



Bethany Beach Landowners Association (BBLA)  
PO Box 401, Bethany Beach, DE 19930

November 13, 2014

The following letter was adopted by electronic vote by the Board of Directors of the Bethany Beach Landowners Association (BBLA) on Thursday, November 13, 2014.

To: The Town Council and Town Manager of Bethany Beach:

BBLA commends the Town Manager and his dedicated staff for bringing into focus and to public attention a critically important issue, namely, the need to create a reserve fund that can be used for disaster recovery purposes as well as beach restoration and maintenance if other funds for that purpose are not available. No matter how one views the debate over climate change and its effects on ocean levels, serious storms that result in extensive beach damage and erosion are certain to occur from time to time in the future. Without an attractive beach for vacationers, as well as residents, the Bethany Beach we all know and love would cease to exist. Thus, disaster recovery and beach preservation are and will remain the single most important priorities for this community for the foreseeable future. Moreover, the days of federal and state funding for beach restoration projects may well be numbered. Some have argued that coastal communities should not create reserve funds for these purposes because doing so will only encourage federal and state legislators to eliminate funding for such projects. The problem with that argument is that legislators are likely to cut or eliminate funding no matter what municipalities may or may not do, so that those who have made no plans to address that likelihood will suffer the most.

BBLA also commends the Town Manager and his staff for the openness they have displayed in making information available on the staff's thinking as to how to address the need for a reserve fund. In essence, the staff's suggestion is to replace the privately owned and operated business of renting beach umbrellas and chairs with a municipally owned and operated business.

Identifying a problem, such as the need for a reserve fund, is one thing. Finding the most appropriate solution or set of solutions to that problem is another and quite distinct matter. On this second matter, BBLA believes the Town ought to give very serious consideration to alternative ways of funding a reserve. We further believe that there are serious issues raised by the proposal to supplant a privately owned business with a municipal operation that merit careful study.

As for alternative solutions, we note that Mr. Steen's current bid offers the Town roughly \$75,000 per year for a five year period. That money could be used to fund a reserve without the Town having to take on the burdens and financial risks associated with operating a business in which the Town has no prior experience or expertise. In the past, concession revenue has gone into the Town's general revenues so that putting future concession fees into a reserve fund would reduce the revenue that would otherwise be available for general Town expenses. But under the staff's proposal, concession fees from a private business would disappear so that other means of funding general expenses would have to be found. (We note in passing that the staff's projection of a "net

gain” of \$200,000 annually from a municipally operated rental business fails to take into account the \$75,000 in revenue that the Town would lose as a result of displacing the private business that would have paid those fees. Thus the true “net gain,” if the staff’s estimates and projections are otherwise correct, is \$125,000.)

Other alternatives also merit investigation and consideration. Perhaps the Town could negotiate higher concession fees. A rental tax could be imposed for renting beach equipment just as we impose rental taxes on real property. Existing taxes on beach house and hotel rentals might be increased and the increased revenue (or possibly some or all of the revenue generated by the current tax rates) could be dedicated to funding a reserve. Expenditures in other areas of lower priority possibly could be reduced to make money available for a reserve fund. We are not advocating or endorsing any specific measures along these lines. Rather we are simply trying to illustrate issues that need to be considered.

Replacing a privately owned and operated business with a newly created municipally owned and operated business is another very serious matter that warrants through study and consideration. There are a great many coastal communities between Bethany Beach and North Myrtle Beach, and many more to the north of us. How many of those communities have municipally owned and operated businesses that rent beach equipment? Of those that do have municipal ownership, how has that worked out, not only for the town government but also in terms of consumer satisfaction? Have any of the communities that do not currently have such municipal businesses studied the matter or tried municipal ownership in the past?

Finally, if a privately owned rental business was doing a poor job and if competent entrepreneurs could not be found to run such a business, municipal ownership might well be the only reasonable solution. But none of that applies here. Mr. Steen and his family have successfully operated their beach rental business here for many years without, so far as we know, any serious or numerous complaints about the adequacy of their service. (One can only wish that the same could be said of our cable television service.) The time worn admonition that “if it ain’t broke, don’t fix it,” while by no means an absolute rule, is entitled to at least some weight in assessing the staff’s proposal. In sum, BBLA believes there is a clear and compelling case to be made for creating a reserve fund to deal with such contingencies as beach restoration and other disaster related problems. But finding the best way or ways of generating the money needed for such a reserve fund is in our view a very complex, multi-dimensional problem. It requires very careful, in-depth study.

We would support the creation of a committee to study the issues and come up with detailed recommendations based on solid research. We would welcome the opportunity to participate in such a committee. In the meantime, we believe the Town should negotiate with Mr. Steen in an effort to resolve this matter and achieve a mutually satisfactory outcome.

Very truly yours,  
/s/  
Michael Horne,  
President, BBLA