



**Finance Committee Meeting  
May 15, 2024 @ 5:30 pm  
VIA Conference Call & Town Hall  
141 Main St, Townsend, DE 19734**

5:30 pm Finance Committee Meeting

- I. Call to Order:
- II. Opening Ceremonies
  - a. Roll Call
  - b. Pledge of Allegiance
  - c. Recognition of Visitors
  - d. Announcements
- III. Adoption of Agenda
- IV. Discussion regarding the budget for Fiscal Year 2025
- V. Discussion regarding the feasibility study of the Town's Taxes and Budget performed through the University of Delaware (UD) Capstone Project.
- VI. Adjourn

Town Meetings will be held both in person and in a virtual format.

Those wishing to attend virtually may dial **1(301)715-8592**. When directed, provide following meeting ID **827- 6421-7575#** and then the following password **361631#** to enter the meeting. If you choose to access the meeting online click the following link:

<https://us02web.zoom.us/j/82764217575?pwd=aHI4RDhTZ0xjME1HV0ZOcHRxSHZ3QT09>

Residents will be able to view documents posted to the meeting tab on the Town website at <https://townsend.delaware.gov> or by joining the meeting via computer.

# DRAFT

## TOWN OF TOWNSEND FY25 DRAFT BUDGET

Account Description	General Fund FY25 Proposed	Police FY25 Proposed	Police Grants FY25 Proposed	ARPA FY25 Proposed	Total
Total Administrative Revenues	979,400.00	29,700.00	-	-	
Total Permits & Licenses Revenues	349,800.00				
Total Grant Revenues	284,200.00	-	16,800.00	498,100.00	
Total Park & Recreation Revenues	10,300.00				
Transfer from Fund Balance		-			
<b>01 General Fund Revenue Total</b>	<b>1,623,700.00</b>	<b>29,700.00</b>	<b>16,800.00</b>	<b>498,100.00</b>	<b>2,168,300.00</b>
General Fund Expenditures:	General Fund FY25 Proposed	Police FY25 Proposed	Police Grants FY25 Proposed	ARPA FY25 Proposed	
Total Administrative Expenditures	589,900.00	69,400.00	-	-	
Total Salary Expenditures	557,200.00	357,500.00	9,400.00		
Total Code & Planning Expenditures	159,900.00				
Total Public Works Expenditures	49,700.00				
Total Street Expenditures	79,200.00				
Total Community Events Expenditures	12,400.00				
Total Capital Expenditures	80,000.00	4,200.00	7,400.00	498,100.00	
<b>01 General Fund Expend Total</b>	<b>1,528,300.00</b>	<b>431,100.00</b>	<b>16,800.00</b>	<b>498,100.00</b>	<b>2,474,300.00</b>
	95,400.00	(401,400.00)	-	-	(306,000.00)

## Town of Townsend FY25 General Fund Budget

Account Description	FY25 Proposed Budget	
<b>Revenues:</b>		
Impact Fees: Fire House Impact Fees	15,000.00	20 units
Franchise Fees	20,000.00	last year \$19,396
Interest Income - Investments	20,000.00	
Interest Income - Bank Account	35,000.00	MM at 4.5%
Miscellaneous - Office Fees	-	
Miscellaneous Income	-	property info requests
Property Information Requests	2,000.00	New account for property information requests
Filing Fees		
Property Transfer Taxes	250,000.00	based on current trend based on assessment value of \$83,316,900 at .008; Will look at it again as Hidden Creek assessments
Real Estate Property Tax	633,200.00	will be added. Deduct 5% for early payment discount
Grass Cutting Fees	1,500.00	
Violations, Fines & Penalties	1,000.00	
Rental Registration Fee	1,700.00	
<b>Total Administrative Revenues</b>	<b>979,400.00</b>	
Impact Fees: General Impact Fees	70,000.00	20 units
Impact Fees: Roadway Impact Fees	55,000.00	20 units
Impact Fees: Sidewalk Impact Fee	10,000.00	20 units
Permits and Fees: Certificate of Occupan	6,300.00	
Permits and Fees: Administrative Fees	12,000.00	
Permits and Fees: Plan Revision Fee	200.00	
Permits and Fees: Inspections Fees	400.00	
Permits and Fees: Contractors Licenses	19,200.00	
Permits and Fees: Business Licenses	20,000.00	
Permits and Fees: Review Lines & Grades	13,800.00	25 units per Edwin
Town Permits: Plumbing	3,500.00	
Town Permits: Sheds Permit	500.00	
Town Permits: HVAC	3,000.00	
Town Permits: Fence Permit	2,900.00	
Town Permits: Driveways/Sidewalk permit	100.00	
Town Permits: Deck Permit	800.00	
Town Permits: Patio permit	600.00	

Town Permits: Finished Basement	1,000.00	
Town Permits: New Home Permit	120,000.00	20 houses at \$6k
Town Permits: Grading Review		
Town Permits: Remodel Permit	1,000.00	
Town Permits: Pools & Spas Permit	2,000.00	
Town Permits: Misc. Permit	2,500.00	
Town Permits: Solar	5,000.00	
<b>Total Permits &amp; Licenses Revenues</b>	<b>349,800.00</b>	
Municipal Street Aid Grant	59,200.00	
Grants Revenue	225,000.00	FY25 ORPT \$125k, bike council \$30k (Delaware bike council); \$50k add'l surface wtr; \$20k add'l ORPT
<b>Total Grant Revenues</b>	<b>284,200.00</b>	
Park rental	1,500.00	
Community Events: Donations	1,800.00	
Town Fair Donation	5,000.00	
Community Events: Town Fair	2,000.00	
<b>Total Park &amp; Recreation Revenues</b>	<b>10,300.00</b>	
<b>01 General Fund Revenue Total</b>	<b>1,623,700.00</b>	

Account Description	FY25 Proposed Budget	
<b>Expenditures:</b>		
Impact Fees: Fire House Impact Fees	15,000.00	
Advertising	150.00	
Advertising - BOA	150.00	
Accounting Audit	30,000.00	
Computer Support	20,200.00	plan w/duo, sonic wall, server warranty - sonic may be covered by grant; \$240.39 mo/covered by grant
Software Support	22,000.00	edmunds annual, microsoft lic, vulnerability scan
DE League of Local Governmtns	2,800.00	
Decorations	1,000.00	
Elections Expense	1,000.00	
Copier Maintenance Agreement	3,500.00	
Town Insurance (General Liab & Property)	26,000.00	
Maintenance:Town Hall Cleaning/Pest Ctrl	2,400.00	town hall cleaning; pest control
Membership Fees	500.00	IIMC and MACC
General Town Hall Expenses	10,000.00	
Office Equipment: Miscellaneous	2,000.00	
Security System @ 141 Main Street	1,500.00	
Office Supplies	2,800.00	

Flowers & Gifts	1,000.00	
Code Red	3,000.00	
Postage & Delivery	4,300.00	
Postage & Delivery - BOA	300.00	
Town Merchandise/Uniforms	700.00	
Professional Fees: General Legal	60,000.00	
Professional Fees: New Hire/Urgent Care	500.00	
Board of Adjustment	5,000.00	
IPA Services	1,000.00	
Subscription Fee	1,800.00	\$120 canva, \$1152 adobe, \$180 amazon
Training Classes	2,500.00	
Trash Collection Service	241,200.00	currently 858 units; add additional 20 units for FY25 @ \$22.88
<b>Travel &amp; Entertainment</b>	<b>1,000.00</b>	
Travel & Entertainment: Meals	500.00	
Utilities - Town Hall: Internet	2,000.00	
Utilities - Town Hall: Electric	3,600.00	
Utilities - Town Hall: Heating Fuel	1,900.00	
Utilities - Town Hall: Sewer fee	200.00	
Utilities - Town Hall: Telephones	3,400.00	
Utilities - Town Hall: Cell Phones	3,000.00	
Utilities - Town Hall: Water	900.00	
Street Lights: 400 Main Street	300.00	
Street Lights: Townsend Village I	23,000.00	
Street Lights: TVII East (Karins Blvd)	49,500.00	
Street Lights: TVII West (W Founds St)	3,000.00	
Street Lights: Old Town	15,900.00	
Street Lights: Townsend Stn(Brook Ramble)	14,400.00	
Street Lights: Hidden Creek	5,000.00	Do we need this?
<b>Total Administrative Expenditures</b>	<b>589,900.00</b>	
Payroll: Salaries & Hourly	411,400.00	Current staff - \$353,700; Council - \$6,000; PT Admin - \$33,000; PW Summer Help - \$9,600; 3% increase for Current Staff at \$9,100
Payroll: FICA/Medicare - Company match	31,500.00	Employer FICA rate at 7.65% (Social Security/Medicare)
Payroll: Group Health Insurance	83,300.00	see health tab for details
Payroll: Dental Insurance	4,300.00	see dental tab for details
Payroll: Simple IRA	7,400.00	see payroll tab for details
Payroll: Companion Life Insurance	5,100.00	\$421.60 per month
Payroll: Workers Compensation Insurance	4,000.00	
Payroll: Vision	1,100.00	see vision tab for details
Payroll: Salaries & Hourly - Christmas B	4,600.00	Rate of 1.25%
Payroll: Unemployment Insurance Tax	1,500.00	Rate of 1.2%
Payroll: Payroll/Check Processing	2,700.00	
Payroll: Mileage Reimbursement	300.00	

<b>Total Salary Expenditures</b>	<b>557,200.00</b>	
Professional Fees: General Engineering	60,000.00	
Professional Fees: Studies	20,000.00	Additional ORPT - irrigation grant funds (Town matching)
Professional Fees: Code Enf/Inspections	65,100.00	
Professional Fees: Lot Grading Reviews	13,800.00	25 per Edwin
Charter/Comp Plan Fees	1,000.00	
<b>Total Code &amp; Planning Expenditures</b>	<b>159,900.00</b>	
Town Equipment Fuel	3,000.00	
<b>Park Maintenance Expense</b>	<b>35,000.00</b>	porta potty \$2700, elec \$300, trash bags \$250, butterfly garden \$150, mulching \$15k, \$16.6k misc
Vehicle/Equipment Maintenance	3,700.00	
Public Works Equipment	4,300.00	
Public Works Uniforms	1,200.00	
Town Landscaping & Beautification	2,500.00	
<b>Total Public Works Expenditures</b>	<b>49,700.00</b>	
Street Repairs: Maintenance	59,200.00	
Street Repairs: Snow Removal	20,000.00	
Street Repairs: Street Signs		
<b>Total Street Expenditures</b>	<b>79,200.00</b>	
Community Relations	600.00	
Community Relations: Public Works and Land Use	100.00	
Community Relations: Public Safety	100.00	
Community Relations: Veterans	500.00	
Community Events Expense	3,000.00	
Community Events: Town Fair	7,000.00	reduced by \$3k
Community Events: Christmas	500.00	
National Wildlife Foundation/Habitats	600.00	
<b>Total Committee/Community Events Expenditures</b>	<b>12,400.00</b>	
<b>Capital Expenses</b>	<b>80,000.00</b>	irrigation system,
	<b>80,000.00</b>	
<b>01 General Fund Expend Total</b>	<b>1,528,300.00</b>	
	(95,400.00)	

## Town of Townsend FY25 Police Budget

Account Description	FY25 Proposed Budget
<b>Revenues:</b>	
Impact Fees: Public Safety	22,500.00
Fines - Police	3,000.00
Grant Revenue	-
Miscellaneous Income	4,200.00 4 bwc
Transfers In	
<b>Total Police Revenues</b>	<b>29,700.00</b>

Account Description	FY25 Proposed Budget
<b>Expenditures:</b>	
Community Relations	1,000.00
Repairs & Maint - Vehicles	6,400.00
Repairs & Maint - Equipment	2,000.00
PD Bldg Expenses	800.00
Security System - 661 South St	Paid through ARPA for next 2 years
Computer/Software Expense	4,000.00 2 computers plus Sourcepass advantage plan
DSP Extra Duty Patrol	-
<b>PD Cleaning</b>	<b>1,200.00 keep?</b>
PD Pest Control	800.00 added termite annual contract amount of \$200
PD Equipment	1,000.00 range supplies, medical bags, thermal paper
PD Office Equipment	1,800.00 copier lease
Advertising	
Postage & Delivery	500.00
Printing	
Miscellaneous Expense	
Prisoner Meals	100.00
Training/Weapon Qualifications	4,800.00 seminar (\$2500), taser cartridges (\$200), ammo (\$2k), targets (\$100)
Office Supplies	500.00 misc supplies (\$200), copy paper (\$300)
Cleaning Supplies	400.00 cleaning supplies (\$200), gun cleaning supplies (\$200)
DUI Blood Draws	100.00
Memberships & Subscriptions	1,700.00 traffic suite subscription \$1,275, IACP (\$150), Police Chiefs Council (\$250)

Fuel	11,000.00	decrease from \$15k to \$11k
Insurance - (Gen Liability & Property)	8,000.00	
Uniforms: PD	3,900.00	3 pants/6 shirts (\$3000), boots/shoes (\$300), 2 jackets (\$600)
Professional Fees: Legal Services	5,000.00	
Professional Fees: New Hire/Occ Health	-	REMOVED \$3k
Utilities - PD: Cell Phones	4,000.00	
Utilities - PD: Heating Fuel	2,800.00	
Utilities - PD: Sewer	200.00	
Utilities - PD: Water	400.00	
Utilities - PD: Electric	4,000.00	\$1200 for EV charges plus avg \$202 month electric for bldg plus \$30 month for
Utilities - PD: Phone/Internet	3,000.00	
<b>Total Administrative Expenditures</b>	<b>69,400.00</b>	
Payroll: Gross Pay	257,000.00	
Payroll: Overtime	10,000.00	Court and holiday pay
Payroll: Police Pension	38,500.00	rate at 14.98% - up from 12.74% last year
Payroll: FICA	19,700.00	7.65%
Payroll: Group Health Insurance	13,000.00	75% of premium for 1 employee
Payroll: Dental	700.00	same as health
Payroll: Companion Life Insurance	5,000.00	
Payroll: Workers Compensation Insurance	8,400.00	\$4200 for 2 officers in FY23
Payroll: Vision	100.00	same as health
Payroll: Holiday Bonus/Luncheon	3,300.00	Rate at 1.25%
Payroll: Unemployment Insurance Tax	1,000.00	
<u>Payroll: PMA Processing Fee</u>	800.00	
<b>Total Salary Expenditures</b>	<b>357,500.00</b>	
Capital Expense - PD	4,200.00	1 portable radio, 1 vehicle radio, - \$7400 covered by grants
<b>Total Capital Expenditures</b>	<b>4,200.00</b>	
<b>Total Police Expenditures</b>	<b>431,100.00</b>	
	401,400.00	



# TOWN OF TOWNSEND

## FY25 POLICE GRANTS BUDGET

Account Description	FY25 Proposed Budget
<b>Revenues:</b>	
Balance tranferred from prior year	- TBD
Police Grants Revenue	<u>16,800.00</u>
<b>04 Police Grants Fund Revenue Total</b>	<b>16,800.00</b>
 <b>Expenditures:</b>	
Overtime	9,400.00
FICA	-
Police Equipment	<u>7,400.00</u>
<b>04 Police Grants Fund Expend Total</b>	<b>16,800.00</b>

## TOWN OF TOWNSEND FY25 SPECIAL REVENUE FUND BUDGET

Account Description	FY25 Proposed Budget
<b>Revenues:</b>	
Grants Revenue	498,100.00
<b>03 Grants Revenue Fund Revenue Total</b>	<b>498,100.00</b>

Account Description	FY25 Proposed Budget	
<b>Expenditures:</b>		
Capital Expenses - Unassigned	37,146.50	
Capital Expenses - Pole Barn	200,000.00	
Capital Expenses - Pole Barn - Engineering	53,900.00	
Capital Expenses - Irrigation for Park	28,900.00	remaining balance of original \$37,600
Capital Expenses - security enhancements at PD	1,470.00	remaining balance for monthly expense
Capital Expenses - Cameras at park	4,960.00	\$24,800 already paid thru ARPA and \$18k will be paid by grant
Capital Expenses - Cameras at park 2 years surveillance	3,223.50	remaining balance
Town portion of ORPT parks and trails	95,000.00	
electrical services for park irrigation	23,500.00	
Town portion of stormwater grant	50,000.00	
<b>03 Grants Revenue Fund Expend Total</b>	<b>498,100.00</b>	

**Fiscal Stability and Feasibility Study of Townsend, Delaware**  
Municipal Finance Consulting Group  
Simon Brand, Kevin Moran, and Thomas McGalliard  
University of Delaware Biden School of Public Policy and Administration  
UAPP 400: Public Policy Capstone Project  
05/13/2024

## Table of Contents

Executive summary.....	3
Financial Analysis.....	4
Recommendations.....	10
Comparison Matrix.....	15
Stakeholder Engagement.....	17
Final Recommendation.....	18

## Executive Summary (04/27)

This Fiscal Stability and Feasibility Study conducted on the Town of Townsend, Delaware evaluates the current financial stability and provides recommendations for achieving long-term stability for Town leadership. Recently, the Town decided to change their method of policing, from utilizing members of the Delaware State Police to patrol their Town and conduct normal policing activity, to creating the Townsend Police force to support domestic police affairs. In this study, our team analyzed Townsend's budgets and audits to see the implications of this police force given the Town's financial situation following the COVID-19 pandemic. The study outlines additional revenue streams and expense revisions that will assist in the goal of achieving financial long-term stability and expanding desired Town operations, such as the police department. The recommendations of our team, which are evaluated by a comparison matrix, detail municipal action intended for a short-term and long-term stability plan. The major decision that the town needs to make, as part of our final recommendation, is if the town wants to disband its police force to alleviate the expenditure stress that is causing the fiscal squeeze. If the police force is not disbanded then our team recommends in the short term to increase property tax, renegotiate franchise tax contracts, and switch to a user-fee system of waste collection. Our longer-term solutions were to hire a freelance grant writer, attract an additional commercial property, and open a marijuana cultivation center/dispensary to take advantage of that burgeoning market.

## Financial Analysis

**Budget Analysis:** In our analysis of the Townsend budget, we reviewed the revenue and expenses for 2021, 2022, 2023, and 2024. The years previous to 2021 had differently organized budgets and with the data from the 4 years provided, we were able to find key patterns in the budgets and growing trends that need to be addressed.

50 Revenue Crisis

Figure 2-4 Strategies for strengthening local economies through prudent revenue policies

		Duration of fiscal stress	
		Short term	Long term
Severity of fiscal stress	Low	<b>I. Fiscal crunch</b> <ul style="list-style-type: none"> <li>- Increase service charges</li> <li>- Grant amnesty for delinquent taxes and fees</li> <li>- Move up due dates for taxes or fees</li> <li>- Automate tax/fee collections</li> <li>- Identify possible piggybacking of tax and fee collections with other governments</li> </ul>	<b>III. Fiscal squeeze</b> <b>All of II plus</b> <ul style="list-style-type: none"> <li>- Undertake strategic review of the city/county's strengths and design revenue policies that augment agglomeration economies</li> <li>- Examine tax-exempt policies for citizen groups, nonprofits, and businesses</li> <li>- Eliminate minor taxes and fees that are costly to administer</li> </ul>
	High	<b>II. Fiscal crisis</b> <b>All of I plus</b> <ul style="list-style-type: none"> <li>- Impose temporary increase in property tax rate</li> <li>- Impose temporary increase in fees</li> </ul>	<b>IV. Fiscal crush</b> <b>All of III plus</b> <ul style="list-style-type: none"> <li>- Aggressively target tax incentives only to business investment that strengthens agglomeration economies</li> <li>- Reduce rates on taxes/fees that are excessively high (by regional standards)</li> <li>- Eliminate property tax exemptions for targeted citizen groups</li> <li>- Increase service charges or convert more tax-supported services to a fee base and account for as self-supporting enterprises.</li> </ul>

Source: Adapted from Charles H. Levine, "Police Management in the 1980s: From Decrementalism to Strategic Thinking," *Public Administration Review* 45 (November 1985): 695. Published by Wiley. © American Society for Public Administration.

Figure 1: Strategies for strengthening local economies through prudent revenue policies

Based on the budgets reviewed our team has concluded that the Town of Townsend is currently in a *Fiscal Squeeze* due to the predicted large increase in expenditures the town will face in the coming year and the stagnation of revenues outside of COVID aid. This increase in expenditure is expected because of the town's growing police department.

### Key Findings:

- Over these four years, the largest single revenue source for Townsend has been property tax which generated an average of \$646,600 each year. The percentage share of property taxes within the total revenue has seen a drastic decrease over the last 4 years starting at 48.08% for 2021 to only 22.82% in 2024. (See Figure 3)

- Over the last four years, the establishment of a Town Police Department has drastically increased the Town's expenses. As this Police department starts to get fully operational there have been a lot of added start-up costs as well as new salaries that will become a constant expenditure. For 2023 the Town spent 11.14% of that year's budget (\$271,700) on the Police department and for 2024 the Town spent 26.41% of that year's budget (\$644,200) on the Police department. (See *Figure 4*)
  - Bridgeville, Delaware has a similar population and total expenditures of \$1,744,822. 63.33% of these expenditures (\$1,105,134) went to their Town's police and we can expect that Townsend will see a similar financial situation when their police are fully operational over the next few years.
    - This is consistent with most small towns budgeted where roughly half of expenditures go to public safety.
  - Using the same price of total expenditures that police cost Bridgeville we can forecast a doubling of the cost of Townsend police department. Total 2024 excluding police total and ARPA is \$1,493,850 and with the addition of a Bridgeville-type police department, the new total expenditures would be \$2,598,984 which is a 21.59 increase to total expenditures (\$2,138,050 to \$2,598,984).
- A consistent expenditure over these four years is the Trash Collection Service that is provided by the town. This cost the town an average of \$211,300 each year, and was around 8% of the total expenditure for the last two years. (see *Figure 2*)
- "Only the utility charges and property taxes are fully recurrent revenues. As town officials are aware, permit fees, transfer-tax revenues, and impact fees will decline as the building boom reaches its end, although property taxes will increase as additional development occurs over the course of the growth. Utility charges, trash fees, and other user charges are relatively more controllable and can reasonably be expected to grow proportionately to the increases in costs."<sup>1</sup> Town of Middletown Strategic Management Review

---

<sup>1</sup> Lewis, J. R. (2008) Town of Middletown Strategic Management Review, The Institute for Public Administration at the University of Delaware.  
<https://udspace.udel.edu/server/api/core/bitstreams/d3f35fba-5742-400d-8ffd-95a1e858a01f/content>

### Townsend Expenditures excluding ARPA

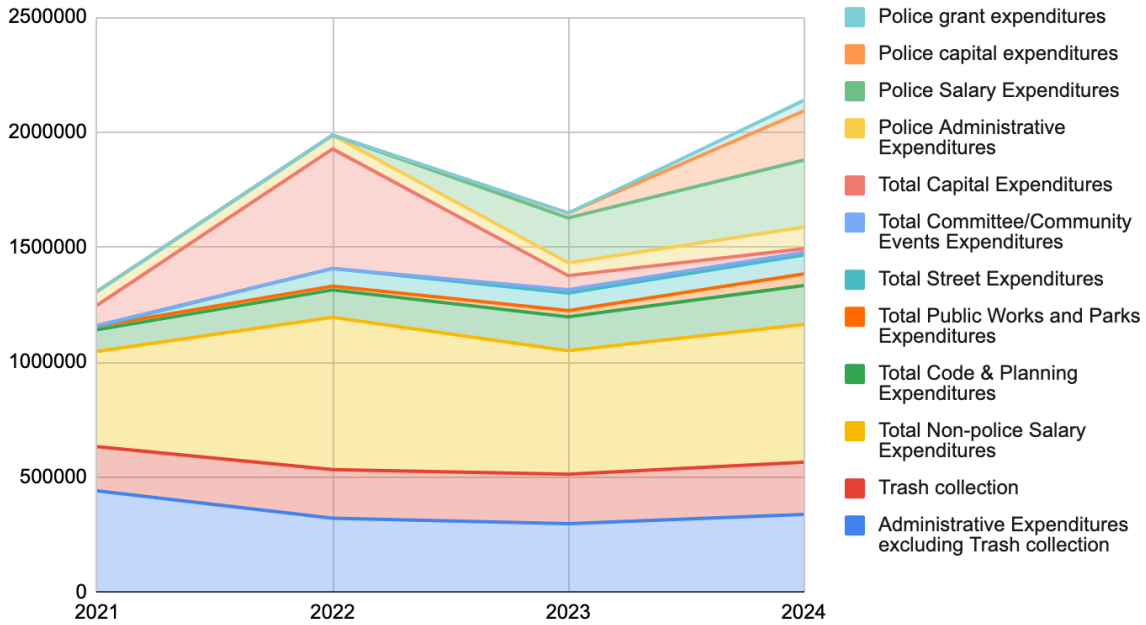


Figure 2: Townsend expenditures from FY21 to FY24 excluding funds from The American Rescue Plan Act

### Townsend Revenue excluding ARPA

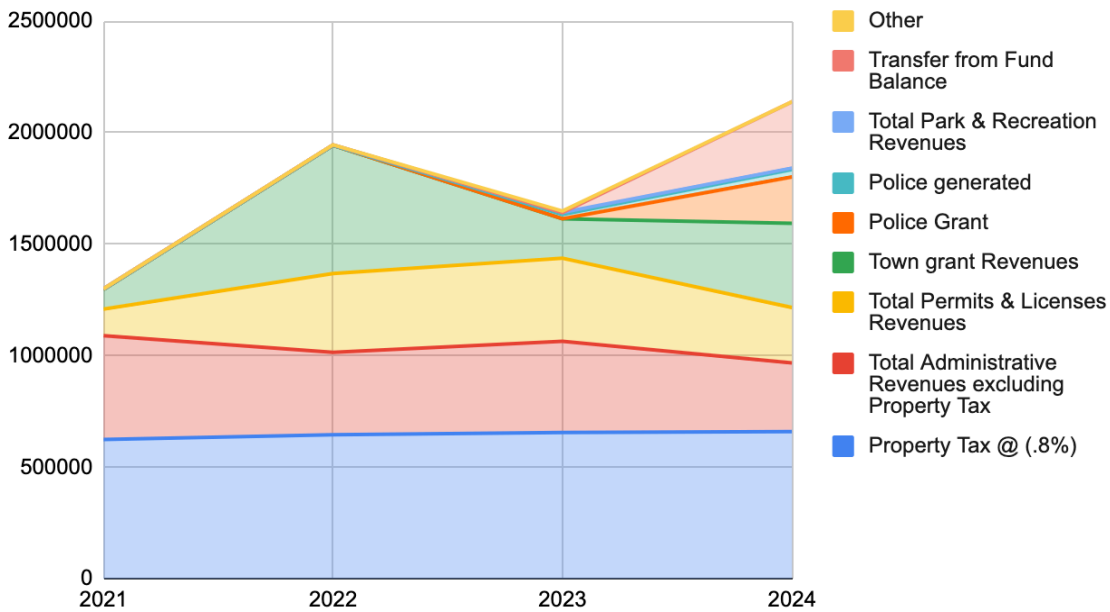
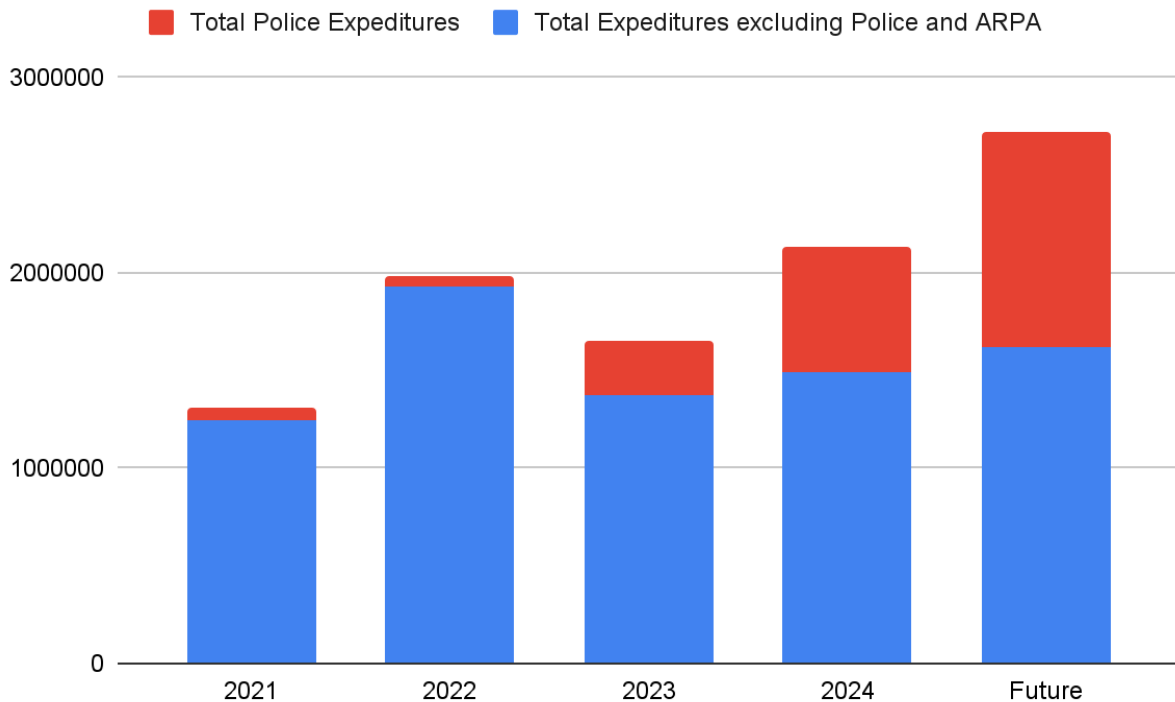


Figure 3: Townsend revenue from FY21 to FY24 excluding funds from The American Rescue Plan Act





Future represents a yearly increase of 8.5% to Total Expenditure excluding Police and APRA combined with the FY23 Police Expenditure of Bridgeville, Delaware

*Figure 4: Total expenditures and police expenditures from FY21 to FY24 and projections into the future.*

Audit analysis:

Capital Assets: The Town of Townsend has done a good job in retaining money in their mutual fund accounts, even during the volatility of the pandemic, despite losing ~180k in FY2022, the final audit from FY2023 shows a net gain over 5 years of \$819,623. Part of that gain could be used to fund the police department. These assets could be utilized in the event of a revenue shortfall and liquidity is needed.

The current capital assets of Townsend are an accumulation of \$411,605 invested in exchange-traded funds, \$2,265,264 in mutual funds, and land. Townsend went from having \$6,433 worth of land in FY2019 to \$4,939,041 in FY2023. The graph below tracks how much land the city has acquired over time, and how valuable it was assessed to be in the audits. The graph below tracks the land valuation from 2020-2023.

### Land Valuation

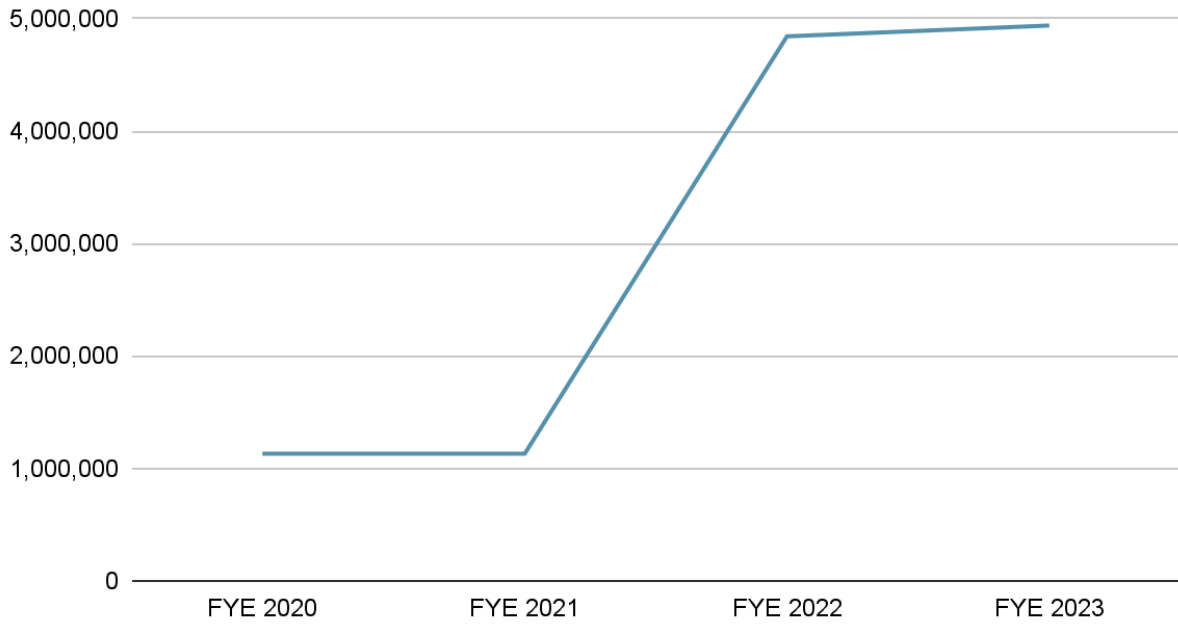


Figure 5: Land valuation from FY20 to FY23

### Exchange Traded Funds

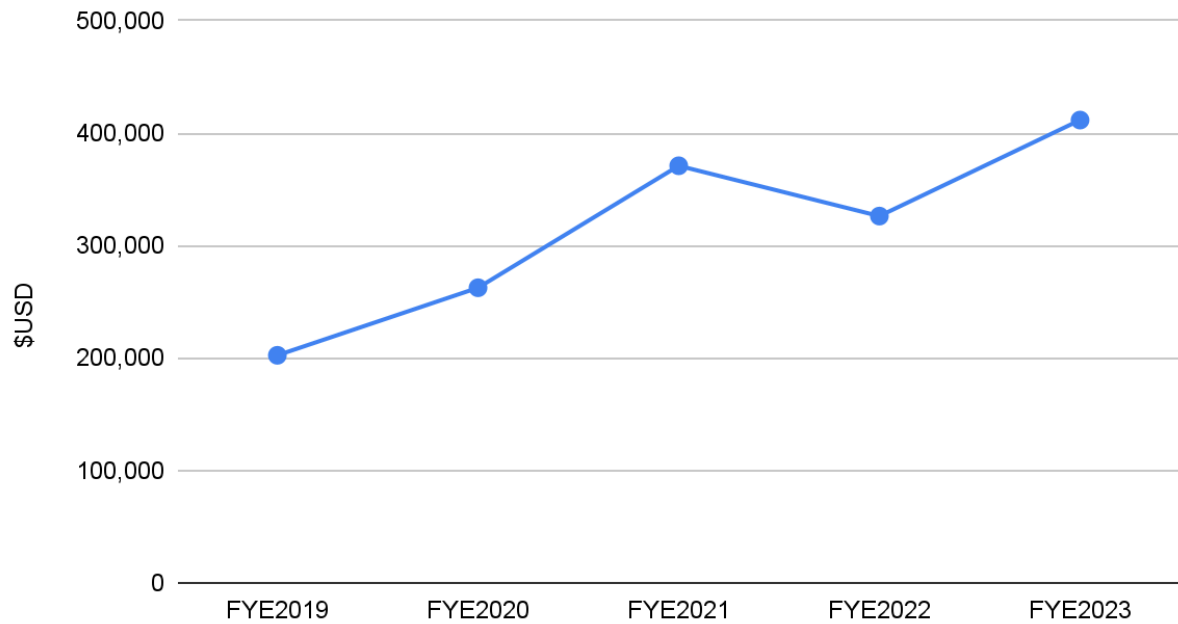
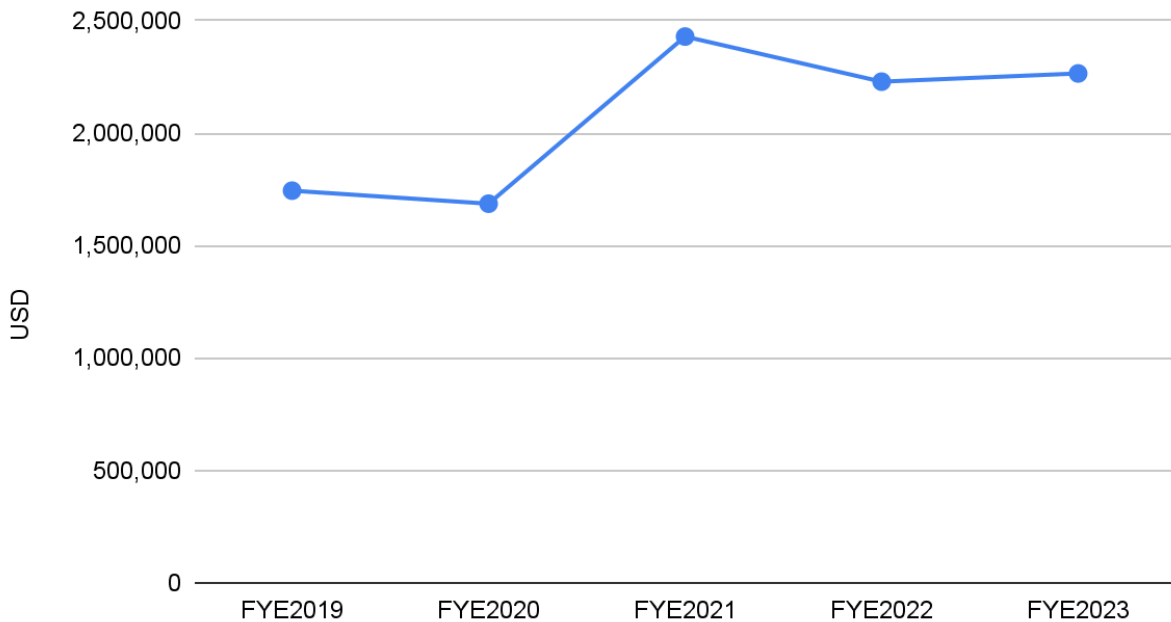


Figure 6: Exchange Traded Funds balance from FY19 to FY23

## Mutual Funds



*Figure 7: Mutual Fund amounts from FYE 2019-23*

Notes on Revenue: Some areas where Townsend has been consistently missing its projections since the start of the pandemic are in Transfer Taxes, or taxes levied on property sellers during a transaction involving a property deed, whether that be through sale of real estate or taxes levied on the estate of someone who has died. In FYE2023, the town missed out on its projected revenue by \$88,125, after missing its projection by 140,760 the year prior. This is an area that had seen success in the past, in FYE2020, Townsend was in the black by 191,640.

The Town could also look to find new grants, not just related to policing, but other areas of their budget, so that less of the budget per capita goes to the funding of a police department. It seems that the town has had a lot of grant money contributing to infrastructure improvements, there are plenty of grants out there, notably, ICMA has its own grants and connections to other grants involving policing communities and otherwise, an expansion of the budget in that regard could be in order, especially since the police department is so brand new, stakeholders could be more enticed to help Townsend get started.

Impact of New Castle County's 2025 Property Assessments:<sup>2</sup> House Bill 62 was signed into law on August 9, 2023, by Governor Carney, this legislation requires each county to reassess the value of real property in the county at least once every 5 years. This legislation was meant to

<sup>2</sup> Hardman, D. (2023) New Castle County Reassessment 2025, Tyler Technologies. <https://empower.tylertech.com/rs/015-NUU-525/images/New-Castle-PowerPoint.pdf>

address the inequalities that stems from decade-old property assessments, with New Castle County specifically not adjusting its property tax valuations since 1983. New Castle County is expected to be done with its reassessment of property values by the spring of 2025. Fears among citizens caused by this reassessment stem from the idea that they will pay more in taxes following the reassessment and governments will start spending more. However, a reassessment does not necessarily mean that the resident's assessment will increase. Per State law, the County is capped at a 15 percent increase in tax revenue following a reassessment and municipalities may increase its property tax rate following reassessment. The Town of Townsend should not rely on an increase in property tax revenue following the 2025 reassessment, even though this could occur. The mandated reassessment every five years should also not imply increased property tax revenue as any property value Increase over that time will be similar to the rate of inflation.

## Recommendations

### Short-term Recommendations :

#### 1. Capital assets sale / No action

If no decisive action is taken to increase revenue and decrease expenditure during this fiscal squeeze, the town will experience a revenue shortfall. This in turn could cause the sale of capital assets and extensive expenditure risks. The FY2023 Audit states that the town owns \$28,241,176 worth of capital assets. While most of that is tied up in unmovable assets, such as infrastructure, in case of a severe revenue shortfall on a YTY basis, selling or leasing portions of the capital assets able to generate revenue, such as land or machinery, to other parties could provide the revenue needed to run the police department. In a similar vein, the Town also has \$2,676,869 invested currently, with \$411,605 invested in exchange-traded funds, and \$2,265,264 in mutual funds. In case of a severe revenue shortfall, some of those assets should be liquidated and moved to fund the police department or other areas of concern for the town. However, this would be a one-time transaction, and should not be counted on for sustained use, this is more of a “break glass in case of emergency” situation. Therefore other actions should be considered now to prevent this in the future.

#### 2. Increase franchise fees

Subdivision A-II-3-1-6 (Franchise Fees) of the Municipal Code of Townsend states that a “franchise fee of three percent of annual gross revenue” can be collected by the town from utility companies they are in contact with. When analyzing the budgets and audits between the years of 2019 and 2023, the franchise tax fees were only adjusted from \$20,000 to \$22,000, which has proven to not be a big enough increase to offset costs in other areas. We recommend having new negotiations with Verizon and Atlantic Broadband the next time the contract period has ended. This method would produce a small increase in usable funds for the development of the Townsend police department, as well as other endeavors the town is pursuing.

#### 3. User charge for trash collection services

In the 2020 revision of the Town’s Property Tax, the Town decided to incorporate the cost of certain utilities, street lights, and waste services into the property tax which was increased to a rate of .008 from .0026. The budgets since 2020 have shown that the largest consistent expenditure of the town, besides employees’ salaries, has been trash removal services. These services represent roughly 8% of the town’s total expenditures and if these services were taken out of the property tax revenue and were set as a user-based fee it would free up the \$226,000 (from FY24) in revenue to confront the fiscal squeeze.

#### 4. Increase property tax

All of Townsend’s budgets reviewed by our team showed that every year the largest source of revenue for the town is the Property tax. For most municipal governments the primary guaranteed revenue source is their property tax. The current tax rate for real estate in Townsend

is .008, which was set in 2020 from .0026 and includes streetlights and waste services. This has generated sufficient revenue for town operations until the growing expenditure of the town's police is factored in. An increase in the property tax will allow for the alleviation of the fiscal squeeze by guaranteeing a jump in town revenue that is in proportion to the increase in services offered by the town. When compared to a similar town like Bridgeville, which features a fully operational police department, has a tax rate of .03 and due to this is able to generate more property tax revenue than Townsend even with less total property value in their town.

## **5. Dissolve the Current Police Force**

In the financial analysis of Townsend, it was explained that the growing expenditures of the new police department are the largest threat to fiscal stability. Most small town's police departments take up half of expenditures, it is a costly endeavor that has limited potential to be done inexpensively even with grants. The cost of equipment, faculties, and especially salaries make the starting cost of police departments expensive for the first 5 years of operation. In FY24 roughly \$300,000 went to pay for the police employees, a 33% increase from the year prior. Without police expenditures, the town would have sufficient revenue to be stable for the future, and no significant additional revenue would need to be generated from taxes. Prior to the establishment of the police department, the town would pay \$60,000 a year for state police patrols, a fraction of the current cost of public safety in the town. The dissolution of the police would cause a massive reduction in expenditures now and in the future and will save the town millions over the next 5 years.

## **Long-term Projects:**

### **6. Grants**

Our group is aware of many grants available at both the state and federal levels open to communities that wish to create and/or improve their police departments. One example that was found was the Edward Byrne Memorial Justice Assistance Grant, a block grant dedicated to improving police departments by "Providing critical funding necessary to support a range of program areas including law enforcement, prosecution, indigent defense, courts, crime prevention and education, corrections and community corrections, drug treatment and enforcement, planning, evaluation, technology improvement, crime victim and witness initiatives, mental health programs and related law enforcement and corrections programs, including behavioral programs and crisis intervention teams, and implementation of state crisis intervention court proceedings and related programs or initiatives" per their website. In 2023 alone, they offered over 1300 grants to state and local police organizations, with the total amount awarded being \$102,778,618. There could be 3 options for obtaining grants like this, applying for the grants internally, in which the Town would seek out grants similar to this one and would be free, but would consume time that could be dedicated to other things during the work day, hiring a freelance grant writer, which would create a great pitch for the Town but would cost money to hire and not be as permanent of a solution as the next one, or creating a new employment position for grant writing for the sole use of the Town, which in a similar vein to the previous option, would give the Town a good pitch, but would be the more expensive option, paying salary instead of per job.

## **7. Additional Commercial Property**

Our group has been informed of Townsend's interest in expanding its commercial property amount, particularly by establishing a grocery store. Such an addition would not only boost annual property tax revenues but also invigorate the local economy, sparing residents the inconvenience of traveling to nearby Middletown or Smyrna. Our group believes this is a promising avenue for generating additional income, provided it is executed thoughtfully. To do this the town could conduct a comprehensive market analysis to gauge the demand for the proposed business, taking into account existing competition such as the Dollar General already present in the Town. The town should also offer business development assistance and aid in navigating regulatory requirements. Outreach to real estate agencies representing major supermarket chains, regional economic development bodies, and chambers of commerce, including the Delaware Chambers of Commerce, is advisable. Leveraging programs like the US Department of Agriculture's Healthy Food Financing Initiative and grants from the Delaware Council on Farm & Food Policy could also be beneficial. Any potential Public-Private Partnerships should prioritize economic development and increased property tax revenue or gross receipts tax revenue over financial incentives for the store owner. Additionally, it's crucial to anticipate the heightened demand for public safety services that a major supermarket would entail, necessitating appropriate resource allocation for the town's police.

## 8. Cannabis cultivation facility or retail

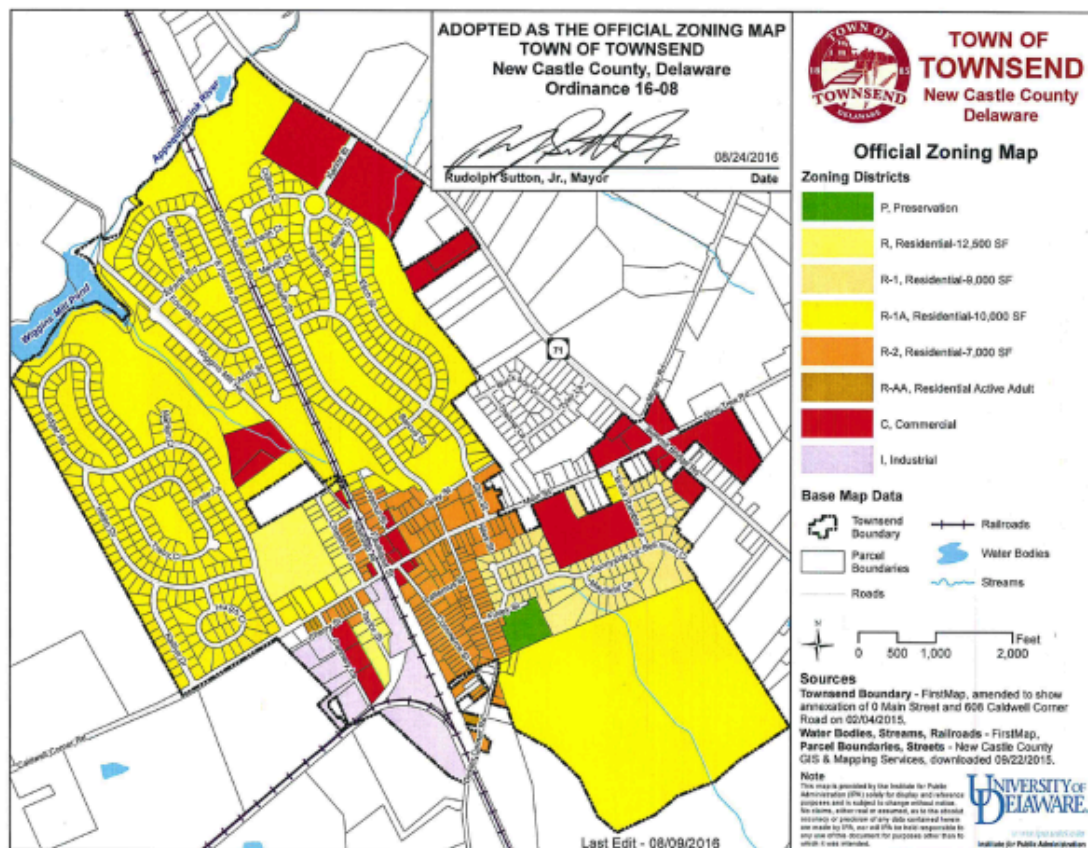


Figure 8: 2016 Townsend zoning map

House Bill 2 which was signed into law on April 23, 2023, established and regulated the marijuana industry in the state of Delaware. These new regulations authorized the operation of 30 marijuana retail outlets, 60 cultivator licenses, 30 manufacturing licenses, and 5 testing licenses beginning around September of 2024. Most of these are mostly two-year licenses and are from the Delaware Department of Health and Social Services (DHSS) under the Office of Medicinal Marijuana (OMM). It has been estimated that Delaware has a cannabis market worth \$215 million.<sup>3</sup> Similar to other states, like California, Delaware marijuana enterprises must be approved by the municipality they wish to operate in. This means all prevailing local regulations need to allow for the operation of any of these enterprises. In Townsend, that means that revisions have to be made to the municipal zoning codes 24.12.080 (Industrial District) and 24.12.070 (Commercial District) to permit marijuana retail, cultivation, and manufacturing. (See Figure 6) Working alongside a cannabis entrepreneur it will take roughly 8 months to obtain a license from the state for any of these facilities. In this process, The Office of Medicinal

<sup>3</sup>McGuinness, K. (2021) Anticipated from Legalizing Marijuana in Delaware, Delaware Office of the Auditor of Accounts.

<https://www.capegazette.com/sites/capegazette/files/2021/02/field/attachments/Marijuana%20special%20report%202021.pdf>



Marijuana (OMM) will rely heavily on the municipality's opinion to decide whether to grant or deny licensing requests made by potential cannabis business owners. A pathway that our group recommends if this option is pursued is to try to get a potential cannabis business owner to be in the Social Equity Program (SEP), which would come with discounted application fees and licensing fees, and technical assistance. Due to no municipal sales tax in Delaware, the revenue for the Town from any cannabis enterprises would come from the property tax or gross receipts tax generated by these facilities. Another thing to note, is that having a cannabis retail or manufacturing facility might come with an increasing need for public safety services. This is due to the nature of the industry and because federal regulation requires these businesses would be primarily conducted with cash transactions. However, the town can ensure that proper private security is hired by the cannabis business owner.<sup>4</sup>

### **9. Community Solar Initiatives<sup>5</sup>**

**(<https://www.energy.gov/eere/solar/local-government-guide-solar-deployment>)**

Our final recommendation for the Town of Townsend is to implement a community solar initiative. Switching to solar energy would help reduce energy costs for the town and those who reside in the town, leading to less expenditures in the budget for energy, and hopefully contributing to more revenue. Community solar subscribers pay for a share of the electricity generated by the community solar project. This is typically in the form of a monthly subscription fee. The maintenance cost would decrease and provide more efficient energy in the town. The town could also receive assistance from the state and federal government to cut costs of implementation for the town directly. According to the Office of Energy Efficiency and Renewable Energy, the best way to approach this would be to create a diverse group of stakeholders such as an advisory group and different committees and task forces, to ensure that the solar initiative is benefiting the various groups within the town, and not harming them. Done correctly, this initiative can easily cut costs and provide clean and sustainable energy for the community.

---

<sup>4</sup> Delaware Cannabis Information Portal. (2024) *How to open a dispensary in Delaware*. Delaware State information system. <https://delawarestatecannabis.org/business>

<sup>5</sup> US Department of Energy. (2022). *Local Government Guide for Solar Deployment, Department of Energy*. Office of Renewable Energy. <https://www.energy.gov/eere/solar/local-government-guide-solar-deployment>

## Comparison Matrix

**Criteria Rationale and Scale:** Based on the criteria used by Dr. Phillip Barnes in his work with the Institute for Public Administration on Delaware state's Gas Tax, our team selected four criteria to base our evaluation of the recommendations. These criteria are Effectiveness, Administration Feasibility, Equity, and Public Acceptance.

- Effectiveness means how well the recommendation will achieve the goal of creating financial stability in Townsend and is on a scale of 1 being the least effective at achieving this goal and 10 being the most effective.
- Administration Feasibility means how plausible the recommendation can be implemented by the Town's Administration and is on a scale of 1 being the least feasible to be administered and 10 being the most feasible.
- Equity means both equality in benefits received from the recommendation and equality in taxes required in the recommendation. The scale of equity is that 1 is the least equitable and most equitable, with 5 being neutral.
- Public Acceptance means how well received each recommendation will be by the residents of Townsend and is on a scale of 1 being least accepted by the public and 10 being the most accepted, with 5 being neutral.

### Comparison Matrix:

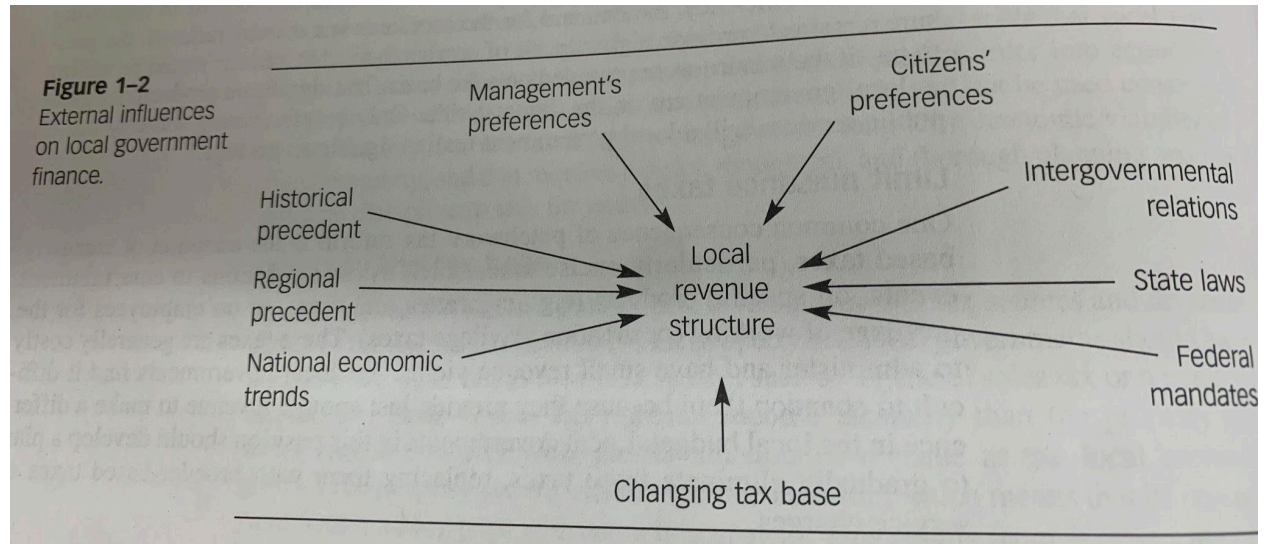
	Effectiveness	Administration Feasibility	Equity	Public Acceptance
Capital assets sale or lease/ no action	2	10	10	2
Revised franchise tax	2	10	10	8
User charge for trash collection services	6	7	4	3

	Effectiveness	Administration Feasibility	Equity	Public Acceptance
revised property tax	10	10	10	2
Dissolve police	9	4	5	4
Grants	5	4	10	9
Additional Commercial Property	6	4	5	10
Cannabis cultivation facility or retail	6	3	4	6.1 <sup>6</sup>
Community Solar Initiatives	6	4	5	8

---

<sup>6</sup>*Delawareans continue to back progressive agenda, elected officials.* Delaware Center of Political Communication. (2018, October 17). <https://www.cpc.udel.edu/content-sub-site/Documents/CPC%20poll%2010-17-18%20FINAL%20FOR%20CPC.pdf>

## Stakeholder Engagement



*Figure 9: External influences on local government finance*

The stakeholders we kept in mind when formulating our final recommendations for Townsend were Citizens/Residents, Elected officials, Town Administrators, the Business Community, Public Safety Agencies, and the Delaware State Government. Citizens/Residents will decide the acceptance of the municipal action based on your community's preferences and the individual benefit received per additional tax dollars. Elected officials play a crucial role as they represent the interests and concerns of their constituents, balancing community needs with fiscal responsibility. Town Administrators oversee the implementation of policies and ensure efficient use of resources, while the Business Community contributes to economic vitality and growth. Public Safety Agencies want to ensure the well-being of residents and maintain law and order, and may play a larger role in the community when developed correctly. Additionally, collaboration with the Delaware State Government is essential for aligning municipal efforts with broader state goals and regulations, fostering a cohesive approach to governance and development.

Whichever action is taken moving forward toward financial sustainability, consider the impact it will have on each of these stakeholders and how you will need to engage them to implement this plan.

## Final Recommendation

To address the Town of Townsend's situation of being in a fiscal squeeze caused by current and impending expenditure required to develop their newly formed police department; our team recommends maintaining an emergency revenue shortfall plan, increasing guaranteed short-term revenue, and investing in an additional long-term revenue project. This recommendation is dependent on the town council's desire to keep its police department. If the town returns to the use of state police patrols for public safety then no drastic effort is needed to increase revenue and cut expenditures.

If sufficient action is not taken to address the financial needs of the police department then a revenue shortfall is predicted which would require the sale of capital assets. First, the liquidation of the town's exchange-traded funds then other assets. To prevent this in the short term our team recommends renegotiating franchise fee contracts, increasing property tax, and switching waste services to a user-based charge. It is acknowledged by our group that since 2020 property taxes have paid for waste services which are highly enjoyed by residents. It is up to the discretion of the town's leadership to decide what balance to strike, between increasing the property tax rate and no longer paying for waste services. This will be done to determine which balance is acceptable to the residents. There could be a situation where only a minor increase in the tax rate and the switch to user charges for waste services would be sufficient. Alternatively, a larger increase in the tax rate would allow for the cost of waste services to continue to be paid for by the property tax revenue. These recommendations would produce guaranteed revenue that will help with the financial burden of the police department

In addition to these short-term recommendations, an additional long-term project should be selected based on whichever the town believes will have the highest returns in revenue with the lowest cost to the town. Our group believes that the project that will most likely have the best return would be hiring a free-lance grant writer, attracting an additional commercial property to be established in the town, and taking advantage of the new cannabis industry in Delaware by attracting a cannabis dispensary or faculty to be established in the town.