

Questions / Comments on FY2026 Budget

Mayor Reddington (02/09/25 email)

1. On page 8 you mention that 4.5 months of operational cash is necessary. This was the same percentage in FY25, but in FY24 it was two months. Why did we go to 4.5 months? This additional 2.5 months is more than equal to a 2-cent tax increase.

Response: *GFOA, Government Financial Officer Association, recommends an unassigned fund balance of at least two months of regular general fund operating expenses. Page 8 states that our objective is to maintain cash holdings (unassigned fund balance) of at least two-months and that currently, we have 4.5 months of operational cash holdings. Our goal has been for many years now to have 4 to 6 months available in unassigned fund balance and only use any excess of that amount for one-time expenses or emergencies. Maintaining more than the minimum recommended has proven to be helpful to the Town in that we have been able to address (with advanced Council approval) unforeseen opportunities or requirements without falling below the minimum of 2.5 months and without tapping into our emergency reserve that requires a repayment within 4 years. An example close to mind right now worth mentioning is that of the cost of managing snow events. We budget for this each year, and for the last two years didn't use the budgeted funds. This year we are blowing that budget for sure. Two storms down and the possibility of another the week of February 17th. We won't know until year end, but there is a good possibility that we will need to cover some of this with unassigned fund balance. Council votes on this at year end. To be clear, we budgeted \$45,000 and just the January storm cost us \$90,000 to achieve the outcome that our community enjoyed. You might say budget more then but given our experience with years of not spending the funds, knowing we have unassigned in excess of the recommended 2 months works well for Ocean View and is available for any unforeseen issue or opportunity with Council approval only.*

2. Page 47 does not list the new fines of the no smoking ordinance.

Response: *The fees associated with Ordinance 401, prohibiting smoking in any public park, are part of the ordinance and do not need to be voted on as part of the fee schedule resolution. We will update the current fee schedule with the new fees noting the Town Code for reference, once codified.*

3. I don't understand the balanced budget objective chart on page 53.

Response: *The top chart on page 53 is associated with our Balanced Budget Objective and the Town's Unassigned Fund Balance. In FY26, we have proposed to utilize \$69,500 of Unassigned Fund Balance to fund two one-time analyses' (OVPD Risk Analysis and Compensation Study). Both are deemed necessary and timely, and as noted above in question 1, are opportunity/proactive efforts that were not identified until recently. The out-year needs/uses of Unassigned Fund Balances is just forecasting based on what we know now in advance to preparation of those budgets. Typically, we will correct for most needs during the budget process (cuts, rate increases, enhanced revenues, etc.)*

4. Page 83 has a chart on net change in fund balance. It shows proposed 2026 total revenues of \$7,202,015 and total expenditures of \$8,001,155, with a deficit of \$799,140. How do you explain this deficit?

Response: *The expenditures include capital which is paid from restricted fund balance (trust accounts). The \$799,140 is the anticipated amount, not collected in Transfer Tax in FY26, that will need to be paid from restricted fund balance (CRTF and SRRTF) for capital unless projects are delayed or abandoned. Our Long Range Financial Planning effort under way (to be discussed at the February 25th Workshop) may provide opportunity for addressing this, and this is exactly the reason we proposed completing the effort. Additionally, it highlights our discussions regarding our "new normal" as transfer tax revenue declines and trust balances shrink.*

5. Page 116 administrative expenses indicates about \$27,000 in bank charges for the various funds. I was surprised they charged us \$5000 for money market funds. Usually there is no charge for buying or moving money market funds. Also, the bank is charging us \$2,500 for credit card services. Are we not paying our credit card debt each month or is there some other reason for this charge? These fees seem large to me and how do they compare to other banks in the area?

Response: *Bank fees – most of the bank fees (AA or Account Analysis) are associated with positive pay. This allows us to determine if a check is legit or fraud prior to it being cashed. As far as the fee for the investment accounts is concerned, the fees are based on a percentage of our account balance versus by transaction. The interest earned covers the fees. The credit card fee is the fee we absorb for offering credit cards as an option to pay for permits. We are working on transitioning to a different provider which will eliminate these fees and credit card fees will be 100% passed to the customer as a convenience fee.*

6. Page 117 lists the events for 2026. I thought we were not going to do Spring Fling? Also, the cops and goblins \$24,000 has no mention of trying to solicit funds from other sources in order to reduce this budget item. I think we need to have an estimate of other funding sources to reduce what we will fund from the town budget. I think \$5,000 would be fair.

Response: *Spring Fling is budgeted a year in advance since it is the week after the fiscal year starts. We have budgeted \$3,500 for a spring event in May of 2026, just in case we decide to have one. On the Revenue Side, we have budgeted \$15,000 in PD Donations to offset Cops & Goblins. It can be found on Page 102, as Expense Reimbursement. We will make a note to explain that in more detail.*

7. Is there any way to decrease overtime for police? It went up quite a bit last year and another 20% for next year. One of the rationales used to get a new officer is that it would reduce overtime costs.

Response: *Most of the PD overtime is reimbursed by grants that are applied for during the course of the year but cannot be budgeted in advance. Overtime is 12% of the proposed salary amount for sworn officers excluding the Chief. Total Compensation for a new recruit officer is \$114,780 (starting salary and benefits). Also, much of the overtime which we include in the budget is based on historical data, if not supported by grants will not take place.*

8. I didn't see any category in the general budget on paying off loans for town vehicles. Are all our vehicles debt free?

Response: *All Town vehicles have been purchased on a cash basis. The Water System is the only debt and will be paid off as a result of the Water Distribution sale.*

Town Council Questions – 02/25/25 Budget Workshop

Mayor Reddington

1. How much is paid for the lease / rental of the Community Center @ 32 West?

Response: *For FY2025, the South Coastal Village Volunteers lease is \$530 per month, OSHER lifelong learning pays \$90 per class day (this is going up to \$110 a class day in 2025) and other rentals of the Community Center are charged \$125 per the Town's fee schedule. Bringing in these community service tenants has been beneficial to our community in relationship to offerings and proximity for access, plus, they also cover all utility costs for operating the facility.*

Councilmember Cobb

1. Is the next property reassessment in 2027?

Response: *The next full-town reassessment will be completed in December 2026 (FY2027) for the FY2028 billing that will take place in May 2027. Prior to the start of the reassessment, the Town will*

analyze the County's reassessment and policies to determine if it is a good time for us, the Town, to revisit our use of their reassessments.

2. Pages 42 to 49 – are there only 3 fees increasing?

Response: *Yes, the proposed Fee Schedule located on pages 42 to 49 of the Budget Book includes increases to the Surety Bond for movement of oversized vehicles through Town (from \$2K to \$4K), Utility Bond for Bituminous concrete pavement (from \$80 to \$190) and Peddling, Soliciting and Canvassing licenses (from \$50 to \$100).*

3. Page 78 – where do the fees from the Fee Schedule fall into these categories and can we get a printout of last year by fee collected?

Response: *The fees on the Fee Schedule fall into the categories listed on page 78 of the Budget Book. Each category listed has a section of its own within Section 3, Funding Sources, of the Budget Book.*

Taxes - pages 90 to 95

Intergovernmental – pages 96 and 97

Charges for Services – pages 98 to 100

Miscellaneous / Fines & Forfeitures – pages 101 and 102

Other Revenue Sources – page 103

All significant fees that are part of the Fee Schedule are itemized within these sections. The minimal fees that are part of the Fee Schedule are summarized in the Other Income line of Miscellaneous Revenues.

4. We see Contract Services year over year, how much are we budgeting this year for one time consulting – what are they for and who are they?

Response: *The FY2026 Proposed Budget requests funds for an OVPD Compensation Analysis and an OVPD Legal and Financial Risk Analysis. More information on these studies can be found on pages 10 and 11 of the Budget Book. It is proposed to use Unassigned Fund Balance for the one-time costs of these studies.*

5. Resale for Transfer Tax has been around 80% resales but you've said 67% in the presentation, please explain?

Response: *The Budget presentation was representing the FY25 fiscal year to date. We have not hit 80% for resales (year to date) since September 2024. Transfer Taxes collected through 01/31/2025 are from 27.7% new construction home sales with 7.7% from land sales, developer to builder and 64.6% resales of existing homes as reported at the February 11th Council meeting. The increase we see in new construction is from the homes in the Silverwood's Community. The FY2026 proposed budget considers that we will, temporarily, have an increase to our new construction homes with the addition of new homes in Silverwood's and Shore Vista.*

6. Pages 114 and 123 – Business Insurance – what is it and is it broken out by department?

Response: *This line item is broken down by the department and is our insurance for vehicles, buildings, cyber risk, etc. and bonds for Council and Staff members. Our policy renews May 7th each year. Last year, we moved to Trident Public Risk Solutions which is brokered by SIP, Strategic Insurance Partners.*

7. Page 114 has \$75,000 for Consulting Services, what is that?

Response: *This is the expense line for primarily the OVPD Compensation Analysis and an OVPD Legal and Financial Risk Analysis previously addressed in Question #4.*

8. Page 114 – Holiday Décor was reduced by \$20K, can you explain?

Response: *The FY2025 Adopted Budget included \$23K for upgrades. We have also made changes to our installation, removal and storage of our holiday décor.*

9. Page 123 - Explain the \$40K increase to consulting services in Planning & Zoning.

Response: *Previously, Traffic Analysis and Planning Support were budgeted in our Capital Improvement Budget and paid by the General Fund. If the study did not result in a project taking place, the expense was then moved to the General Fund. For the FY2026 budget and moving forward, these line items will be budgeted in Planning and Zoning under consulting services.*

10. Page 129 - Police Department Overtime, do we not project overtime?

Response: *OVPD overtime is budgeted (\$123,750 in FY2025 and \$149,270 in FY2026). The majority of our OVPD overtime is offset by grants. If grants are not received, the overtime is not worked.*

11. Pages 132 and 139 – Gas and Diesel has decreased for 2 departments, why is that?

Response: *In FY2025, we were anticipating an increase in gas prices that we did not see. We have lowered the budget for OVPD to reflect actual experience. Actual for FY2024 was a little over \$45K and so far in FY25, gas expense is an average of approximately \$3500 a month. For DPW, we had increased in FY2025 for the same reason along with the hiring of an employee with a take-home vehicle. We have reduced the line item to reflect actual.*

12. The Budget Book was reduced in the number of pages, what was removed?

Response: *With the FY2026 Budget Book, Section 5, Capital Improvement Plan, was streamlined to recap the projects in a more direct manner than previous budget books.*

Councilmember Tyminski

1. Under Real Estate Rental License, no revenue was budgeted. Do we no longer charge that license?

Response: *Delaware House Bill 235 from 2019 revoked the charging of a license to Real Estate Sale / Rental Agent License. Therefore, we can no longer charge this fee.*