

OVERVIEW OF DEWEY FINANCES

Hi.

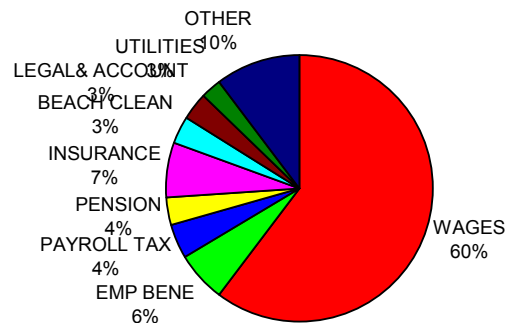
The purpose of this paper is to explain Dewey's finances – what the money is spent on – how it comes in and what we are doing to improve the situation.

Background

Although Dewey is 25 years old it didn't have a monthly budget until 2005. This is not an indictment of the town's management. Not having a monthly budget for little more than two million dollars is kinds like a golfer not using a two iron. It may be helpful to her but it won't ruin her game if she doesn't use it. Our town is not in the money business. The town spends most of its attention on making certain our visitors are safe in the water and on the streets. A monthly budget is a tool to help manage better. It is not an absolute necessity at this level of expenditure.

When the 2007 budget was put together the Town was lucky enough to have some volunteers who had considerable budget experience. So it was done with somewhat more forethought than in the past. What emerged is shown below.

2007 DEWEY EXPENSES

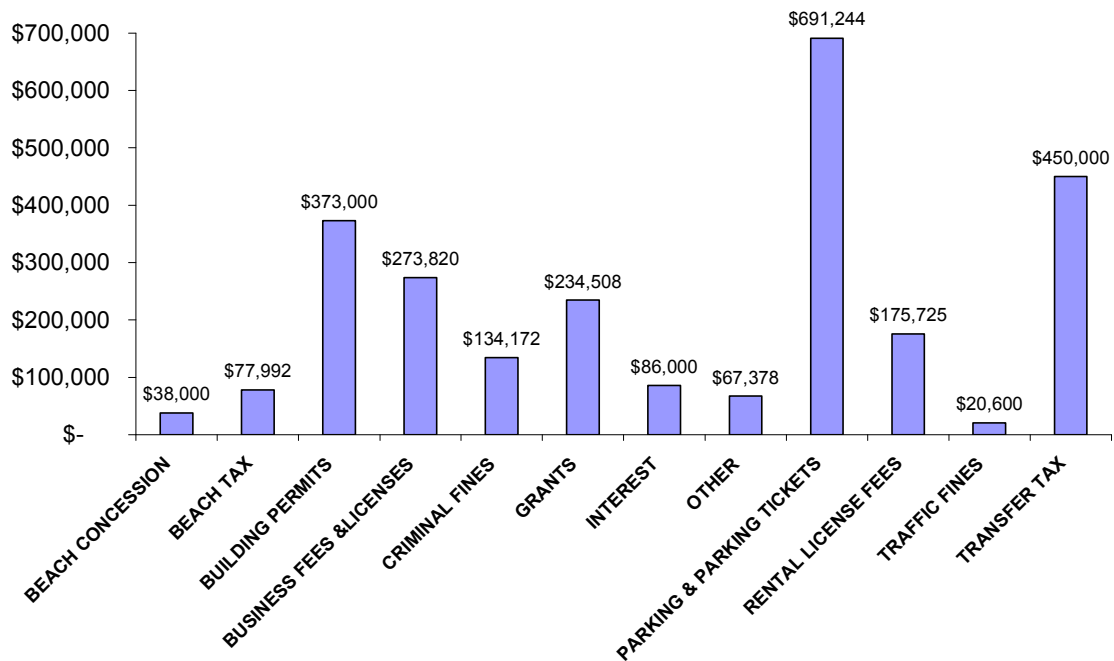


Our town's budget is driven by headcount. 74% of our expenses are employee related – from Pension to Wages on the chart. What you would call Capital Expenses in business, items that cost more than \$500, are almost negligible.

Revenue

If you were to guess what Dewey's revenues are you might be in for a surprise.

DEWEY 2007 REVENUE BREAKDOWN



Those of us coming from business are certainly not used to seeing INTEREST listed as a revenue item.

As you can see the top five categories account for about 75% of our revenue. Of the categories the most problematic was Business Fees and Licenses. Over the last 25 years various administrations tweaked this category. Their actions were not entirely constrained by reason and logic. Several business types were singled out for special attention. These included bars with outdoor decks, landscapers, pedicab drivers (\$10/license generated \$70 in 2006), taxi companies that stopped here (\$25/company, 2006 revenue=\$25). The result was a mess. Any simple explanation of why who was charged what was impossible to produce. To fully comprehend how it occurred requires very detailed knowledge of the arcane history of 25 years of Dewey's movers and shakers and their budget whims.

This was identified as a problem and Charlie Pollard bravely volunteered to lead a small group to rationalize these fees. The first item was to level the playing field. All businesses were to be treated the same. Almost everyone was pleased. The exception being those few who do not believe that multinational companies who pay their combination CEO-chairman-of-the-board \$20,000,000/year should be treated the same as someone trying support his family and meet a payroll by selling chicken parts.

The second goal was to come close to the current revenue. After four months of meetings the results were presented at the April Town Council at the April Meeting. It was passed with the provision that no businesses taxes would increase. This will

decrease revenues by about \$100,000 for the year. But I believe that should be made up by increased transfer tax which is coming in over budget.

If you are interested in the specifics of the new fees they should be posted on the town's website.

5 YEAR PLAN

In the 2006 the heat pumps at the life saving station passed away. The town had to make an "unexpected" expenditure to buy new ones. It was unexpected because the Town didn't have a five year plan for expenses. The purpose of such a plan is to anticipate expenditures for worn out machinery as well as unusual purchases such as a pole barn to store machinery or a new town hall. To prevent such "unexpected" expenses David King led a Budget and Finance workgroup to create such a plan. The other purpose of such a plan is to provoke discussion and debates before spending say \$2,000,000 or so for a new town hall. In the April Town Council meeting much was made of the fact that this was just a **planning** document. The preliminary five year **plan** was accepted at the April Meeting. The specifics should be available on the town website. The general public will be given an opportunity for input sometime in the future.

RESERVE FUNDS

Dewey's has about two years worth of expenses in the bank. Half is in the Beach Replenishment Fund. The rest is in the General Surplus Fund. The Town has always been cautious about replying on the Transfer Tax. When you sell your house in Dewey 1.5% of the sale price will go to the Town. The county also takes a piece. So this was underestimated every year and the extra money was thrown into the General Surplus/Reserve Fund. As real estate increased in value so did the Transfer Tax. It grew from \$152,000 in 1997 to \$1,071,000 in 2004 and has been declining ever since.

Although they have done a pretty good job investing these monies like all new kids we thought we could do better. David King, the chairman of the Funds Working Group, undertook a series of meetings to form a consensus on what the investment approach would be. He did a lot of homework. He presented the investment policies for Dover, Bethany and Delaware as well as bringing in what seemed like countless money managers. I believe the agreed on policy to be presented to the Town Council was to invest 30%-40% in equities and the rest in bonds etc.

Mr. King ran into a problem most towns don't have. It seems that almost all the full time residents of Dewey are all investing experts. So everyone of course had an opinion on the subject. In Warnerville, NY where my brother runs the family farm they don't have that problem. Warnerville is in the poorest county in New York. The business community consists of a gun and ammo store, the post office and a church. Needless to say they do not consider how to invest their surplus funds a large problem.

DISCLAIMER

The above does not represent any official viewpoint. It is simply my summary of what has happened. If you disagree I would urge you to correct any errors above or create your own next time. (Seriously this is a pain in the butt to do. And if I can foist this off on someone else I would be very happy.)

If you would like more information on Dewey's budget, please contact me at shuse15d@comcast.net. I've done this type of work for 30 years. And since I now lack employment, I'd be more than glad to answer any questions or discuss any issues you may have at the Dewey Beach club or anywhere else that has a decent cheeseburger.

Steve Huse