

**MAYOR AND COMMISSIONERS MEETING
CITY OF REHOBOTH BEACH**

September 8, 2010

The Workshop Meeting of the Mayor and Commissioners of the City of Rehoboth Beach, was called to order at 9:01 a.m. by Mayor Samuel R. Cooper on Wednesday, September 8, 2010 in the Commissioners Room in City Hall, 229 Rehoboth Avenue, Rehoboth Beach, DE.

City Solicitor Glenn Mandalas gave the Invocation followed by the Pledge of Allegiance.

ROLL CALL

Present: Commissioner Pat Coluzzi
 Mayor Samuel R. Cooper
 Commissioner Stan Mills
 Commissioner Lorraine Zellers

Absent: Commissioner Bill Sargent
 Commissioner Kathy McGuiness
 Commissioner Dennis Barbour

Also in attendance was: City Manager Gregory Ferrese
 City Solicitor Glenn Mandalas

CORRESPONDENCE

There was none.

OLD BUSINESS

Mayor Cooper called for discussion led by Bryan Hall of the Office of State Planning Coordination on the concept of ways to maximize, setting goals for and regulating tree canopy.

Mr. Bryan Hall gave his presentation and said that this discussion will be an opportunity to follow-up on (1) the tree inventory and the status of that and (2) discuss growing community street canopy and setting tree canopy goals. In regard to the tree inventory, there have been several positive meetings with the contractor, Davey Resource Group. Davey Resource Group has modified the scope of work based on input from staff as well as the Commissioners. Davey Resource Group will begin work the last week of September or first week of October 2010. The Commissioners will be briefed as that project moves forward. In regard to tree canopy and tree density, what it builds on is the idea of evaluating and treating the trees and the forest resources within the community much like infrastructure related to sewer, water, sidewalks, etc. with forest canopy and forest resources being the same thing. Two basic studies have been completed as far as what was necessary to begin to evaluate what the forest canopy is within the community. The fact sheet highlights the resource as a whole and sets forth what the canopy percentage is for the community. In a previous meeting, there were concerns raised about the percentage of canopy within the community. The important thing to recognize is that when all the water features such as the ocean, canal, various lakes, etc. are removed, it increases the canopy by approximately 11% and reduces the total amount of acreage in the community from 1,050 to 725. This would change the forest canopy numbers again from approximately 19.9% to 30%. From the aspect of setting and maintaining goals, this will become a discussion that the Commissioners may choose to evaluate the information once the inventory is complete. The information before the Commissioners now is saying that whether it be through Parks & Recreation Commission, Planning Commission, Mayor and Commissioners, etc., a goal or threshold is going to be set to either maintain what the City currently has or to try to increase that in some fashion over a time period. This is done by a proclamation or resolution by the governing body. The actions that implement the goal and maintain them are based on what the community uses on a daily basis to manage its resources. Currently, a forest and tree ordinance is in place, and there are management practices and activities which are being done. Mitigation is required when development activity occurs. These are tools which are already in place. This does not necessarily require something new unless through the daily activity with staff or with concerns raised by the community at large the Commissioners would then have to modify any Code or any ordinance. The decision now comes down to whether or not the community wants to set a goal; and if so, what the goal should be. In looking at the overall averages for the communities within Sussex County, the average seems to come out to 22% bearing in mind that some communities have substantially more and some have less. What has been recommended for the communities within the Chesapeake Bay Watershed

in response to new pending federal regulations is to at least begin the process by maintaining what is already there.

Commissioner Stan Mills asked how the canopy concept and goals be applied within the Code. Mr. Hall said that at this point, based on what is in place with the current Code, he did not see any substantial revisions other than the continued maintenance things that were raised by Commissioner Dennis Barbour in some of the earlier discussions about amending the Code. At this point in time, it would not affect the number of trees required by the Code. As bigger projects would move forward and larger substantial portions of land would be developed, mitigation might affect them. The canopy goal is looking at it from a perspective as a holistic approach. If several large trees would be removed, the canopy might dip a percent for several years. Then when those trees mature, the canopy would possibly increase by a few percentages based on the type and size of the tree.

Mr. Hall noted that how the tree canopy scenario came about was in response to the Delaware Forest Service's need to develop its own comprehensive strategic plan. A similar equation, which was comparable to other models that looked at canopy, was developed to create a canopy scenario. In this case for visualization, the maps were a green mass representing trees and overlaid on top of an aerial photograph. The evaluation of the canopy is a comparison of hardscapes vs. greenscapes. The map is generated by overlaying six different maps all formulated around the 2007 land cover category map that was created by the State in response to a need by other State agencies such as the Department of Transportation, etc. This was an overall analysis which broken down different land uses for evaluation in proportion to the overall area within the community. The map factors in commercial and residential uses, parks, green space, open space, roads, other utilities, and factors that against all the things that are considered to be environmental, positive and not positive for development; and comes up with this proportionality. This is how the acreage and the canopy density is shown. For visualization, green imagery was used as the canopy layer; and then it is overlaid on the most recent aerial photograph. With the current model in place, the aerial can be taken back to 1991. What is hoped to be done as the inventory is completed, is to see the inventory implemented on two fronts: 1. Addressing maintenance needs that come about. The inventory will be focusing on the problematic situations. 2. Being able to identify where to begin to replant and grow the canopy at large. One of the benefits of setting the goal is the opportunity for grants and funding. Having a goal set adds greater credence to the application would potentially score the City higher which would mean that more funds are likely. Rehoboth is the only community on the east side of the County that is talking about setting a canopy goal and thinking about making it a realistic part of the management of the resource. One thing to consider is increased canopy per lot basis. Annapolis, MD has had this on its books for more than five years. It has discussed about how looking at a lot per lot basis could address forest canopy. From Annapolis' perspective, it has had an opportunity to go through some of the evolution and discussions that Rehoboth as a community has gone through in talking about the tree ordinance. There are other things that Annapolis is responding to that have promulgated the idea of looking at this as being something more than an aspect of managing the publicly owned resource. This will come about over time. The goal of maintaining the current canopy can be achieved by maintaining the public tree resource, and then maintaining the mitigation requirements which the City currently has in place. The long-term goal is to get to a uniform canopy. This will have to be tempered with the site constraints.

Commissioner Pat Coluzzi said that this would be an opportunity for Wilmington and Baltimore Avenues for streetscape to fill in the gaps of the canopy.

Mayor Cooper said that the next bit of information would be the results of the tree inventory.

Mr. Hall said the scope of work looks at conflicts, maintenance needs and prioritizes them, health conditions and noticeable problems. Based upon the mapping, the project will have a report as well as a series of GIS files to overlay to see where all the trees are. Based on the mapping exercise, it will show the gaps where trees should be planted and making notations based on the trees in the existing area. Davey Resource Group's estimate for the tree inventory to be complete is approximately two weeks. The report will be completed by the end of November or first or second week of December 2010.

Mayor Cooper called for continued discussion of City financial matters to include a draft five-year City capital improvement plan and continued discussion on potential additional sources of revenue.

Commissioner Mills noted that the Commissioners have undertaken updating the five-year capital improvement program to try to make it into a usable tool. Most of the Commissioners have looked at it as an exercise in better long range planning. The City has assets that need maintenance and replacement, and new improvements are needed over the next one to five years. Mr. Burt Dukes, City Manager Gregory Ferrese and

Commissioner Mills are working on a narrative of the process of how to use this. The first draft could be re-titled such as capital improvement request by department - unreviewed. This is a compilation of items desired by each department. The next step would include more review, validation and prioritization of each item. The onus would be put on the City Manager to meet with department heads to help validate the need of each item, validate which year each item would go in, and prioritize each item within each year so that the Board of Commissioners would receive a compilation from the City Manager. The revenue sources need to be reviewed and gain the additional funds for the direct purchase next year; and also for better long range planning by earmarking things for the future expenses. Commissioner Mills would like to restore some of the services the City has lost and continue reducing the reliance on the transfer taxes by another 10%. There are other maintenance and replacement items, new improvements. A significant amount of money per year for the next four years for ADA compliance, street repaving, boardwalk maintenance, etc. has been listed. All these things are used by everybody so all the costs for funding these replacement and maintenance items should be borne by all the users. The Chamber of Commerce and Main Street have indicated their suggestions that any increases in revenue should be across the board. In the past, the Commissioners have discussed spreading the funding to everybody, potentially increasing the property tax, potentially establishing a hotel accommodations tax, potentially establishing a gross commercial rental tax and increasing the existing rental accommodations tax from the current 3% to whatever. The Commissioners have discussed other items such as making sure fees are at the proper levels. Timing dictates that the Commissioners need to address at the next meeting, whether they want to establish a hotel accommodations tax or commercial rental tax, or an increase in the existing rental accommodations tax. This needs to be accomplished so that notice is given to those that are ready to start sending out leases. Extra funds need to be put aside to be able to take care of some civic needs, but they also need to be earmarked for additional future expenses. Commissioner Mills asked how the Commissioners would like to proceed with this matter.

Commissioner Coluzzi said that a decision will need to be made at the next meeting for the realtors to know there will be an increase in the rental tax.

Mayor Cooper said that something of this importance should not be introduced and passed at the same meeting. The actual ordinance should be advertised at least 15 days and preferably a month before the meeting. Commissioner Mills thought this should be put in ordinance form and seriously discussed at the next meeting. Mayor Cooper said that the City services should be kept at a certain level, but he did not know if this is the time to be expanding them. Commissioner Coluzzi did not want to unnecessarily tax individuals and businesses; but she wanted to be sure not to cut services.

Commissioner Mills said that he generally agrees with the concept of living within the means, but he also recognized that the City's assets need continual maintenance and have to be replaced. Expenses do not maintain stationary status. He referred to Bethany Beach's financial policy which recognizes that only an annual basis expenses change and increase. It will be implementing a 2% to 3% increase in property taxes and fees annually to cover those things. Somehow the Commissioners need to establish how to put money away and paying for some of these things.

Mayor Cooper said that if tax on receipts would be done, casting a broader net is preferable to increasing what the City has more of. More people should be expected to pay before going back to the first person that has been paying.

Commissioner Coluzzi said that the property tax goes across the board, and she would not have a problem with increasing it. The Commissioners should start discussing the percentage to increase the property tax. She was nervous about the rental tax for commercial because she does not want to see an increase in tax on the rentals and have it passed on to people; and then find there are more empty storefronts. Mayor Cooper said there are a lot of out-of-town property owners who should help to contribute. The rental tax for commercial would be the most problematic because there will be default. It would be a gross receipts tax that is on the owner of the property.

Commissioner Mills said the Commissioners should not necessarily go immediately with all four taxes. He tried to analyze some of the impacts of them. The property tax increase would cause the property owners to pay more money. The rental tax could cause the property owners to pass it on to the patrons or to the lessees if it is commercial. Establishing a hotel accommodations tax would cause the patrons to pay for the tax. Increasing the rental accommodations tax would ultimately cause the patrons to pay that tax. The gross commercial rental tax would cause the property owner to be billed, and he probably would pass it on to the business, and the business could pass it on to the patrons.

Commissioner Lorraine Zellers has taken into consideration what the business owners have said, and she thought the taxes should go across the board. A small increase across the board would be palatable, but she is worried about doing something that may create more empty stores and businesses in the City. The property taxes are low; and perhaps a slight increase across the board would eliminate dependency on the transfer tax. Now is not the time to do all of the taxes, but maybe one or two.

Ms. Carol Everhart of Rehoboth Beach/Dewey Beach Chamber of Commerce said that in regard to hotels/motels in the City and out-of-town, the Monday, Tuesday, Wednesday timeframe is a lighter time for rentals. The rates may be increased to make up for the lost rentals. Businesses are impacted two ways: 1. The year-round business may raise its rates in the timeframe when it has visitors. 2. The seasonal business may lose 1/3 of its business and may not be able to make up the difference. Decision time is critical because this is the time of year when the hotels are setting their rates for next year which need to be in print by December. Ms. Everhart said that the accommodations tax has earmarking associated with it such beach replenishment, etc. She suggested that the Commissioners should consider making parking standardized and more simplified.

Mayor Cooper thought that in regard to the visitors helping to bear expenses, the day-trippers are paying through the parking meters and the renters in houses are now paying 3%; but the hotels are not contributing to the City. A lot of people from outside of the City come in on bicycles and scooters, and contribute zero to the City.

Commissioner Mills said that if the hotel accommodations would be implemented, he would not do it without concurrently raising the rental accommodations tax. The Commissioners need to establish some policies on long range planning and start putting monies aside.

Commissioner Coluzzi suggested raising the four taxes 0.5% and increasing the real estate tax to 15%.

Mayor Cooper suggested that if nothing will be done with the commercial rental tax, the business license fees should be raised; and then at some point, if the commercial rental tax is implemented, the business license fees should be rolled back.

Commissioner Zellers suggested that the Commissioners should look at a way for everyone to pay for City services. Taxes should be increased minimally across the board to see how it would affect the budget and pay down some of the debt and replace some of the things that are needed.

Mayor Cooper said that more discussion is needed on the idea of the transfer tax. The City should not rely on it to meet payroll or have the perception it is a slush fund. At some point, the transfer tax needs to be budgeted. Commissioner Zellers thought the this money could be put in a fund and earmarked or pay down the debt. Commissioner Mills said that paying down debt is a separate conversation. His concern for long range planning in particular is the police and administrative offices. If money is not set aside and committing to something, it will be years in the future before anything is realized.

City Manager Gregory Ferrese suggested if the rental accommodations tax would be increased by 1%, the hotel/motel accommodations tax by 0.5% or 1%, and the property taxes by 15%; and the Commissioners would show how they want to earmark them, he would feel comfortable with that. Those monies could be put in a separate account and be allocated towards the police department and municipal complex, streetscape on Baltimore and Wilmington Avenues, etc. The gross commercial rental tax should be studied more. Mayor Cooper said that he would rather pay down the debt. Commissioner Mills said that as a first step, the business license fees should be reviewed. Commissioner Coluzzi said that the business license fees should be reviewed and increased. Mayor Cooper said that these fees should not be increased on the hotels if gross receipts would be collected.

This item will be placed on the agenda for the September 17, 2010 Regular Meeting.

NEW BUSINESS

Mayor Cooper called to discuss the status of the current year's budget and ways to potentially simplify the monthly financial reports.

This item was be deferred to a future meeting due to the absence of Commissioner Bill Sargent.

Mayor Cooper called to discuss adoption of a proposed Investment Policy for the City's money as required by GASB40 and recommended by the City's auditors.

Mayor Cooper noted that as part of GASB 40, the City needs to define a policy of how it will invest its

money as part of the operation of the City which is reported in the audit. The Investment Policy was distributed to the Commissioners prior to the meeting. The highlights of this policy are: 1. Safety of principal is the primary goal. 2. Liquidity. 2. Return on investment. Mayor Cooper and the Commissioners reviewed this policy. The City will invest its money in banks and government securities of short duration. The City is going for fixed return only and is not investing in stocks and things of a speculative nature. There is no need to put this policy in the form of a resolution. After the adoption of this policy by the Commissioners, it will be send to the auditors for their acknowledgement.

This item will be placed on the agenda for the September 17, 2010 Regular Meeting.

CITY MANAGER'S REPORT

City Manager Gregory Ferrese reported that the contractor is working on the punch list in regard to the Museum Project. The light poles have not arrived, but Mr. Ferrese has been assured by the engineer that this project will be completed by September 30, 2010. The transfer tax for August 2010 was in the amount of \$115,084.00. The City budgeted \$900,000.00; and to date, \$637,064.00 has been collected. Mr. Ferrese anticipates exceeding the parking meter revenue. The City budgeted \$2,275,000.00; and to date, \$2,176,568.00 has been collected and does not include Labor Day Weekend 2010. A pre-bid meeting has been scheduled for September 28, 2010 at 10:00 a.m. in regard to the Solar Panel Project. Bid opening is scheduled for October 7, 2010 with the possible bid award on October 15, 2010. In regard to the Competitive Grant application that was submitted to the State Energy Department, the City will be notified on September 15, 2010 of the possible grant award. The City is a first-class resort, and a lot of compliments have been received regarding the City. It is important to continue to improve the City's infrastructure. If different areas are implemented gradually and the monies are earmarked, then the residents and businesses will buy into it. The extra monies will need to be put into a separate account to be allocated for the major projects. Mr. Ferrese commended all the employees of the City. Recycling will occur the first, third and fifth Friday of the month starting October 1, 2010.

COMMITTEE REPORTS

There were no reports.

CITY SOLICITOR'S REPORT

There was nothing to report.

COMMISSIONER ANNOUNCEMENTS/COMMENTS

There were none.

DISCUSS ITEMS TO INCLUDE ON FUTURE AGENDAS.

There were no topics to be included on future agendas.

The Mayor and Commissioners Regular Meeting will be held on Friday, September 17, 2010 at 7:00 p.m.

There being no further business, Mayor Cooper declared the meeting adjourned at 10:33 a.m.

Respectfully submitted,

(Ann M. Womack, Assistant Secretary)