to do so will result in no rental license being issued.
- Stormwater and roadway safety improvements completed.
- Speed study and resulting report was completed.
- Successful recruitment of one Police Officer, an Accountant, and a part-time Public Works employee.
- Facility maintenance actions taken – 201 Exterior project/efficiency efforts completed/flooring replacements/improved parking lot at John West Park/Increased tree trimming.
- The Ocean View Police Department secured Grant funding totaling \$251,317.
- The Ocean View Police K-9 Team, Officer Justin Hopkins, and K-9 partner Hardy, received recognition from the National Police Canine Association and were certified in training for Patrol, Tracking, Handler Protection and Drug Detection.

- Officer Harrington received the prestigious 2020 Delaware Crime Stoppers Robert J. Seinsoth Memorial Law Enforcement Officer of the Year Award for his work combatting illicit drugs in Southeastern Sussex County.
- We welcomed a new tenant/community partner to our Town Hall facility – South Coastal Village Volunteers.
- Lighting safety improvement projects were completed on Muddy Neck Road and Ogre Drive.
- The 2020 Officer of the Year was bestowed upon Ocean View Police Administrative Officer Russell Carter during the Joshua M. Freeman Valor Awards Ceremony for his work to ensure the OVPD remains at the forefront with its use of technology and modern practices to combat crime and improve public safety.
- Updates to our Employee Manual were approved and are now being observed.
- The Ocean View Police Department volunteers logged 1,313 hours in 2020 despite Covid-19 restrictions.
- 277 residence checks, 278 business checks and 156 Church Patrols were conducted by our Police Department.
- Over 1,000 hours of Police in-service training was completed by our officers.
- With Council support the Ocean View Police Department signed an MOU with the Town of South Bethany Police Department related to shared resources/patrols.
- Upgrades to all police radios was completed in compliance with the Interstate Radio Connection Act.
- New cameras were installed in facilities and at the park which are observed by the Police Department.
- The Town successfully held meetings via zoom allowing our business to move forward.
- We were able to open our park and playground with State of Delaware Support by requiring distancing and face masks as well as conducting weekly commercial cleaning of equipment.
- The Criminal Justice Council and Delaware Police Accreditation Board both conducted inspections of our Police Department operations and determined that the Ocean View Police Department was in full compliance with Federal regulations and contemporary practices.

Thank you to the Mayor and Council and Town employees for their dedication that allowed Ocean View to have accomplished so much during this last year.

The disruptions of the past year did however impact our revenues, primarily in relationship to new construction permitting. Some projects on the books came in earlier than anticipated (Fairway Village in FY2020 vs. FY2021) and others remain on hold (Silverwood's). While early is better than never, the funds are not available to balance our budget for the years originally anticipated. Our conservative budgeting approach and

reduction in spending early in 2020 helped us to fair better than might otherwise been the case.

In mentioning new construction permitting it is likely prudent to again note that a further reduction in the next few years is expected. This draft FY2022 budget anticipates only **38** permits for new home construction compared to **106** in FY2019 and **185** in FY2020. Our FY2021 new home permit count is **58** as of January 2021. Ocean View is ever closer to being built out with some possible but limited exceptions. Resale and redevelopment/infill projects are expected to be more of the norm. The quality of life offered in Ocean View with all the key elements of a nice place to live, work and retire, are now ever more important to our future. Doing the work of our Comprehensive Plan by focusing on its recommendations is now of utmost importance.

In summary, the highlights of the Proposed FY2022 General Operating Budget include:

### **Basic Budget Objectives**

- Annual operating revenues shall cover annual operating expenses within a balanced budget. The Operating Budget can be found in **Section 3**.
- Maintain cash holdings equal to **two-months operational costs** for the start of the next fiscal year without relying on state or federal grants. We have traditionally identified this funding from our Unassigned Fund Balance. As currently proposed this Unassigned Fund Balance Objective requires \$702,310 with the projected availability of \$1,493,869. **Section 3**.
- Manage the condition of **existing** Town sidewalks based on the recommendations of the consulting Town engineer and the 2016 ADA Right-Of-Way Transition Plan (moved in FY19 to the Operating Budget). This plan is 50% completed with Savannah's Landing remaining, our largest commitment to date and funded from the Operating Budget at \$150,000 for FY2022.
- We continue to recognize the importance of limiting our Town's dependence on transfer taxes for operational expenses in the FY2022 Budget as recent years revenues are very likely not sustainable. This first Budget draft continues to utilize transfer tax revenues to support the:

**Capital Reserve Trust Fund (CRTF** -12.5% of each month's transfer taxes realized); the

**Street Repair and Replacement Trust Fund (SRRTF** - 25% of each month's transfer taxes realized); and our

**Emergency Reserve Trust Fund (ERTF** – 20% of Operating Budget as approved).

- Town owned streets (25.8 total miles – up 2.8 since last year) will be maintained through the continuation of an annual paving maintenance program as recommended by the Town’s consulting engineer with guidance from our regularly updated pavement management study. The study was most recently completed in February of 2019. Funding for this work is available from the Street Repair and Replacement Trust Fund (SRRTF). Street Funds are accounted for in the Operating Budget. A listing of the locations for improvement in FY2022 can be found in **Section 3**.
- Fund the Emergency Reserve Trust Fund (ERTF) at 20% of the current years’ operating budget. This was to be accomplished by FY2022 based on Ordinance 339, adopted in May of 2017, however the Town accomplished this goal ahead of schedule for the FY2019 adopted budget and continued each year since with the full value included in this draft being \$972,008 for FY2022.

The ERTF is funded by excess transfer tax revenue not transferred during a fiscal year to the CRTF or the SRRTF as noted above. More specifically, we budget for the difference between what remains in the ERTF from the previous year(s) and the current budget year’s 20% calculation. The current Draft Operating Budget difference required for FY2022 is therefore \$58,495. **Section 4**.

Additional Transfer Tax Commentary:

Excess Transfer Tax Revenues – over what is budgeted for each Trust Fund as noted above and not needed to reach the ERTF 20% is also added to the SRRTF. This last piece is important as while it might seem like a good plan to utilize these funds to address future revenue limitations, we are reluctant to recommend this in relationship to our infrastructure funding needs on the horizon.

The out years show us that our micro surfacing projects (less expensive) will be decreasing while our full street repair needs (more costly) will be increasing. Our **new** sidewalk connectivity projects (as opposed to maintaining what we already have with operating budget funding) is crucial to our walkability and connectivity desires and are also funded out of the SRRTF. We have had to adjust out-year expectations for sidewalk connectivity completion in relationship to funding.

It is also important to point out that this fiscally responsible step of not relying on any transfer tax revenues for operating expenses will likely become more difficult to maintain at its current “total non-reliance level” absent increased/new revenue streams or reductions to expenses. Not having a large staff, personnel cost savings will be rare. Our 2019 outsourcing of Public Works is the only opportunity we feel we had related to personnel/head count. That effort is continuing to save \$35,573 in FY2022 after accounting for all outsourced costs and the second full-

time Public Works position (vs. it remaining part-time) that is included in this FY2022 Draft Budget.

We are also expecting the current “active” housing market to become less favorable at some point during the out-years.

Our Transfer Tax Revenue assumptions are conservative, and out-year trends will need to be closely evaluated. Success from the efforts of the Town to maintain/improve livability standards (whole community approach), continue to be responsive, focus on safety/community policing, cleanliness, well maintained streets, community events and engagement, etc. may improve our outlook through higher resales and increased commercial properties along State Rt 26, our business corridor.

- The Town’s Capital Assets shall be maintained in good repair with the benefit of funding from the Capital Reserve Trust Fund (CRTF). The CRTF is supported by the regularly updated Capital Reserve Study (most recently accepted by Mayor and Council in April of 2019). The FY2022 Reserve Funding requirement is \$141,162. The Capital Reserve Trust Fund Balance after accounting for FY2022 projects will remain at approximately \$941,670. The CRTF details are part of the Capital Improvement Program (CIP) and can be found in **Section 4**.
- Impact Fees – there are various components to how Impact Fees are handled/and what they have funded. Impact fees are collected from **new construction permits** at \$1,936 of which \$1,436 is sent to the General Fund to support our Police Department operations. The remaining \$500 from **new construction permits** plus .5% of each **regular building permit** are transferred to the Emergency Services Enhancement Fund (ESEF).

Additional Impact Fee Commentary:

The Emergency Service Enhancement Fund (ESEF) is the fund that supports our annual grant to the Millville Volunteer Fire Company. New revenue to this fund is forecasted to total \$120,000 in FY2022. This is a reduction of over \$191,430 from the FY2021 Budget based on current new construction and regular building permit expectations. Additionally, while having budgeted conservatively, our early forecast for how we will end FY2021 suggests we will not hit Impact fee budget figures by approximately \$119,365 when closing out the current fiscal year. This in turn effects ESEF.

These realities suggest we may want to reconsider the change to regular building permit fees made in 2019 which required building permits of less than \$10,000 to be applied for but processed at no cost while still requiring engagement and

oversight from staff. A look back at this change has been calculated to be a revenue loss of approximately \$5,930. We need to ask ourselves if the perceived benefit of encouraging residents to improve/maintain their homes (as we understood the reason to be), surpasses our interest in covering the costs of providing services. We would recommend at least moving to a “no cost building permit fee” with at minimum a \$1,000 threshold. This would still be a higher threshold than surrounding towns who range from not offering any threshold for “free” building permits to a \$300 or less project value at no cost.

Regardless, the Impact Fee funding sources (primarily new construction) for ESEF (to Millville Fire Co. and that help support the Ocean View Police Department operations) will be reducing in relationship to new construction permits going forward.

The ESEF balance after the FY2022 grant to the Millville Fire Company (\$80,000) will be approximately \$884,000. If left accruing, we likely have 11 years at our current level of funding.

### **Key Budget Assumptions**

- Per conversations last year during our budget process a 2-cent Tax Rate increase has been included for FY2022 and 1-cent Tax Rate increase for each of the out years. We had originally planned to hold off until FY2023 to begin incremental increases, however, an initial deficit of \$520,115 in what we refer to as Draft “0” (our first roll up of figures) prompted further expense reductions and revenue forecast fine tuning/research to eliminate the deficit with the inclusion of the 2-cent tax increase. (See Draft 0 to Draft 1 Revisions attached at the rear of this message for awareness of steps already taken).

Our revenues reflect the anticipated Transfer Tax and new construction permit revenue declines and tempers our outlook for Gross Revenue Receipt Taxes. A 2-cent increase to the tax rate will increase revenues by approximately \$197,968 and will increase the average residential property tax bill by \$58.88.

While it is not clear what impact the upcoming full reassessment (certified in February of calendar year 2022) will have on our forecast or the out-year budget figures, a smoothing of forecasted revenue shortfalls through smaller incremental increases for the members of our community is likely prudent.

The reassessment timing hits this FY2022 expense budget with an assessment cost of \$114,751 (\$50,000 regular annual assessment costs plus \$90,000 additional for the full reassessment year).

- The State of Delaware's FY2021 Budget year funded Municipal Street Aid (MSA) to Ocean View at \$114,000. This was down from \$116,120 in FY2020. We have assumed the same level of funding (\$115,000) for FY2022 in association with information received from the League of Local Governments and a glance at the Governor's proposed budget which left MSA funding at last year's \$6 million.
- There has been no recent discussion on the State level to our knowledge regarding any reduction to the 1.5% Transfer Tax currently allocated to local municipalities. Any changes to this allocation would impact our ability to fund our Trusts as noted above. As in the past, any such action would see strong opposition from the League of Local Governments of which we participate and enjoy membership.
- **NEW! Emerging Projects Fund:** We have included this new fund in association with various projects and initiatives that have evolved out of need or that have been identified following our Comprehensive Plan Update. Seed funding for 7 currently known emerging projects earmarked at \$166,970 has been identified from undesignated funds left in our former transfer tax money market account. Available funds from this source to seed an Emerging Projects Fund total \$369,188.

For awareness, this is the account that transfer tax revenue was held in prior to FY2019 which remains available. Our predecessors left these funds in place and after two years we have determined no benefit to maintaining them in this fashion. Council support of this fund/option would be required during the budget approval process if value is seen in our ability to react to certain opportunities and with Council support before doing so. Keep in mind, this is not a recurring revenue stream. The Emerging Project information can be found in the Capital Program **Section 2 and Appendix A**

- Budget Module Software – This draft of the Budget includes \$11,000 for the initial subscription and set up service for the purchase of a budget module (we do not currently have/use a budget module) and the out years include a .5% increase estimate each year as is customary for subscription/software maintenance agreements. We stress the importance of our moving into a more sophisticated budget software program that streamlines the entire budget building process, reduces the possibility of spreadsheet merging errors, improves forecasting tools at our disposal, while also adding efficiency gains.
- Compensation/Personnel – This Budget proposal:
  - Continues to support the FY2020 reinstatement of paid volunteers for the Ocean View Police Department front desk from Memorial Day to Labor Day at the total cost not to exceed \$4,100.

- Recognizes the June 2019 outsourcing of much of our Public Works staffing duties but now recommends bringing back 1 full-time position (currently part-time) to allow for necessary coverage and safety of employees/risk management associated with the performance of manual labor.
- Supports the addition of one additional Police Officer position in association with the staffing study performed and presented to Mayor and Council in 2019 and discussed again at your workshop in November 2020.
- Allocates a Cost-of-Living Adjustment (COLA – based on CPI Mid-Atlantic Rate) for employees at 1.088% and an additional 2.212% Merit increase based on above average performance to reach the 3.3 discussed at the recent workshop.

#### Additional Wage Commentary

The 3.3% opportunity does not include contractual employees such as the Town Manager or Chief of Police or any employee where wage modifications higher than 3.3% are recommended in association with increased responsibility/job duty changes/value added performance/salary survey findings.

There are three such modifications included for the positions of Finance Director (increased responsibility and value-added performance), Planning Assistant (job duty changes and proven performance), and Admin Officer (value added performance/ increased responsibility). In addition, there are two Police Officers that have reached a regular step increase which is also included.

The out-year overall wage increases (COLA/Merit combined) are allocated at 1.5%. This is deemed to be the best course of action while planning to reevaluate each year and performing occasional wage surveys.

- Employee Benefits

- Health Insurance – at time of developing this first draft the State of Delaware has reported no increase to the cost of participating in their plans. This Budget assumes premium coverage of employee selected health care plans with a 2% employee cost share requirement paid through payroll deduction for employees that select the BCBS Basic Plan. Currently, employees selecting any options other than the BCBS Basic Plan pay the difference between the Basic Plan and their plan of choice. Health insurance benefits from State of Delaware participating agency plans are offered to all full-time employees working 40 hours.
- Dental Insurance – Dominion Dental costs remain the same.
- Short Term Disability – costs remain the same.

- Workers Compensation – costs remain the same and are dependent on the classification of the employee.
  - Life Insurance – no change in rates currently.
  - Vision – New offering of the State of Delaware made available to our employees – valued at \$5,052.
  - Pension – A decrease of 3.4% per employee for sworn officers and 3.9% for civilian employees.
- Business Insurance - Increases for the May 2021 renewal include a 6.5% increase and we have 5% assumed for the out years.
  - Overtime – The Overtime lines have been assigned as follows:8% of Public Safety Salaries; 7% of Public Works Salaries; 2% of Planning and Zoning and1% of General & Administration Salaries. The Salary totals used do not include ineligible staff salaries – such as the Town Manager, Chief of Police and Division Heads.
  - CATV – Mediacom Cable Franchise – we begin to conservatively track revenues from our franchise agreement downward in the out-years in relationship to the increased recognition of the future impact of cord cutting and streaming services. The franchise revenue we receive is based on 5% of the services purchased by properties in the Town.
  - Community Events - This budget proposal assumes that three Seasons of Community Event’s will continue in FY2022 (moving concerts to Fall again as a Covid-19 precaution) with a funding level of \$40,000 including:

#### Town Sponsored Events

- Summer Classic Movie Theme Nights (3 Wednesday evenings)
- Fall – Cops and Goblins (Saturday)
- Fall Concert Series (3 Friday evenings)
- Winter – Old Town Holiday Market, Tree Lighting and Trail of Lights (Saturday)

#### Town Participatory Events

- Coastal Towns Chicken Festival Support – Anticipated for June 2022
  - Chamber – Fire & Ice January 2022
- Our Fee Schedule remains the same as that which was adopted in 2020 with the following exceptions:
    - Modification to Rental License Fees – from \$75 to \$150
    - Increase to cost of copies from .10 to .25

- Administrative Variances from \$150 to \$250
- Temporary Business Licenses from \$30 to \$75
- Event – per approved event from \$15 to \$50
- Fence/sidewalk/driveway permit from \$75 to \$100
- Minimum charge for any building permit from \$50 to \$100

**Section 1.**

- Capital Improvement Program - The Capital Improvement Program portion of the proposed budget aligns with past discussions and needs as identified by our departments. **Section 2.**

Some highlights include:

- John West Park Playground Improvements - We have maintained last years \$80,000 of FY2022 funding from the Capital Replacement Trust Fund (2019 Reserve Study) for updated playground equipment and \$60,000 of FY2021 funding for the relocation of various units, accessibility improvements, an increased number of inclusive play units and the exercise units along the trail. It is not clear at time of writing whether we will be able to complete the installation of the exercise units in FY2021 (before this May). The estimate of which is \$42,000 of the \$60,000.
  - Public Safety Capital Items - We have included the costs associated with the purchase of (2) public safety vehicles at the total price of \$142,000 and funds to cover the cost of 3 additional speed monitors in FY2022.
  - Continued drainage projects and sidewalk connectivity projects.
- Trust Funds – Full detail of our three Trust Fund Accounts is attached in **Section 4.**
  - Water System – Our Water System remains fully self-funded and no rate increases have been suggested by Tidewater. **Section 5.**
  - The key dates associated with the continuation of our budget process are as follows:
    - **February 9, 2021** Prior to Regular Council Meeting – Budget Workshop #1– Direction Sought for Second Draft
    - **February 23, 2021** – Public Hearing (5:30p.m.) in advance to a 6p.m. Budget Workshop #2.
    - **March 9, 2021** – Regular Council Meeting (7 p.m.)- Introduction of the FY2022 Budget Ordinances.
    - **March 23, 2021** - Final Budget Workshop #3 (6 p.m.) - where review and additional amendments can be discussed, as necessary.

- **April 13, 2021** – Regular Council Meeting - First reading of the Budget Ordinances (with any changes from the Budget Workshop of March 23) and possible FY2022 Budget Adoption.

The Division heads and I look forward to discussing the details of the Draft Budget and responding to your questions as we move through the budget process. Please let us know if you have any questions in advance to our Tuesday evening workshop.

Respectfully Submitted,

Carol S. Houck  
Town Manager

Dawn Parks  
Finance Director

**Supporting Documentation, attached as noted for review and comment:**  
APPENDIX A – Emerging Projects Fund Detail