REGULAR COUNCIL MEETING

The Regular Council Meeting was held on October 12, 2015 at 7:30 p.m. with Council President Slavin presiding. Council members present were Mr. Anderson, Mr. Sudler, Mr. Neil, Mr. Lewis, Mr. Cole, Mr. Hosfelt, Mr. Hare, and Mr. Hutchison.

Council staff members present were Police Chief Bernat, Mrs. Mitchell, Mrs. Townshend, Mr. Koenig, City Solicitor Rodriguez, and Mrs. McDowell. Fire Chief Hall was absent. Mayor Christiansen was also present.

OPEN FORUM

The Open Forum was held at 7:15 p.m., prior to commencement of the Official Council Meeting. Council President Slavin declared the Open Forum in session and reminded those present that Council was not in official session and could not take formal action.

Mr. Sam Arost, 806 Woodcrest Drive, expressed concern with the traffic on Oakridge Alley, which runs in front of the driveways behind the houses in Woodcrest. He stated that there is a daycare in the neighborhood and the parents speed in and out using the alley to drop off their children. He noted that the cars are often going 35 to 40 mph by the time they reach the alley. Mr. Arost stated that many residents are leaving their driveways to go to work at the same time these parents are dropping off their children.

The invocation was given by Chaplain Wallace Dixon, followed by the Pledge of Allegiance.

AGENDA ADDITIONS/DELETIONS

Mr. Hutchison moved for approval of the agenda, seconded by Mr. Hare and unanimously carried.

Mr. Hosfelt requested that item #9B - City Manager's Report and item #9G - Police Chief's Report, be removed from the Consent Agenda.

Mr. Hare moved for approval of the Consent Agenda, as amended, seconded by Mr. Neil and carried by a unanimous roll call vote.

ADOPTION OF MINUTES - REGULAR COUNCIL MEETING OF SEPTEMBER 28, 2015

The Minutes of the Regular Council Meeting of September 28, 2015 were unanimously approved by motion of Mr. Hare, seconded by Mr. Neil and bore the written approval of Mayor Christiansen.

PRESENTATIONS - 2015 MAYOR'S ARTS AWARD

The Mayor's Arts Award was established to recognize the importance of the arts in Dover and to honor groups and individuals who have made outstanding contributions to the artistic and cultural light of our great City. The award honors visual and performing artists, arts educators, arts organizations, arts volunteers, and supporters of the arts. The recipients of this prestigious award exemplify excellence, inspire the community with their artistic pursuit, and insure a cultural legacy for future generations. Mayor Christiansen presented the 2015 Mayor's Arts Award, as follows:

Delaware State News

The Delaware State News pledges to their readers to help our community become a better place to live and work for our dedication to conscientious journalism. They consistently showed this support to both individuals artists and the art community in greater Dover in a variety of ways: news coverage, sponsorships, participation, and by providing a platform for the community to share what's important to them in the local art scene. This is true no matter what the genre, performing visual, cinematic, or literary art.

Mr. Tom Byrd, Publisher of the Delaware State News, on behalf of the fantastic staff whose dedication and belief in the importance of the arts for a community, and for community newspapers such as the Delaware State News, thanked Mayor Christiansen for the award. He noted that the staff members had done the work to earn the award and that he was thrilled and honored to be associated with them in a community like Dover.

PRESENTATIONS - 2015 MAYOR'S YOUTH ARTS AWARDS

The Mayor's Youth Arts Awards was established to identify, encourage, and honor talented high school art students. This award highlights the importance of an arts education and fostering future citizens of our great city. The recipients of this prestigious award exemplify excellence and demonstrate outstanding accomplishment in the arts. Mayor Christiansen presented the 2015 Mayor's Youth Arts Awards, as follows:

Chalay Marie Horne

Chalay's band director, Lenny Knight, posted about her persona, persistence, and self-discipline which is exceptional and how her charisma is well accepted. She is a valuable member of the band and a well established student in not only the band organization but also in Dover High School. Her involvement includes playing clarinet in the marching band, wind ensemble, and pep band. She is also serving a leadership role as a Junior Drum Major for the award winning marching band.

Claire Kolakowski

Claire is a musician, primarily a cellist, but also plays french horn and sings in the chorus, and is a junior at Caesar Rodney High School. Her band director, Dwayne Sandlin, describes her as having an enormous amount of talent and potential. She is a multi-year All State musician on both cello and horn. She is currently a member of marching band, concert choir, and pit orchestra.

Angel Caldwell

Angel's senator newspaper advisor, Mrs. Lesley Louder, states that Angel is one of the few writers that she has encountered in ten years of advising the newspaper and teaching English who is willing to expand her horizons through all kinds of writing and is willing to put herself out there to touch the lives of others. Diane Codding states, "her work has inspired her classmates to find their own passion in writing. Ms. Caldwell has a desire and talent to be the voice of her fellow students in the greater Dover community."

RECOGNITION OF SERVICE - BRIAN MILLER - GREATER DOVER ARTS COUNCIL

Mayor Christiansen presented Mr. Brian Miller with a City of Dover Cup and thanked him and his family for the many hours he has given to serve the City as Chairman of the Greater Dover Arts Council. He noted that, usually behind every good volunteer that the City has, they have an understanding wife or husband and family.

Mr. Miller thanked the Mayor and stated that it had been an honor to serve with him and two (2) previous Mayors. He thanked the Mayor for his support of the arts and continuing on with the Mayors Arts Awards, which are very positive for the City and give many opportunities for students in the community to participate in the arts. Mr. Miller also thanked his family and the other members of the Greater Dover Arts Council that he has served with, noting that it had been a pleasure. Mayor Christiansen recognized the current members of the Greater Dover Arts Council in attendance.

Mr. Hosfelt moved for a brief recess for light refreshments, seconded by Mr. Hutchison and unanimously carried.

Meeting recessed at 7:44 p.m.

Mr. Anderson moved to reconvene the meeting, seconded by Mr. Hare and unanimously carried.

Meeting reconvened at 8:02 p.m.

PUBLIC HEARING/FINAL READING - PROPOSED ORDINANCE #2015-13, WITH PLANNING COMMISSION AMENDMENT #1 (PC#1), AMENDING APPENDIX B - ZONING

A public hearing was duly advertised for this time and place to consider approval of proposed zoning text amendments to Appendix B - Zoning, Article 3 - District Regulations, Section 2 - General Residence Zones (RG-1 and RG-2); Article 4 - Zoning Bulk and Parking Regulations, Section 4.2 - RG-1 (General Residence) Zones; and Article 5 - Supplementary Regulations, Section 1 - Supplementary Regulations Applying to Residence Zones of the Dover Code.

Mr. Neil moved that the Final Reading of proposed Ordinance #2015-13 be acknowledged by title only, seconded by Mr. Cole and unanimously carried. *(The First Reading of the ordinance was accomplished during the Council Meeting of August 24, 2015.)*

Mrs. Ann Marie Townshend, Director of Planning and Community Development, advised members that the text amendments are associated with the implementation of the Downtown Development District and the Restoring Central Dover plan. She noted that the proposed amendments would allow within the RG-1 zone duplex houses and townhouses as a conditional use; would remove the allowance of apartments in the RG-1 zone; and would expand the ability to do administrative waivers for things that are typical of development within that zone. Mrs. Townshend advised that the proposed amendments would also create Citywide infill standards with minimum landscaping and sidewalk requirements.

Mrs. Townshend stated that the proposed amendments revise the bulk standards for the general residence zones to make it easier to develop some of the lots in the downtown. She noted that the current minimum lot size in the RG-1 zone is 7,500 square feet and it would be reduced to 6,000 square feet for a single family detached home. Mrs. Townshend advised that there are many lots that are 50 x 100 or 50 x 150 and it is very hard to develop those lots under the current zoning standards. She also noted that it would allow flexibility in housing styles by allowing duplexes and townhouses, with Planning Commission approval, and change the bulk standards and add infill standards to all of the residential zones.

Mrs. Townshend advised that the Planning Commission proposed an amendment that would change parking lots from a permitted use to a conditional use, which means that a request for off-street parking would go through a Planning Commission process.

Mrs. Townshend advised that the Planning Commission unanimously recommended adoption of the ordinance.

Responding to Mr. Hutchison, Mrs. Townshend stated that the proposed amendment would remove the language that allows apartments in the RG-1 zones. The language limits multiple dwellings, which is another word for apartments, to placement within the RG-2 district only, which is the district that most of the apartment complexes are currently in.

Responding to Mr. Lewis, Mrs. Townshend advised that she believes these amendments will bring new buildings to the City.

Mr. Anderson asked what the logic was of the Planning Commission's amendment, noting that he has always thought that off-street parking was more beneficial than on-street parking. Responding, Mrs. Townshend stated that the specific amendment relates to off-street parking as a principal use. She noted that the current language allows off-street parking accessory to commercial uses within the C-2 zone. The off-street parking referred to in the amendment relates to a parking lot. Mrs. Townshend advised that the language related to the C-2 zone was struck because there are other areas, along Division Street for example, where properties are zoned C-1A but there may be a need for parking. She stated that the concern was that without having Planning Commission oversight, someone could create a parking lot in a residential zone without a public input process.

Council President Slavin declared the public hearing open.

There being no one present wishing to speak during the public hearing, Council President Slavin declared the hearing closed.

Mr. Hare moved for adoption of the ordinance, as amended, as recommended by the Planning Commission. The motion was seconded by Mr. Neil and, by a unanimous roll call vote, Council adopted Ordinance #2015-13, as follows:

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF DOVER, IN COUNCIL MET:

That Appendix B - Zoning, Article 3 - District Regulations, Section 2 - General Residence Zones (RG-1 and RG-2) of the Dover Code be amended to read as follows:

Section 2. - General residence zones (RG-1 and RG-2).

2.1 *Uses permitted*. In a general residence zone, no building or premises shall be used, and no building or part of a building shall be erected, which is arranged, intended or designed to be used, in whole or in part, for any purpose, except the following:

2.11 Any use permitted in one-family residence zones.

2.12 Garden apartments limited to placement within the RG-2 district only.

2.2 *Performance standards*. All uses are subject to performance standards as set forth in article 5, section 8.1.

2.3 *Site development plan approval*. Site development plan approval in accordance with article 10, section 2 hereof shall be required prior to the issuance of building permits for the erection or enlargement of all structures and related accessory structures. Such approval shall also be required prior to the issuance of certificates of occupancy for a change of use.

2.4 *Conditional uses*. The following uses are permitted, conditional upon the approval of the Planning Commission in accordance with the procedures and subject to the general conditions set forth in Article 10, Section 1:

(a) *Townhouses subject to the following restrictions:*

i. No more than one dwelling unit shall be permitted upon a lot
ii. No more than four dwelling units shall be permitted in a group of townhouses
iii. Each group of townhouses shall be physically separated from another by no less than two (2) dwelling units of a different housing type from other groups of townhouses on the same side of the street.
iv. Townhouse groups shall be designed to minimize points of access to the public street and to take access from an alley or other shared access where such access is available.

(b) *Duplex dwellings subject to the following restrictions:*

i. No more than one dwelling unit shall be permitted upon a lot
ii. Duplex dwellings shall be designed to minimize points of access to the public street and to take access from an alley or other shared access where such access is available.

(c) Bed and breakfast inns in the RG-1 district only, subject to the following:

i. A bed and breakfast inn may only be established within a primary residential structure or an associated accessory structure.

ii. The owner of the property shall reside on the premises of the bed and breakfast inn or in an adjacent premises. However, if ownership of the property is in the name of a corporation, partnership, trust, etc., a full-time resident manager/operator/inn-keeper shall reside in the principal structure on the subject property or adjacent property.

iii. The principal structure shall contain at least one full bathroom for the exclusive use of the owner or resident manager and other members of the immediate household. In addition, one full bathroom shall be provided for each two guestrooms. Each full bathroom shall contain a minimum of one water closet (toilet), one lavatory (sink) and one bathtub or shower stall and shall comply with all applicable building and plumbing codes.

iv. The number of guestrooms requested shall be set forth in the application for conditional use. The planning commission shall expressly establish the maximum number of guestrooms permitted for any application for which approval is granted. In no case shall a bed and breakfast inn contain more than ten guestrooms.

v. Off-street parking shall be provided at a minimum of two spaces, plus one space per guestroom. Off-street parking shall be prohibited in the front yard, except that such parking which may be customarily accommodated on a single width driveway may be permitted. Required parking may be provided on the premises or off the premises, provided that such off-premises parking is located within 150 feet walking distance of the bed and breakfast property.

vi. Lot coverage for a bed and breakfast inn shall not exceed 60 percent of the lot.

vii. Signage is limited to one sign not to exceed six square feet in area. Signs may be illuminated, provided that internally illuminated signs shall be prohibited.

viii. Meals may be served to residents and overnight guests only. No cooking appliances or kitchenettes shall be permitted within the guestrooms, except small refrigerators and microwave ovens.

ix. The stay of overnight guests shall be limited to 30 consecutive days.

x. The owner/operator of a bed and breakfast inn shall maintain a current City of Dover business license, and the establishment shall be inspected by the City of Dover fire marshal and the City of Dover health inspector for compliance with all applicable life safety and health and sanitation codes.

(d) Student homes subject to the following siting and bulk criteria:

i. No student home shall be located closer than 500 feet from any other student home.

ii. The maximum allowable occupancy shall be four persons or the occupancy limit as determined by the building and fire codes adopted by the City of Dover, whichever is less.

iii. Two off-street parking spaces shall be provided per dwelling unit.

iv. A student home shall not be permitted to be established within any semi-detached dwelling, duplex dwelling, group dwelling, or townhouse dwelling unit.
v. Buildings or groups of buildings on the same lot with 15 or more units on the lot shall not be subject to the student home regulations.
vi. Student homes shall be licensed under chapter 10, Housing Code [chapter 22, Buildings and Building Regulations], article V [X], Rental Dwellings, of the Code of Ordinances.
vii. Student homes shall be subject to the provisions of chapter 10, Housing Code [chapter 22, Buildings and Building Regulations], article III [VIII], Leases, of the Code of Ordinances.

(e) Multiple dwellings limited to placement in the RG-2 district only.

(f) Professional offices may be permitted on Governors Avenue between Water Street and Mary Street, and on Route 8, subject to the following restrictions:
i. The office operations shall be conducted in such a manner as to maintain the residential character of the surrounding neighborhood, and no changes or improvements shall be made to the premises which might preclude utilization of the premises for residential purposes in the future.
ii. There shall be no other professional office located in the same zoning district within 250 feet of the premises.
iii. No display of products or goods shall be visible from the street.
iv. There shall be no exterior effects such as noise, traffic, odor, dust, smoke, gas, fumes, radiation, or electromagnetic interference.
v. A minimum of two off-street parking spaces shall be required.
vi. No more than four off-street parking spaces shall be permitted. Furthermore, all off-street spaces shall be visually screened from adjacent residential uses, to the greatest extent possible, by employing a landscape screen no less than six and one-half feet high, which landscape screen shall be properly maintained throughout the duration of the professional office use on the subject premises.
vii. Signage shall be limited to one sign, not to exceed six square feet in area. No sign may be illuminated.
viii. The hours of operation shall not commence prior to 6:00 a.m. and shall cease no later than 8:00 p.m., with no more than four employees engaged in the operations upon the premises at any given time.
ix. The planning commission shall have the authority to impose such additional conditions and restrictions as may be necessary or appropriate to protect the general health, safety, and welfare of the residents of surrounding properties.

(g) In order to stimulate limited commercial activity in the RG-1 and RG-2 zones within the city's historic district zone and/or where a historic district property or a property listed on the National Register of Historic Places exists, and to make this area of historic Dover more attractive to tourists and residents, antique shops, art galleries, gift and card shops, book stores, specialty hobby stores, and restaurants with no alcoholic beverages may be permitted as accessory uses incidental to the principal

residence, subject to the conditional use approval of the planning commission in accordance with Article 10—Planning Commission, Section 1—Approval of conditional uses, and subject to the following:

i. Total floor area of any nonresidential accessory use shall not exceed 2,000 square feet.
ii. A minimum of two off-street parking spaces shall be required to serve the residence and the accessory use.
iii. Signage for the accessory use is limited to one sign not to exceed six square feet in area. Signs may be illuminated, provided that internally illuminated signs shall be prohibited.

(h) *Off-street parking*

2.6 Administrative waivers:

(a) The city planner shall have the authority to waive the bulk standards and parking requirements of article 4, section 4.2 for all non-conforming lots that existed in the RG-1 zone prior to January 1, 2007, when deemed necessary for redevelopment. The applicant must request such waivers in writing, stating the reasons that such waivers are necessary for development for redevelopment of the subject parcel.

(b) The city planner shall have the authority to adjust the lot dimension requirements of article 4, section 4.2 in the approval minor lot line adjustment plans, where no additional lots are created, and to waive the bulk standards of article 4, section 4.2 for the placement of a structure on associated lots when deemed necessary for redevelopment. The applicant must request such waivers in writing, stating the reasons that waivers are necessary for redevelopment of the subject property.

(c) The city planner shall have the authority to allow alternative parking surface, other than those specified in article 6, section 3.6 provided that such off-street parking areas where alternative surface is used are located within a rear yard. The applicant must request such a waiver in writing, stating the reasons that waivers are necessary.

BE IT FURTHER ORDAINED:

That Appendix B - Zoning, Article 4 - Zoning Bulk and Parking Regulations , Section 4.2 - RG-1 (General Residence) Zones, of the Dover Code be amended to read as follows:

Bulk and parking regulations for general residence zone (RG-1) are as follows (see also article 12, definitions; article 5, supplementary regulations; and article 6, off-street parking, driveways and loading facilities):

	One-Family Dwellings Detached	Duplex/One-Family Semi-Detached	Townhouses/One Family Attached
Minimum required:			
Lot area (sq. ft.)	6,000	5,000	3,000
Lot width (ft.) per dwelling unit	50	25	20
Lot depth (ft.)	100	100	100
Front yard (ft.)	15	15	15
Minimum side yard (ft.)	5	10	10
Rear yard (ft.)	30	30	30
Off-street parking spaces/DU	1	1	1
Maximum permitted:			
Building height			
Stories	2½	2½	3
Feet	35	35	35
Lot coverage	45%	50%	60%

BE IT FURTHER ORDAINED:

That Article 5 - Supplementary Regulations, Section 1 - Supplementary Regulations Applying to Residence Zones, of the Dover Code be amended by adding a new subsection 1.12 - Infill Standards, as follows:

1.12 *Infill Standards*. In locations where a lot or group of lots lies within a developed area, the following standards shall apply to the development of the infill lots:

(a) *Sidewalks*. Standard City of Dover sidewalk, per chapter 98, shall be required to be installed along public street frontage of every infill property by the property owner or developer.

(b) *Landscaping*. Infill structures shall be designed to minimize the impact on existing, mature trees when practical. All residential lots shall include landscaping to include plants and shrubs along the portions of the house that front a public street. No form of vegetation shall be planted on a property in a way that blocks more than half of the front façade(s) from public view.

(c) *Primary facade*. All buildings shall include a primary entry along the property's street frontage, and shall also include a porch or other entry feature.

ADOPTED: OCTOBER 12, 2015

ANNEXATION/REZONING PUBLIC HEARING/FINAL READING OF PROPOSED ORDINANCE #2015-14 - PROPERTY LOCATED AT 121 ACORN LANE AND 55 NIXON LANE, OWNED BY PAUL C. PHILLIPS AND THERESA HOSHUE

Mrs. Ann Marie Townshend, Director of Planning and Community Development, reviewed the Petition to Annex and Zone property. The Planning Commission recommended the annexation of the property with the zoning designation of R-8 (One-Family Residence), as submitted.

Public Hearing - Zoning Classification

Members considered a request for rezoning of property proposed for annexation located at 55 Nixon Lane, consisting of .5171+/- acres (lot 1) and 121 Acorn Lane, consisting of .4609+/- acres (lot 2), owned by Paul C. Phillips and Theresa HoShue. This property is currently zoned RS-1 - Single Family Residential (Kent County zoning classification) and the proposed zoning is R-8 - One Family Residential (City of Dover zoning classification) (Tax Parcels: ED-00-068.19-01-25.00-000 (Lot 1) and ED-00-068.19-01-25.01-000 (Lot 2); Council District: 3; Planning Reference: AX-15-01)

A public hearing was duly advertised for this time and place to consider the rezoning of property located at 55 Nixon Lane and 121 Acorn Lane, owned by Paul C. Phillips and Theresa HoShue.

Council President Slavin declared the public hearing open. There being no one present wishing to speak, Council President Slavin declared the public hearing closed.

Adoption of Annexation Resolution No. 2015-15

Members considered Annexation Resolution No. 2015-15 for property located at 55 Nixon Lane and 121 Acorn Lane, owned by Paul C. Phillips and Theresa HoShue.

By motion of Mr. Neil, seconded by Mr. Cole, Council, by a roll call vote of eight (8) yes (Sudler, Neil, Lewis, Cole, Hosfelt, Hare, Hutchison, and Slavin) and one (1) no (Anderson), adopted Resolution No. 2015-15, as follows:

APPROVING THE INCLUSION OF AN AREA WITHIN THE LIMITS OF THE CITY OF DOVER.

WHEREAS, the Charter of the City of Dover authorizes Council to extend the boundaries of the said City in accordance with Title 22, Chapter 1, Section 101 of the Delaware Code (22 Del.C.§101); and

WHEREAS, the Mayor and Council deem it to be in the best interest of the City of Dover to include an area contiguous to the present City limits, and hereinafter more particularly described, within the limits of the City of Dover; and

WHEREAS, the Charter of the City of Dover provides that if an annexation is petitioned by all owners of all property considered for annexation, no election shall be required. For an annexation petition not requiring an election, such petition shall be processed in accordance with procedures established for amendments to the zoning map, specified in Dover Code, Appendix B - Zoning. All annexation petitions shall be processed concurrently with the rezoning of the property considered for annexation and shall be subject to public hearing before City Council. Public notice shall be completed in accordance with the provisions of the Dover Code relating to amendment of the zoning map.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF DOVER, IN COUNCIL MET:

1. That the following described area, situated in East Dover Hundred, Kent County, State of Delaware, along with all adjacent paths, sidewalks, roadways, and rights-of-way in their entirety, shall be annexed to and included within the limits of the City of Dover:

> All that certain lot piece, or parcel of land with the improvements thereon erected situated on the west side of Acorn Lane, between North Little Creek Road and White Oak Road, being bounded on the east by Acorn Lane, on the south in part by lands of Elizabeth M. Hampson and in part by lands of Steven F. Fuller and Lupe N. Fuller, on the west by Nixon Lane and on the north by lands of Ellis J. Jones and lands of Rafaela Liranzo and being more particularly described in accordance with a recent survey by W. Julian Marvel, Professional Land Surveyor, dated May 24, 2015, as follows, to wit:
>
> BEGINNING at a point in the centerline of Acorn Lane at a corner for this parcel and for lands of Elizabeth M. Hampson, said point of beginning being a distance of 615.94 feet as measured in a northerly direction from the intersection of the centerline of North Little Creek Road with the centerline of Acorn Lane; thence running from said point of beginning in part with lands of Elizabeth M. Hampson and in part with lands of Steven F. Fuller and Lupe N. Fuller South 72 degrees 02 minutes 09 seconds west 346.37 feet to a pipe found in the east line of Nixon Lane; thence running with said east line of Nixon Lane North 17 degrees 14 minutes 51 seconds west 123.0 feet to a pipe at a corner for this parcel and for lands of Ellis J. Jones; thence running with said lands of Ellis J. Jones and lands of Rafaela Liranzo north 72 degrees 02 minutes 21 seconds east 346.46 feet to a point in the centerline of Acorn Lane; thence running with said centerline of Acorn Lane south 17 degrees 12 minutes 14 seconds East 123.0 feet to the point and place of beginning, and containing 0.978 acres of land, be the same more or less.

2. That the above described property shall be annexed into the City of Dover with a zoning classification as set by City Council and in accordance with the zoning map and environs then in force, effective upon such lands being included within the limits of the City of Dover.

3. That the certified copy of this resolution of annexation, together with a plot of the area annexed, shall be filed for record with the Recorder of Deeds of Kent County.

4. That the effective date of this resolution shall be the 13th day of October, 2015 at 12:01 a.m.

ADOPTED: OCTOBER 12, 2015

Final Reading/Adoption of Rezoning Ordinance #2015-14

Members considered Ordinance #2015-14, rezoning property located at 55 Nixon Lane and 121 Acorn Lane, owned by Paul C. Phillips and Theresa HoShue.

Mr. Neil moved that the Final Reading of Ordinance #2015-14 be acknowledged by title only, seconded by Mr. Hare and unanimously carried. *(The First Reading of the Proposed Ordinance was accomplished during the Council Meeting of August 24, 2015.)*

Mr. Neil moved for approval of the rezoning, as recommended by the Planning Commission. The motion was seconded by Mr. Anderson and, by a unanimous roll call vote, Council adopted Ordinance #2015-14, as follows:

AN ORDINANCE AMENDING THE ZONING ORDINANCE AND ZONING MAP OF THE CITY OF DOVER BY CHANGING THE ZONING DESIGNATION OF PROPERTIES LOCATED AT 55 NIXON LANE AND 121 ACORN LANE

WHEREAS, the City of Dover has enacted a zoning ordinance regulating the use of property within the limits of the City of Dover; and

WHEREAS, it is deemed in the best interest of zoning and planning to change the permitted use of property described below from RS-1 (Single Family Residential) (Kent County zoning classification) to R-8 (One Family Residential Zone) (City of Dover zoning classification).

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF DOVER, IN COUNCIL MET:

1. That from and after the passage and approval of this ordinance the Zoning Map and Zoning Ordinance of the City of Dover have been amended by changing the zoning designation from RS-1 - Single Family Residential (Kent County zoning classification) to R-8 - One Family Residential (City of Dover zoning classification) on that property located at 55 Nixon Lane, consisting of .5171+/- acres (Lot 1), and that property located at 121 Acorn Lane, consisting of .4609+/- acres (Lot 2), owned by Paul C. Phillips and Theresa HoShue.

   (Tax Parcels: ED-00-068.19-01-25.00-000 (Lot 1) and ED-00-068.19-01-25.01-000 (Lot 2); Council District: 3; Planning Reference: AX-15-01)

ADOPTED: OCTOBER 12, 2015

SAFETY ADVISORY AND TRANSPORTATION COMMITTEE REPORT - SEPTEMBER 28, 2015

The Safety Advisory and Transportation Committee met on September 28, 2015 with Chairman Hosfelt presiding.

Presentation - Cure Violence Health Approach (Ronald J. Brown, Jr.)

Mr. Ronald J. Brown, Jr., reviewed a presentation entitled, "Cure Violence Health Approach Presentation." He explained that this model was started in Chicago in an attempt to cure violence in neighborhoods with gang members, drug dealers, etc. Mr. Brown noted that this organization has a different role than law enforcement and tries to reach high-risk individuals before they cross the line. He noted that violence is never acceptable and is a behavior that is learned and can be unlearned. Mr. Brown stated that the cure to violence is using those who live and work in neighborhoods rather than government or the media. He advised members that he had been in and out of Dover all of his life and felt that Dover could use this program. Mr. Brown stated the importance of a partnership with a hospital because that is where retaliation starts after a shooting or stabbing occurs, noting that the Cure Violence program has people who go to the hospital and talk to individuals that gather there, trying to stop retaliation on the front end. Mr. Brown stated that he, himself, came from the culture involved. He indicated that many people are coming to Dover from outside the City who can destroy it and that someone has to step up and start dealing with them. He noted that people in neighborhoods are scared and cater to the thugs. Mr. Brown stated the importance of getting the community to change the norm.

Mr. Brown felt that the normal right now in Wilmington is that shooting is okay; however, Cure Violence tries to change behaviors and social norms. He stated that the best agents to bring about these changes are those who are from these neighborhoods. Mr. Brown stated that since August 19, 2014, they had mediated 168 conflicts in Wilmington that could have turned into violence. He advised members that he and the program manager were present because they want to partner with the City to cure violence in Dover.

Mr. Brown explained that the organization has five (5) interrupters and five (5) outreach workers who go out into the community. Participants who are 16 to 25 years old and who come from the streets serve as eyes and ears and function as change agents to educate the public. Mr. Brown indicated that the organization tries to convert people on the street into participants, get them into job training programs, have them do resumes, and take them to interviews. He noted the importance of having the right workers for the task and explained that a database is used to monitor and document their efforts.

Mr. Brown stated that the organization responds to every shooting in Wilmington within 72 hours. This allows for the community to come out and voice their opinions when they see the organization's presence because there is strength in numbers. They try to show people in the community that shootings and violence is not normal.

Mr. Brown explained that the program was started by Dr. Gary Slutkin in Chicago. Mr. Brown stated that he had come to provide information on the program at Councilman Anderson's request. Members were provided a presentation entitled, "Stop Shootin', Start Thinkin', Keep Livin' - Cure Violence Presentation" and a brochure on the "Cease Violence Wilmington" program.

Mr. Brown stated the need to change this generation, noting that otherwise things would get worse. He stated that the Cure Violence model is evidence based and proven to work, and that shootings had decreased at least 55% everywhere this model had been implemented. Mr. Brown advised members that the only people that could run this program or be workers in it would be people who live in Dover. His people would be teaching assistants and trainers.

In response to Mr. Hutchison regarding whether the model was working in Wilmington, Mr. Brown stated that, even though Wilmington has had 94 shootings, they had stopped a lot of shootings by "talking down" a number of high-risk individuals. He noted that last year Wilmington had over 100 shootings at this time last year. Mr. Brown acknowledged that they cannot stop everything but can mediate conflicts when possible and try to make the program effective.

Responding to Mr. Hutchison regarding their training program, Mr. Brown noted that the organization receives data from law enforcement and would try to identify four (4) target areas, such as New Street, Capital Green, and Capitol Park, where the most situations happen. They would conduct training on mediation skills, outreach skills, and how to communicate with high-risk individuals. Mr. Brown stated that he had a complete manual.

In response to Mr. Hutchison, Mr. Brown indicated that the training program would be approximately two (2) weeks in duration.

Responding to Mr. Hutchison as to how individuals are selected from the target areas and what kind of checks are done, Mr. Brown stated that background checks are done and those selected cannot have crimes against women or children. They must also be credible and cannot have been informants, noting the importance of trust. They must also be connected to their community, noting that someone from Milford who works in Dover would not be selected. Mr. Brown indicated that he had an individual who would be the point man for Dover since he knows everything and everybody from the street in Dover. He advised members that these jobs would be advertised in the paper like any other job. Mr. Brown stated the intent to start off with 50-60 individuals who would be interviewed. Selections would be made depending on how big the program is going to be and how many areas would be targeted.

In response to Mr. Hutchison, Mr. Brown stated that these individuals would be paid. He noted that there are volunteers, but the Wilmington organization is funded through the City of Wilmington and is a City 501(c)(3) that partners with Christiana Hospital and a couple of different organizations. Mr. Brown stated that they do a

lot of outreach work. He explained that high-risk individuals are getting younger and younger, and the program targets individuals starting at age 12 who may be at the Ferris School, Wilmington Detention Center, or in group homes.

Responding to Mr. Hutchison, Mr. Brown stated that the program had been involved in Wilmington for 22 months. Mr. Brown advised members that he is the supervisor and does all the strategy plans. Mr. Bob Cannon, Program Manager, does all the management work.

In reference to Mr. Brown's comment that the organization often starts out at the hospital after an incident, Mr. Hosfelt questioned whether this is considered mediation. Responding, Mr. Brown stated that it is not. He explained that mediation occurs when two (2) different individuals or groups are having a problem. His organization tries to meet with them to try to get an agreement in an effort to interrupt and contain violence. Mr. Brown noted that often it is peer pressure that causes these individuals to do what they do and, although a lot of them want to change, a lack of opportunity, such as jobs, is a big part of the problem. He indicated that his organization was partnering with the Department of Labor and businesses such as Access Labor Services to try to assist with jobs. Mr. Brown informed members that many of these individuals have no family management or other skill sets. He noted that he started off as a violence interrupter and that dealing with displaced individuals is a 365-day-per-year job. Mr. Brown stated that the organization tries to go to hospitals, noting that he had seen individuals who had been shot 10 times and were lying in beds with colostomy bags and tubes, etc., and that is when they finally realize that something is wrong. He explained that, although these may be the toughest individuals on the planet, when you see them in that bed, they are soft.

In response to Mr. Keller regarding church involvement, Mr. Brown stated that all organizations love this initiative. For example, he indicated that Whatcoat is a neighborhood in Dover where a lot of incidents occur. If the Whatcoat United Methodist Church held an event, Cure Violence would come to provide security at Whatcoat's request. Mr. Brown stated that they try to cater to the churches, and churches take care of their organization as well. Mr. Brown advised members that they do not get paid for 60% of the work they do, noting that he works seven (7) days per week but gets paid for five (5). He informed members that this is not a job done for a paycheck but because of a desire to change the community.

In response to Mr. Hosfelt regarding what the organization would need from the City to get the program started, Mr. Cannon stated that they would need a letter from the City of Dover to their national sponsors in Chicago and the City of Wilmington stating that the City feels the need for Cure Violence to come to the City. Then they would contact the City of Dover and go from there, since there would be a need to talk about the logistics for funding.

Responding to Mr. Hosfelt, Mr. Cannon stated that the organization received $250,000 from the City of Wilmington last year and $225,000 this year. He stated that this was not nearly enough, noting that this basically just took care of salaries. Mr. Cannon advised members that this model has a lot of costs for outreach, noting that there are rallies, information booths, barbecues, etc., set up in different communities to draw the interest of the community and to get them involved. He stated that they were making do with existing funding, but the program was underfunded. Noting that they had recently turned in their yearly evaluation and overview of the program, Mr. Cannon indicated that it was hoped that there would be more funding.

Responding to Mr. Keller regarding the program's success in Chicago, Mr. Cannon stated that the program had brought about change where it had been implemented. He stated his belief that two (2) more sites had opened in Chicago and advised members that the model was now international, as it had been implemented in Mexico and Honduras. He reiterated that it had been proven to work. Mr. Cannon stated that the University of Michigan just did a study on Cure Violence and concluded that the method works. He explained that Cure Violence initiative looks at violence as a medical issue which is a learned behavior and stated that research available on the initiative at cureviolence.com showed that the model was working.

Mr. Cannon stated that the program was just getting started in Wilmington, but they had seen some successes. He emphasized that the only way the program would work was if the right people were hired, reiterating that they hire individuals who have been in the system but have cleaned themselves up, have street knowledge, come from and know the community, and are serious about what they are doing. Each individual hired is taken through an intense program to make sure that they are on the right track.

Mr. Hosfelt indicated that no action was required by the Committee at this point; however, advised Mr. Brown and Mr. Cannon that the minutes would bring this matter to Council for their review.

Mr. Brown stated that funders were needed for the program and that one of the main parties needed would be the hospital, because everything starts at the hospital.

Mr. Cannon stated that the Wilmington model is the only model that is not under a health care system, and this was one of their main goals, which would allow for more funding. He felt that this was probably because the program in Wilmington was new and a review of their numbers was needed. Mr. Cannon informed members that Cure Violence Chicago is under the University of Illinois, the Philadelphia program us under Temple University, and the Camden and Baltimore programs are under Johns Hopkins.

Presentation - Dangerous Building Process

Mrs. Ann Marie Townshend, Director of Planning and Community Development, reviewed a presentation entitled "Dangerous Building/Demolition Process". Mrs. Townshend explained that the dangerous building ordinance is addressed in Chapter 22, Article XI of the Dover Code. She reviewed the conditions that trigger the dangerous building process and the process by which staff declares a building dangerous.

Mrs. Townshend explained that, during weekly staff meetings, staff discusses cases where there are problems achieving progress or closure and they are not able to get through to the property owner the need to take action. Mr. Tim Taraila, Code Enforcement Supervisor, and Mrs. Townshend review these cases and, if they believe they meet the criteria for coming forward to City Council as a dangerous building, they order a lien search. She advised members that a first notice is then sent to the property owner and the lien holders. This typically allows the property owner 15 days or a month to act. If nothing is corrected, a notice is sent to schedule a hearing before City Council. Mrs. Townshend indicated that it is usually three (3) to six (6) months from the time that staff reaches a dead-end with a property before it comes to City Council. Often the property owner comes forward and realizes that staff is serious when they receive notice that they are scheduled for City Council.

Mrs. Townshend explained that a notice of Council action is sent to the owner and lienholders. If Council sets a 30 or 60 day deadline, a notice is sent to the property owner during the week of that deadline that provides 10 days to get everything out of the building. The City's contractor, Compliance Environmental, Inc., is then brought in to do an asbestos survey. If there is asbestos, which is common in older buildings, there is asbestos abatement, which is done concurrently with bid specifications. Demolition then follows.

Mrs. Townshend stated that demolition typically occurs 60 days after Council's deadline. The invoices reflecting the expenses incurred are sent to Customer Service, who then bills the property owner. If the amount owed is not paid by the next tax bill, these expenses are added to the taxes, which will hold up property transfers. Mrs. Townshend stated the desire to be more effective and proactive about getting these bills paid, rather than letting them sit as liens until the properties transfer. She advised members that sometimes a demolition lien will eventually force a property to a sheriff's sale, but a sheriff's sale means that a property is two (2) years delinquent on taxes. Once the property is added to the tax bill it starts toward a sheriff's sale, but ideally staff would like to recover costs and get properties back into a desirable use more quickly. She indicated that staff was working on this and that this matter would be placed on a future meeting agenda.

In response to Mr. Hutchison, Mrs. Townshend stated that there were approximately 400 vacant buildings in the City.

Mr. Hutchison stated the importance of everybody understanding how much demand the Planning and Inspections Department is under every single day because of the number of vacant homes in the City, noting that this number had never been this high in the City's history. Although Planning and Inspections was dealing very well under the circumstances, he felt this was a very big problem.

Mrs. Townshend stated that staff's priority, other than managing these properties to make sure that they are not becoming a nuisance to the degree possible, is trying to get them occupied. She noted that, while some people do not like the vacant building fee, it forces the owner to either pay this fee or sell the property. Mrs. Townshend explained that it was not supposed to be easy for an owner to just maintain a vacant building merely because they do not want to sell, move into, or rent it.

Left-Turn Signal at State and Water Streets

Mr. Scott Koenig, City Manager, informed members that there had been inquiries from the public related to the intersection of State and Water Streets, noting both of these streets are State of Delaware maintained rights of way. Although the City of Dover owned the traffic signal at this location years ago, through some work with the Delaware Department of Transportation (DelDOT) and the bond bill, the City was able to upgrade the signals and turn them over to the State of Delaware.

Mr. Koenig advised members that there are dedicated green arrows that allow eastbound and westbound travelers to turn north or south from Water Street onto State Street, and a straight through green bulb going east and west. Going north and south, there are no dedicated green arrows at this intersection. Mr. Koenig indicated that there is a turn lane going southbound on State Street that allows for approximately three (3) cars in the turn bay and there are conflicts with the traffic backing up at the intersection going north and south. When the light turns green, since there is no green arrow, drivers have to wait for oncoming traffic or take a chance by going quickly first or going in between vehicles.

Mr. Koenig explained that requests had been received in the past to install a green arrow to allow eastbound or westbound turns onto Water Street from State Street; however, at that time there was not enough traffic volume or turning counts to warrant the green arrow. Since traffic volume had increased, he stated that staff would like to ask DelDOT, based on the inquiries received, to study this area again to see whether green arrows are needed. Mr. Koenig stated that, from a staff standpoint, it would help to have the endorsement of a committee, as well as Council, when a letter is sent to the Secretary of Transportation or Chief Traffic Engineer to request that this issue be studied.

Responding to Mr. Hutchison as to whether there were other locations that needed to be studied at the same time, Mr. Koenig stated that approximately two (2) years ago, the City requested DelDOT to look at similar issues on Loockerman Street. He indicated that DelDOT responded that putting left turn arrows would create additional traffic congestion on Loockerman Street and declined at that point.

Mr. Koenig indicated that the Water/State Street intersection was probably the major issue right now, and that as things come up in the future, staff would pursue other locations.

Mr. Hutchison suggested that the input of the Police Chief be obtained before making the request.

In response to Mr. Hutchison, Mr. Koenig confirmed that the City does not own any traffic signals and they are all on State-maintained roads. He advised members that there were not green arrows at the intersection of Queen and Water Streets and that this would probably be a location that the Police Chief would say needs them.

In response to Mr. Sudler's request to share his thoughts about what other intersections may need green arrows, Police Chief Paul Bernat stated that the intersection of Queen and Water Streets is just as bad as the intersection of State and Water Streets. He confirmed the problem at State and Water Streets, noting that he had contacted DelDOT about it and was told that their studies indicate that it was fine. Chief Bernat indicated that these were the two (2) main intersections with problems, and stated that he could ask other officers to see if there were problems as well.

Mr. Koenig asked members to endorse sending a letter to the appropriate staff at DelDOT with respect at least to the Queen/Water and State/Water Street intersections. If additional intersections come up between now and the Council meeting, this could be entered into the record at the Council meeting. He noted that an inquiry letter would be sent for DelDOT to check into this and provide a report or a timeline for planning improvements.

The Committee recommended endorsing a letter to the Delaware Department of Transportation to study the Queen/Water Street and State/Water Street intersections.

Councilman Hosfelt, Chair of the Safety Advisory and Transportation Committee, advised that, during the Committee meeting of September 28, 2015, Mr. Koenig brought forward concerns regarding the need for north and southbound turn signals at the intersection of State and Water Streets. During the discussion, concerns were also raised about the need for turn signals at the intersection of Queen and Waters Streets. He reminded members that the Committee is requesting Council's endorsement of a letter to the Delaware Department of Transportation (DelDOT) in this regard.

Mr. Scott Koenig, City Manager, advised that Police Chief Paul Bernat had sent emails to the traffic division at DelDOT and those emails have been recognized and the studies are already in place. The letter, if endorsed, will memorialize Council's action of endorsing a study of the two intersections. Mr. Koenig noted that the pavement markings are already in place for dedicated left turn lanes and the only modification necessary is to the signal heads.

Mr. Hosfelt moved to endorse a letter to the Delaware Department of Transportation in support of studying the two (2) intersections (State and Water/Queen and Water) for traffic (*Exhibit #1*). The motion was seconded by Mr. Sudler and unanimously carried.

Mr. Hare expressed concerns with similar traffic conditions at the intersections of State and North Streets, Governors Avenue and North Street, and Governors Avenue and Loockerman Street.

Proposed Ordinance #2015-15 Amending Chapter 70 - Offenses and Miscellaneous Provisions, Section 70-2 - Weapons Generally and Appendix F - Fees and Fines

Chairman Hosfelt advised members that the intent of proposed Ordinance #2015-15 was to address two (2) areas: 1) concerns about individuals trying to bring weapons into municipal buildings, and 2) the processes involved in licensing or permitting those who wanted to openly carry weapons in the City. He noted that in 2012 or 2013, the City started issuing such licenses or permits and the Police Department was charged with trying to do a quick background investigation on those individuals, which ties up resources.

Police Chief Paul Bernat advised members that Proposed Ordinance #2015-15 would harmonize the Dover Code with the provisions of Article I, Section 20 of the Delaware Constitution. He stated that the ordinance had been reviewed by Mr. William Pepper, Deputy City Solicitor. Chief Bernat stated that since April 26 of 2013, the Police Department had handled 117 open carry permits, which had taken a lot of time. Chief Bernat stated that the past chief had denied two (2) such permits, one (1) for a person that had a pending criminal investigation and one (1) that was wanted during race weekend. By the time the information was received, it was too late to do a background check and this permit was denied. Chief Bernat explained that it is a constitutional right to open carry.

Mr. Hutchison questioned, under this ordinance, if only licensed law enforcement officers could come on City property, even if another individual had a permit. He inquired if an individual with a concealed deadly weapon permit would have a right to come into a municipal building. Responding, Chief Bernat stated, even with the new amendment, that if someone has a concealed deadly weapon permit, they are allowed to carry it as long as it is concealed. He stated that an individual cannot show a weapon; however, if they have it open, are asked to leave, and leave immediately, there is no harm nor foul.

Responding to Mr. Sudler, Chief Bernat stated that, under the new amendment, an individual would have a right to come into a municipal or government building with an open firearm but could be asked to leave. This was not the case at the present time.

Mr. Sudler questioned the reason for the main initiative, and if there had been incidents where someone who had the right to carry acted inappropriately. Responding, Chief Bernat stated that he did not recall such an incident and expressed his belief that the purpose was prevention, noting that things can get heated and

people become upset. He felt that if one (1) shooting could be prevented, this should be done.

Mr. Hosfelt stated his belief that this started out with the receipt of information from the Delaware League of Local Governments, which had developed a draft that they felt municipalities could use. He stated his understanding that it had received some vetting from the National Rifle Association and Mr. Pepper had reviewed it to make sure that the City was not treading on anyone's rights.

Mr. Hosfelt advised members, in regard to Lines 71 through 73, that there was a need to come up with an appropriate fine and questioned if Chief Bernat had any suggestions.

Responding, Chief Bernat stated that he thought the fee should be significant, at least $500 and not to exceed $1,000. He indicated his concerns regarding why someone would feel they needed to bring a gun in, noting that if they were at the point where they were going to be arrested, this meant they were not leaving when they were told to, which meant there was another charge of trespassing.

In response to Mr. Sudler regarding the current penalty for trespassing, Chief Bernat stated he was unsure but believed it would be somewhere between $50 and $150, depending on the criminal history.

Mr. Hosfelt stated that this would be a Delaware criminal charge, noting that the discussion was about a City ordinance.

In response to Mr. Hosfelt, Mrs. McDowell confirmed that any suggestion forwarded by the Committee could be changed at the Council meeting.

Staff recommended adoption of proposed Ordinance #2015-15.

The Committee recommended adoption of Proposed Ordinance #2015-15 with a fine of not less than $500, nor more than $1,000 for violations of the ordinance.

By consent agenda, Mr. Hare moved for approval of the Committee's recommendation, seconded by Mr. Neil and carried by a unanimous roll call vote. (The First Reading of the ordinance will take place during the latter part of the meeting).

Proposed Ordinance #2015-16 Amending Chapter 106 - Traffic and Vehicles, Article III - Stopping, Standing and Parking, Division 2 - Metered Parking, Section 106-164 - Violations; Penalties

Members were advised that proposed Ordinance #2015-16 would reduce the time from immobilization of vehicles to towing and impounding them from 120 hours to 24 hours.

Chief Paul Bernat explained that this ordinance would address parking boots. He explained that there had been some issues regarding vehicles that were booted and

it was necessary to wait five (5) days before towing. Chief Bernat indicated that staff felt it would be in the vehicle owner's best interest to have vehicles towed after 24 hours of being booted.

In response to Mr. Hosfelt, Chief Bernat stated that the owners of these vehicles owe the City money and this threshold for the amount owed had been lowered from $200 to $100.

Responding to Mr. Sudler regarding why the threshold was lowered, Chief Bernat stated that it was lowered from $200 to $100 in order to utilize the boots and get people to comply. He indicated that some people were scofflaws who did not comply with the law.

The Committee recommended adoption of Ordinance #2015-16, as recommended by staff.

By consent agenda, Mr. Hare moved for approval of the Committee's recommendation, seconded by Mr. Neil and carried by a unanimous roll call vote. (The First Reading of the ordinance will take place during the latter part of the meeting).

Mr. Anderson moved for acceptance of the Safety Advisory and Transportation Committee Report, seconded by Mr. Hare and unanimously carried.

UTILITY COMMITTEE REPORT - SEPTEMBER 28, 2015

The Utility Committee met on September 28, 2015 with Chairman Hutchison presiding.

Review of PJM Capacity Performance Auction

Mrs. Donna Mitchell, Controller/Treasurer, reviewed a presentation entitled "The Energy Authority - Review of PJM Capacity Performance Auction," explaining that PJM had entered into a new capacity performance market and the effect on the City. She noted that this presentation would also be reviewed during the review of financial policies during the Legislative, Finance, and Administration Committee meeting scheduled for later in the evening.

Responding to Mr. Blakeman, Mrs. Mitchell stated that the contract between the City and Calpine would take effect when Units 1 and 2 are removed from the capacity list, which would take place in May 2017 which would be Power Year 2017/2018.

Referring to Page 4, Mrs. Mitchell noted that the PJM Capacity Market Overview was very technical and explained that the City bids its capacity in and also purchases capacity through PJM, so there is a price differential between what goes in and out.

Mrs. Mitchell stated that PJM's new capacity performance product was implemented for Delivery Year (DY) 2018/2019. She noted that there was a partial implementation with partial-market "transition auctions" for DY 2016/2017 and DY 2017/2018, and the City had already been through those transitional auctions.

Mr. Blakeman asked what the likelihood was of the City continuing to maintain a profit margin. In response, Mrs. Mitchell explained that the City would continue to maintain a profit as long as the City does not get penalties. She stated that Staff was redoing the City's five-year forecast to include these new prices and all of these changes.

Referring to Page 6, Mrs. Mitchell reminded members that the City incurred a penalty of $562,994 for generation short-falls during February 2015 peak hours and the North American Energy Services (NAES) performance incentive was decreased by $423,000 as a result of this inability to run.

Mr. Blakeman noted that the Comprehensive Annual Financial Report (CAFR) listed 191 MW of operating capacity and questioned why the City was only using 175 MW. He stated that the CAFR changed in 2007 from 175 to 191. Responding, Mrs. Mitchell indicated that she would look into this matter.

Referring to Page 7, Mrs. Mitchell explained that the way a transitional auction works, if the City does not clear the auction, the old rules still apply. She stated that the City would be subject to the new rules in DY 2018/2019.

Mr. Blakeman, referring to Page 9, asked what a stop-loss limit was and how it would kick-in. In response, Mr. Harry Maloney, Electric Director, explained that PJM does not want to drive people that far into bankruptcy so they put a stop in place and once an entity reaches the limit, PJM will stop penalizing. He stated that it is a dollar cap.

Mrs. Mitchell reviewed the Capacity Revenue at Risk for Dover's 145 MW of Generation (DY 2018/19) on Page 10. She reminded members that in February of 2015 the City had a short-fall of 11.2 megawatts which resulted in a $562,000 penalty; however, under the new rules, the City would have a penalty between $5M and $7.5M for the same short-fall.

Mrs. Mitchell reviewed the list of Pro-Active Mitigation Measures on Page 11 and noted that the Calpine plant had put some restrictions on the gas line and made it more difficult for other generators to get gas. She informed members that the City had received good cooperation from both Eastern Shore and Chesapeake Utilities in getting gas and they will have what the City needs to start the units. Mrs. Mitchell stated that the City was very close to completing the transition of McKee 3 to oil but gas would still be needed to start the burners. She indicated that it might be a little higher cost, since the City might have to pay a premium for that gas but it would be much cheaper than what the City would pay in penalties.

Mr. Hutchison noted that the City was training staff and asked if staff was also reaching out to the City's larger customers to educate them on better ways for operation. Responding, Mrs. Mitchell stated that staff was talking to the City's large customers about their load profiles to determine how the City can help. She

indicated that staff was examining many different ideas to determine how these customers and the City can help each other.

In response to Mr. Blakeman's question regarding the possibilities of expanding the Rate Stabilization Reserve account to lower the impact to electric customers, Mrs. Mitchell advised members that currently the reserve is a minimum of 3% and a maximum of 10%, and her recommendation was for a minimum of 10% and a maximum of 20%. She explained that the City usually gets income when generating, and as the City gets favorability and power supply the City puts the money in the Rate Stabilization Reserve. Mrs. Mitchell stated that she would never recommend a rate increase to fund a reserve.

Referring to Page 8, Ms. Stewart asked if the enhanced demand-side participation was from the City of Dover or the entire DPL South Zone. Responding, Mrs. Mitchell advised that the graph indicated when this change in the PJM regulations was implemented, noting her belief that it was the enhanced demand-side participation for the whole PJM grid.

In response to Ms. Stewart, Mrs. Mitchell stated that the City does not currently do anything for demand response. Mr. Maloney confirmed that the City does not do anything directly; however, through the Delaware Municipal Electric Corporation (DMEC) and CPower, the City's customers can participate in the PJM demand response. He indicated that a few of the City's large industrial customers participate in this program. Mr. Maloney explained that these customers will receive a phone call alert that they have a specific amount of time to reduce their load and then they share in the savings.

Mr. Blakeman asked if the City participates in the demand response program through the City's rate structure. Responding, Mr. Maloney stated that the City does not participate and is not involved in any of the money or the transactions. He advised that the customer releases the information and the City gives the information to the contractor, CPower.

Mr. Scott Koenig, City Manager, stated that Staff brought this forward as an informational item and to support some of the recommended changes to the financial policy, which will be discussed during the Legislative, Finance, and Administration Committee meeting scheduled for later in the evening.

He reiterated that the utility was changing and getting more complicated, which was leading the City to a more active and participatory management of the electric system, including the City's energy supply, its larger customers, being able to participate in the energy efficiency programs, how to replace capacity, behind the meter renewables, net metering, etc. Mr. Koenig stated that all of these things are playing a role as the City moves forward and these things equate to and influence either the City's power supply costs or the final electric rate costs to the City's customers.

Mr. Koenig stated that as the PJM grid and the electric utility become more complicated, timing is a big issue. For the City to be able to compete, the City has to be able to bring its units up quickly, know the status of the units, be able to maintain the units, have adequate reserves to pay potential penalties, etc.

By consent agenda, Mr. Hare moved for acceptance of the Utility Committee Report, seconded by Mr. Neil and carried by a unanimous roll call vote.

LEGISLATIVE, FINANCE, AND ADMINISTRATION COMMITTEE REPORT - SEPTEMBER 28, 2015

The Legislative, Finance, and Administration Committee met on September 28, 2015 with Chairman Hare presiding.

Project Carry-Forward Budget Balances/Proposed Budget Amendments

Mrs. Donna Mitchell, Controller/Treasurer, advised members that the proposed budget amendment would incorporate into the FY2016 Capital Investment Plan the adjustments to the Beginning Budget Balances for all Capital Project Funds and project balances for uncompleted or multi-year projects. It also included any adjustments related to Council actions to date on changes in project budgets that were not included in the original budget.

Members were provided a handout entitled "Late FY15 Accruals." Mrs. Mitchell advised members that the auditors brought it to staff's attention that some invoices that were received last week for FY15 projects, listed in Exhibit A to the Fiscal Year 2015/2016 Budget - First Amendment - Capital Investment Plan Amendments, had not been accrued. She indicated that this changed the results of the audit and staff had to change the financial statements. Mrs. Mitchell explained that the carry forwards that staff had provided would be changed to show the projects listed on the handout and these changes would be reflected in the proposed budget ordinance.

The Committee recommended approval of the proposed budget amendments for Fiscal Year 2016, as recommended by Staff.

By consent agenda, Mr. Hare moved for approval of the Committee's recommendation, seconded by Mr. Neil and carried by a unanimous roll call vote. (The First Reading of the ordinance will take place during the latter part of the meeting).

Status of OPEB (Other Post Employment Benefits) and Pension Funds

Mrs. Donna Mitchell, Controller/Treasurer, reviewed a presentation entitled, "City of Dover Actuarial Valuations as of July 1, 2014 for Fiscal Year Ending June 30, 2015." In reference to Page 2, City Police Pension Plan, Mrs. Mitchell explained that the Funded Ratio of the plan increased from 56.0% in FY 2014 to 59.2% in FY 2015. In regard to Page 3, Civilian Pension Plan, she noted that the amortization period of the Unfunded Accrued Liability was decreased from 21 years to 15 years, resulting in an increase to the amortization payment of $409,000. Mrs. Mitchell advised members that she had asked the actuary about this change and was told that they were matching the life of the assets to the life of the beneficiaries,

and this period was reduced to 15 years. She noted that the Funded Ratio of the Civilian Plan had improved from 53.7% in FY 2014 to 56.3% in FY 2015.

Referring to Page 5 - Other Post Employment Benefits (OPEB) 10 Year Phase In Funding Plan (2009), Mrs. Mitchell advised members that this fund was started in 2009, as required by the Government Accounting Standards Board (GASB), with a 10-year phase-in. Prior to implementing the phase-in plan, Council had set aside approximately $6M in reserve since they were aware this requirement was coming, which helped with funding the liability. Mrs. Mitchell explained that, according to the phase-in plan, the City was funding a minimum of 50% of the Annual Required Contribution (ARC) in 2013; however, the City funded over 100% of the ARC in 2014 and 2015. Mrs. Mitchell advised members that, since the ARC was fully funded, this would allow the City to use a 6.5% interest rate assumption in calculating future liability. If the plan were not fully funded, in accordance with GASB, this interest rate would have been bifurcated, with 4.5% being used on the unfunded portion and 6.5% on the funded portion. This would have driven up the liability higher and increased the annual cost. Mrs. Mitchell noted that GASB 68 required that these liabilities be shown on the City's balance sheet starting this fiscal year. She explained that the Electric Fund was fully funding its piece of the liability. Although, the General and Wastewater Funds were not fully funding their pieces, this information is looked at in total when interest rates are determined.

In response to Mr. Hare, Mrs. Mitchell confirmed that there were 48 police retirees/spouses under the Police Pension Plan who were on the employee health plan and a monthly benefit total of $130,815 was being paid to these individuals.

Mr. Hare noted that this was an average of $2,700 per individual and questioned if this was the amount being paid for health care. Responding, Mrs. Mitchell stated that this was the amount being paid for pension benefits.

In reference to Page 6 - OPEB, Mrs. Mitchell advised members that OPEB funding improved from a Funded Ratio of 19.4% in FY2014 to 36.6% in FY2015.

Mrs. Mitchell reviewed a presentation entitled, "Unfunded Liabilities Graphical Representation by Fund." She explained that the most significant changes in the unfunded liabilities related to OPEB.

Mrs. Mitchell reviewed a presentation entitled, "Actuarial Valuations Impact on FY16 and FY17 Budget - Recommendations of Controller/Treasurer - September 24, 2015." She stated that, given the results of the studies, too much money was going into OPEB and not enough into pension in the budget. As a result, Mrs. Mitchell recommended a budget adjustment, noting that she would be bringing this to Council later in the year, along with year-end balances for the audit.

Mrs. Mitchell reviewed the FY16 Budget - Pension and OPEB Analysis - Page 14, indicating that the top portion reflected overfunding in the OPEB fund. She recommended that these funds be reappropriated to the underfunded Civilian Pension

Fund. Mrs. Mitchell recommended that the $327,900 included in the General Fund for OPEB go toward General Fund pension and $20,300 from allocated for OPEB go toward Water/Wastewater pension. She recommended reducing the budgeted pension contribution of $1,750,000 in the Electric Fund to the actuary determined contribution of $627,900, which would free up money in this fund which could be considered in discussions regarding rates. Mrs. Mitchell explained that these revisions would be brought back to Council.

In reviewing Page 15 - FY17 Estimated Budget Impact Using FY16 Budgeted Payroll, Mrs. Mitchell advised members that the percent of payroll for the OPEB decreased by 2.2% for the General Fund, by 4.6% for the Water/Wastewater Fund, and by 5.4% for the Electric Fund, resulting in a savings across the board.

Review of Financial Policies

Mrs. Donna Mitchell, Controller/Treasurer, explained that, after going through the budget process, she thought it would be prudent to review the City of Dover financial policies and to look at what actually prompted those policies. She explained that one (1) of the reasons that prompted this change was that some of financial policies were based on a percentage of revenue. For example, the 2% tax increase for the General Fund resulted in an automatic 2% increase in the Contingency Reserve Fund. Mrs. Mitchell stated, rather than having some of the reserves tied to a percentage of revenue which would arbitrarily increase as the budget increases, she changed them to flat dollar amounts that she thought were reasonable and benchmarked funds against each other to see how this would come out. Mrs. Mitchell noted that the Analysis of Reserve Balances as of June 30, 2015 reflected the current budget for the reserve funds and the minimum policy requirements.

Mrs. Mitchell quoted from Revenue Policy #5 - Page 2, which states that "The City will review its incentive programs every three years and provide City Council with the amount of foregone revenues and any recommended changes." She indicated that she did not believe this was currently being completed and was unsure if it was desired to have this type of report. She noted that GASB Statement No. 77, Tax Abatement Disclosures would require this information to be included in the City's Comprehensive Annual Financial Report (CAFR) at the end of each fiscal year, and this would take effect in FY 17. Mrs. Mitchell quoted from the requirements of GASB Statement No. 77, as follows: "A transaction's substance, not it's form or title, is a key factor in determining whether the transaction meets the definition of a tax abatement for the purposes of this Statement." She stated that staff would have to get some determination on what should be included and start gathering that information for that fiscal year and expressed her desire to get the Committee's thoughts on whether to include this to Council separately or as part of the CAFR.

In response to Mr. Hare regarding her recommendation, Mrs. Mitchell stated her feeling that it was not necessary to include this in the financial policies since it had to be gathered and included in the CAFR.

In reference to Expenditure Policy #1 - Page 3, which states that "The City will establish performance measurements for all program areas, when feasible. These measures will reflect the demand, workload capability, and projected outcomes for the program to accomplish its objectives," Mrs. Mitchell indicated that she did not know that there were currently valid performance measures by program and if they were being reported. Mrs. Mitchell stated that including these goals and objectives in the budget was required when the City was participating in the Government Finance Officers Association Excellence Award Program and there were performance measures based on how those goals were met. Due to staffing changes that were made, the lack of a full-time employee to work on the budget, and the overwhelming size of the budget document, staff had stopped doing these things and this was no longer included in the budget. Mrs. Mitchell's recommendation was to removed this from the Financial Policies, unless Council felt strongly that they would like to see this information, possibly in some other format.

In response to Mr. Cole as to whether this information was provided in another format, Mrs. Mitchell stated that some performance measures are reported in the City Manager's report or in departmental reports, but they do not necessarily tie back to the budget document anymore. She noted that at one point there was a push for performance measurement across the organization and some of it fed back into the pay-for-performance system. Mrs. Mitchell stated that this is now minimized in most documents.

In regard to the Budget Balance/Reserve Policy - General Fund Policy #3 - Page 5, Mrs. Mitchell explained that, as mentioned previously, the contingency reserve minimum was changed from 2% of the current year operating revenues for the General Fund to at least $700,000. She stated that the current reserve was a little over $700,000, based on 2% of the prior year's budget. She noted that this figure would have been higher based on the current year's budget.

Budget Balance/Reserve Policy - General Fund Policy #5, relating to the Capital Asset Replacement account for Governmental Fund asset procurements, Mrs. Mitchell advised members that annual depreciation is approximately $2.5M. She stated this is the amount that would optimally be set aside each year for the replacement of current assets.

Referring to the Budget Balance/Reserve Policy - Water/Wastewater Fund Policy #3 - Page 5, Mrs. Mitchell explained that the minimum reserve of 2% of the current year operating revenues had been changed to at least $250,000. She noted that the Analysis of Reserve Balances as of June 30, 2015 showed that neither fund had $250,000, so those reserves would need to be brought up to that level, but this would be done through excess revenues and not rate increases, etc. This would be done as the City could afford it and would be built into the forecast.

In regard to Budget Balance/Reserve Policy - Water/Wastewater Fund Policy #7 - Page 6, Mrs. Mitchell stated that the Water Impact Fee Reserve had been changed from 20% of the water revenues in the Impact Fee Reserve account to $1.5M and

would be replenished over seven (7) succeeding years if used. She explained that this $1.5M was matched against what is done for the Wastewater Impact Fee Reserve. Mrs. Mitchell indicated that staff tries to keep approximately this amount in the fund, which is used when Mrs. Sharon Duca, Public Works Manager/City Engineer, submits portions of projects that involve growth. Mrs. Mitchell noted that an effort is made to maintain funds at a certain level so that emergencies can be covered. She noted that this fund was also not currently funded at the $1.5M level but would go through revenues.

In reference to the Budget Balance Reserve Policy - Electric Revenue Fund Policy #3 - Page 7, Mrs. Mitchell recommended that this contingency reserve be changed from 1% of current operating revenues to a flat amount of $750,000. Noting that the General Fund contingency reserve was $700,000, she advised members that there is also an insurance reserve for the Electric Fund at $750,000, plus depreciation future capacity reserves of $10M each, plus the rate stabilization reserve. Mrs. Mitchell felt that since there was other cushion available to hedge the City's risk in the Electric Fund, a big contingency reserve was not needed. She noted that the Electric Revenue Fund had never been kept at the same level.

In regard to Budget Balance/Reserve Policy - Electric Revenue Fund Policy #5 - Page 7, Mrs. Mitchell stated that she had changed the minimum balance from $350,000 to $750,000 to cover insurance deductibles to $750,000. This was a change made a couple of years ago which was never incorporated in the policy.

In reference to Budget Balance/Reserve Policy - Electric Revenue Fund Policy #6 - Page 7, Mrs. Mitchell stated, in light of information included in a presentation, entitled, "The Energy Authority Review of PJM Capacity Performance Auction" which was considered by the Utility Committee during their meeting of September 28, 2015, the City's penalties have the potential to increase significantly if its electric assets do not run when needed. For this reason, Mrs. Mitchell indicated that she would like to change the minimum balance in the Rate Stabilization Reserve from 3% to 10% and the not to exceed amount from 10% to 20%. If the reserve balance exceeds 20%, a credit would be applied to the power across adjustment.

Mrs. Mitchell directed members to the presentation, entitled "The Energy Authority, Review of PJM Capacity Performance Auction," Page 10 - Capacity Revenue at Risk for Dover's 145 MW of Generation (DY2018/19). Mrs. Mitchell explained that if the City's plant is unable to perform for eight (8) hours, penalties would be incurred, and penalties for the inability to perform for 16 hours would be $7.5M to $8M. She explained that during the past year, there was an incident during very cold weather when the City could not bring on the assets and was unable to provide 11 MW, resulting in a penalty of $562,000. Mrs. Mitchell indicated that on this chart, the 11 MW level would be reflected between $4M and $8M, noting that "it's a different world we life in now." She advised members know that this reserve would be a hedge against the potential for that penalty.

In response to Mr. Slavin, Mrs. Mitchell stated that the reason the City could not provide power was that the plant was not heated and, when the units were turned on, one (1) of the pipes burst due to the very cold weather. In addition, the City of Dover and many others had a problem obtaining gas due to Calpine.

Mr. Slavin advised members that Calpine is now first in line for gas and displaced the City of Dover.

Mrs. Mitchell stated that the burst pipe was the main reason for the problem, and gas was another issue. She advised members that mitigation measures were being taken, as reflected on Page 11 of the presentation, Pro-Active Mitigation Measures.

In response to Mr. Slavin, Mrs. Mitchell confirmed that there was currently a project to increase the capacity to deliver gas.

Responding to Ms. Stewart, Mrs. Mitchell stated that Dover is currently an interruptible customer; however, the City was negotiating two (2) gas contracts.

Mr. Scott Koenig, City Manager, advised members that the penalty Mrs. Mitchell referred to was a due to a polar vortex, noting that the Garrison Energy Center did not come online until June 1, 2015 for commercial operation. He was unsure if Calpine is a 100% firm gas customer, expressing his belief that Calpine had told staff at one (1) point that they could be cut off. Mr. Koenig stated that they were working on several gas transmission defects north of the City and would continue to do so. He advised members of the need for the City and a number of its customers to put pressure on Eastern Shore Natural Gas regarding gas availability in this area, for their benefit as well as that of private customers and everyone else, because gas is now a restriction on the Peninsula.

In response to Mr. Slavin as to whether Eastern Shore Natural Gas's project would increase the capacity needed through the west side, Mr. Koenig stated his belief that some looping was being done would increase availability and that transmission upgrades were currently happening.

Mrs. Mitchell advised members that the polar vortex occurred two (2) years ago; however, the $562,000 penalty was incurred in February 2015 when the pipe burst and before Calpine came online. She reiterated that proactive measures had been taken and the gas supply was being worked on as well. She noted that $423,000 of the $562,000 penalty was taken out of NAES's incentive.

Responding to Mr. Sudler regarding whether the pipes were wrapped with a heating mechanism, Mrs. Mitchell stated her belief that they could not be wrapped due to size. However, she stated that the building can be heated if the weather calls for it. In this case, the building was not heated because it was not believed that the City would be called on to run, but it was.

In response to Mr. Sudler regarding the pipe size, Mr. Harry Maloney, Electric Director, explained that there were various problems in February 2015. The first pipe was an eight (8) inch water line from the outside storage water tank that was a 68-inch line. The valve was shut because there was a leak, and they could not get the valve open. Mr. Maloney indicated that when they got the valve working, the line was frozen. When staff got water in the boiler, they started firing the boiler, and the boiler blew a tube. When they went to put Unit 3 online, which has an outside boiler, some of the lube oil systems froze because there were 20 m.p.h. winds. Mr. Maloney reiterated the need for the unit to run, noting that staff should have anticipated, gotten the boilers warm, and gotten things running, even at minimum load. He noted that it was very cold and windy that weekend and everything was ice cold.

Mr. Sudler questioned if future methods and strategies were being put in place to prevent this from occurring again. Responding, Mr. Maloney confirmed that staff was going to at least get the boiler warm.

In response to Mr. Hosfelt, Mrs. Mitchell confirmed that NAES Corporation was managing the plant for the City at the time this occurred and continues to manage it. Mrs. Mitchell stated that this decision was made at the Risk Management Committee meeting, and NAES was not a party in that meeting; however, staff was making sure to bring them in. She noted that Mr. Vince Scire, Plant Manager, did speak up and say that he was confident that they could run the plant; however, it was not warm because the decision was made that it was not believed the City would be called upon. It was a joint decision and not that of any one (1) person.

Responding to Mr. Hare, Mrs. Mitchell stated that this was a group decision made by Mrs. Mitchell, Mr. Koenig, The Energy Authority (TEA) staff, and Mr. Scire, and the decision is ultimately the City's.

Mr. Hare questioned if NAES should be the ones to make the decision since the City pays them to keep the plant running. Responding, Mrs. Mitchell stated that a change was made to bring NAES on board, make sure they are involved in all these decisions, and ask them to raise a red flag if they think something is amiss or being misjudged.

In response to Mr. Hare as to why the building was not warmed, Mrs. Mitchell stated that they did not think the City would be called upon by PJM. She explained that the unit is not scheduled to run unless it is believed that it will be called upon because of the cost. If the unit is turned on and does not run, the City would be out that money. In this case, the situation worked in the City's disfavor rather than in its favor.

Responding to Ms. Stewart, Mrs. Mitchell stated the unit was called during the polar vortex the year before but was unable to perform. She noted that the whole State was having problems at that time because trucks with fuel could not get in due to ice on the roads.

Mr. Hare stated, from NAES's perspective, the City would be telling them when they could warm up the plant, but if a pipe bursts, NAES would have to pay, noting that NAES paid $423,000 but was not allowed to make the decision. Responding, Mrs. Mitchell stated that this penalty was paid for non-performance as this was part of the contract.

Mrs. Hare stated that the City was paying NAES $7M per year to make those decisions and they should be held accountable.

In regard to Financial Reporting Policy #6 - Page 9, Mrs. Mitchell stated that this item was revised to delete the Distinguished Budget Presentation Award since the City was no longer participating in that program.

Mr. Koenig stated that during both cold spells, including the polar vortex and the February 2015 severe weather, what was learned is that the City cannot wait on passive management of the system and was moving into a phase of more active management of the asset. He noted that the City wants this asset to run and take advantage of economic opportunities, and that an Assistant Generation Manager position was requested in the budget so that the City can have a more active role in the plant and be more in tune with all the decisions being made. Mr. Koenig advised members that issues came up during the cold weather spells related to fuel delivery, etc., that had the City had not experienced in the past, the City was taking a more active approach to management of the system.

Mr. Koenig stated that capacity performance had been considered by the Utility Committee; however, the issue was that the maximum penalty exceeds the maximum revenue significantly. He expressed the desire to get into more active management to figure out how these assets that have aged fit into the picture. Mr. Koenig advised members that some did not believe that the City would be called at all once Calpine came online, and that was not the case, since the City was being called to run and must prepare to run if participating in these markets. Mr. Koenig stated that the learning curve coming out of this experience was that the City has to increase its available fuel supply for oil, because it is not guaranteed gas.

In reference to the firm 500 dekatherm gas contract mentioned by Mr. Maloney and Mrs. Mitchell, Mr. Koenig stated that this would just get the igniter started so that the burners could be lit on oil and was not to run the units. Once the unit was on, it would be run on a special oil that is being delivered. Mr. Koenig explained that each of these decisions are sequential, and a misstep at the lower level means, the higher up sequences are not attained. He noted that Mr. Maloney had been active in older plant management, and Mr. Maloney raised the question very early on of why there was not a minimum level of heat running through the pipes so the City would be prepared to run. Mr. Koenig stated he was unsure what the fuel status was earlier in the year, but that pipe break prevented the unit from running and was the lynch pin at the point of the potential penalty. He stated all these things would play into to determining how to prepare for the winter coming up and how the plant would be managed.

Mr. Anderson questioned how much it cost for minimum heating in the plant during the winter. Responding, Mr. Koenig estimated the cost roughly at $2,000 to $10,000 per day. He explained that this would involve the plant and all of its piping, so some systems would be run to get it up to minimum temperature. Noting that Mr. Maloney had indicated that the steel had been at 22 degrees, Mr. Koenig explained the need to get this temperature up above the freezing mark 24/7.

In response to Mr. Anderson regarding the performance benchmarks being removed from the financial policies, Mr. Koenig stated that some of these bench marks that had been various parts of the budget were those of a standard municipal city. Some of them were very applicable, others were less applicable. He stated that staff had not come up with additional performance measures to put in the budget. Mr. Koenig stated that the City was embarking on a process to improve efficiencies, and the question was what kind of reporting Council wanted to see. He noted that he did not want to put out 100 page report on all these bench marks if no one would look at it or find the information valuable. Mr. Koenig stated that, on a daily basis, staff is not judged by the 875 trash cans that they pick up, but by the one (1) or two (2) that might have been missed. He indicated that feedback was needed from Council as to what measures they want to see in the budget, or information that they would like to see reported.

Mr. Anderson noted that this information did not all have to be in the budget. Concurring, Mr. Koenig stated that it could be in the City Manager's or department head's report. If there were things in those reports that Council believed were missing, they would be easy to change and Council could be updated on information that is relevant to them.

Noting that the unit had not been heated because it was not believed that the City would be called, Mr. Hare questioned when the building would have been heated. Responding, Mr. Koenig stated that this would depend on the weather, because if the ambient air temperature had been over 40 degrees, it would not have needed to be heated.

Mr. Hare reiterated the need for preventive measures. Responding, Mr. Koenig stated that, looking back, staff would not make the same decisions for this year. Measures would be put in place to spend the money to heat the plant if cold weather was expected.

Mr. Hare stated that consideration should be given to the fact that, due to the plant's age, the next time the problem may be different and not an easy fix, and Mr. Koenig concurred.

Responding to Mr. Sudler regarding the leak that had occurred in the shed, Mr. Maloney explained that the boiler has two (2) inch tubes that go all the way around. The boiler is 30 feet by 30 feet. The water used by the boiler has a ph value of 10, compared to a ph of seven (7) for drinking water, and it is demineralized. He noted that the outside water tank line that feeds the boiler froze.

Mr. Sudler questioned if some type of low-cost heating system could be put in the shed similar to those used by hotels. Responding, Mr. Maloney stated that the whole length of the turbine floor in plant is wide open. He noted that it is possible to get a radiant heat gas burner to raise the temperature into the 40's or 50's to keep the ambient air decent. Mr. Maloney stated that other things could be done, like running the fan motors, which would generate heat, or running oil and water circulating pumps. He recommended starting to use electricity and turning on auxiliary equipment. Mr. Maloney advised members that the City bills itself, which he had never heard of before, noting that the City bills the power plant retail electric rates for consumption when it is not generating power, so budgets were being examined. He stated that things would be turned on and cautioned members that the budget would reflect a climb in electric consumption in the plant when the units are offline. He emphasized that this equipment must be run.

The Committee recommended approval of the City of Dover Financial Policies, as recommended by staff.

By consent agenda, Mr. Hare moved for approval of the City of Dover Financial Policies (*Exhibit #2*), as recommended by the Committee. The motion was seconded by Mr. Neil and carried by a unanimous roll call vote.

Annual Review of Investment Policy

Mrs. Donna Mitchell, Controller/Treasurer, advised members that the provisions of the City of Dover Investment Policy require an annual review by the Legislative, Finance and Administration Committee and adoption of any recommended changes by City Council. Prior to this review, the City Controller/Treasurer, along with the Assistant Controller/Treasurer, met with the City's Investment Advisor to review the policy as well.

Upon completion of this review staff recommended the changes below, all of which had been updated in the Draft Investment Policy:

1. Changing maximum maturity to measure from settlement date instead of trade date.

    a. Rationale: At times, issuers may issue debt today but the security may not settle for a few days. Allowing the maximum maturity to be measured from settlement date (rather than trade date) should help Dover in opening up to new issue corporates and Munis at attractive pricing (some new issues have price concessions, where the yield is above market).

2. Change credit requirements on short-term holdings to A-1 "or" P1 by S&P and Moody's rather than A-1 "and" P1.

    a. Rationale: Some issuers do not pay for both short-term ratings when one will do. This will allow Dover to further diversify the portfolio among high quality issuers. And it keeps the short-term ratings

language consistent with long-term rating language (which is written as "or" versus "and" in the policy).

Staff recommended approval of the Investment Policy, as amended.

The Committee recommended approval of the Investment Policy Statement, as amended.

By consent agenda, Mr. Hare moved for approval of the Investment Policy Statement, as amended (*Exhibit #3*), as recommended by the Committee. The motion was seconded by Mr. Neil and carried by a unanimous roll call vote.

Delaware Land and Water Conservation Trust Fund (DTF) Trail Grant Application - Mallard Pond Trail

Mrs. Ann Marie Townshend, Director of Planning and Community Development, advised members that on January 2015, the Parks, Recreation and Community Enhancement Committee and City Council approved the concept plan developed by staff for improvements to Mallard Pond Park. These improvements include a pathway connection from Mallard Pond and Fox Hall West Addition to Marsh Creek and Forrest Avenue, along with the construction of a playground in the park. This pathway is identified in the Dover/Kent County MPO's Bicycle and Pedestrian plans for Dover, both of which were approved by City Council in Spring 2015. The pathway will provide connection from the Mallard Pond neighborhood to the sidewalks along Route 8 that connect with Dover High School.

The grant funds would allow for completion of the first phase of this trail, with the construction of a path connecting with Fox Hall West Addition in a future phase. If we are successful in the grant application, we would work with local legislators to secure the matching funds through the Community Transportation Fund. No work will be completed, nor will a contract be awarded for any improvements until such time that matching funds are secured.

Staff recommended acceptance of the grant if the award is made to the City of Dover.

The Committee recommended acceptance of the grant, if the award is made to the City of Dover.

By consent agenda, Mr. Hare moved for approval of the Committee's recommendation, seconded by Mr. Neil and carried by a unanimous roll call vote.

By consent agenda, Mr. Hare moved for acceptance of the Legislative, Finance, and Administration Committee Report, seconded by Mr. Neil and carried by a unanimous roll call vote.

MONTHLY REPORTS - AUGUST 2015

By motion of Mr. Hare, seconded by Mr. Neil, the following monthly reports were accepted by consent agenda:

City Assessor's Report
City Planner's Report
Controller/Treasurer's Budget Report
Economic Development Office Report
Fire Chief's Report

City Manager's Report

Mr. Hosfelt asked for some insight into the 16 vacant positions in the Public Works Department. Responding, Mr. Koenig, City Manager, advised that, since the beginning of this fiscal year, the Public Works Department had been tracking roughly 16 to 18 positions vacant through the month of August. He noted that except for a few, they are active recruitments. Mr. Koenig stated that in some cases, they have hired someone and then someone retired or left service. He noted that there have been instances where they have gone all the way through the recruitment process and the top candidate declined the offer and they have to start over because there were no additional candidates.

Mr. Koenig advised that they have had difficulty hiring in areas like the nursery, noting that the positions were filled earlier in the spring; however, both employees resigned. He noted that they are ready to make offers on a number of positions; however, it seems like as soon as they fill a position, one (1) becomes vacant. Mr. Koenig stated that the 17 vacancies as of August are out of 88 to 90 positions in the Public Works Department. He noted that they are slowly making progress.

Mr. Koenig noted that the utility maintenance mechanics in the wastewater system perform specialty work and there are not many people applying for those jobs. He advised that water treatment plant operators were recently hired, noting that the position has become much more technical and the criticality of the job is much higher than it previously was.

Responding to Mr. Hosfelt, Mr. Koenig stated that the City is competing with the private sector for jobs and, in some cases, the City's hiring process takes a little bit longer because of stringent requirements for recruits. He noted that some of the language in the labor contracts is so specific that it does not leave room for flexibility in what the City can offer a very well qualified candidate with years of experience. Mr. Koenig also advised that hiring the younger generation has proven to be difficult because the hourly rate is the only thing that matters to them. He stated that candidates in their early 20s are still on their parents' healthcare, and the hourly rate is the only thing driving whether they take the job or not. Mr. Koenig advised that there have been several instances where they completed the hiring process and could not meet the hourly rate that the applicant wanted and the benefit package was not a concern for them, it was the hourly rate.

Mr. Sudler asked how and how often they were soliciting for available positions. Responding, Mr. Koenig stated that every position is posted on City bulletin boards and the Human Resources Facebook page. Advertisements are also placed in the Delaware State News and other newspapers. He noted that the City gets a number of different applicants for some jobs, while other jobs do not generate as much interest.

Responding to Mr. Sudler, Mr. Koenig advised that the turnaround time to fill a vacancy is approximately 10 to 12 weeks from posting the position, interviewing, and conducting background checks. He noted that the City prefers that the successful applicant give their current employer a two (2) week notice. Mr. Koenig stated that the longest vacancy he can recall is two (2) years for a civil engineering position. He noted that they offered the position to an applicant who declined in favor of a higher offer from someone else.

Mr. Anderson expressed concern with the extension period related to customer service in the Electric Department decreasing from 10 days to three (3) days.

Responding to Mr. Hare, Mr. Koenig stated that a number of the Public Works positions are in the Dover Organization of Employees (DOE) bargaining unit and their contract expired on June 30, 2015. He noted that he believes they are close to bringing the proposed contract forward and, although the current contract is expired, the language of the previous contract continues. Mr. Koenig clarified that the contract specifies that management has the discretion to hire at the agreed upon pay rate of Steps A through C in each classification. He noted that those rates have not been adequate to secure the top candidate. Mr. Hare suggested that this issue be addressed with the new contract.

Responding to Mr. Lewis, Mr. Koenig stated that he was aware that the vacancies have affected City services. He advised that he believes they are doing their best to fill these positions. Mr. Koenig stated that if a position cannot be filled in a timely manner and service delivery will be compromised to the point of being unacceptable, he would bring forward alternatives such as hiring a contractor to assist or, in some cases, potential privatization. He noted that the hiring process is a very deliberative process and they want to ensure that they are hiring people that are good for the organization. The expectation is once they hire a full-time employee that they will be with the City for 25 plus years as part of the organization.

Mr. Sudler asked how long the City has been experiencing this type of difficulty in the recruitment process. Responding, Mr. Koenig stated that the last couple of years have been a little bit more difficult than others. As the economy has gotten better we have, in some cases, had more difficulty recruiting certain positions. Certain technical positions all across the organization have been more challenging to recruit than some of the average positions.

Responding to Mr. Hare, Mr. Koenig stated that two (2) vacancies created by the retirement of custodial staff members have been filled through privatization. He advised that they are doing all that they can to address the service needs of the City in the most reasonable, economical way. Privatization has some positive advantages in some cases; however, there are still people and efforts required to manage those types of contracts. Mr. Koenig stated that, ultimately, they have to ensure that the level of service is maintained. Noting that trash collection is probably one of the premier services in Dover and people are very happy with it, Mr. Koenig advised that getting out of trash collection would be a very detailed process because there will be a transition. He noted that the City owns approximately $1 to $1.5M worth of stock associated with the trash collection vehicles.

Mr. Hare stated that the City of Dover is about the only city around that has their own trash collection, noting that Newark, Middletown, and others privatize their trash collection and it saves them a lot of money. Mr. Koenig stated that Dover's recycling collection is privatized.

Mr. Neil suggested offering the option to opt out of benefits in exchange for a higher hourly rate to attract the younger, entry level applicants. Mr. Koenig stated that the option has been discussed internally, however, he cautioned that these positions are covered by a labor contract and those changes would have to be negotiated. He advised that governments do not react quickly to the markets and it will be a challenge to convince the unions to agree to a no benefits option.

Mr. Hosfelt expressed concern for the welfare and morale of the Public Works Department employees directly affected by the number of vacancies.

Mr. Hutchison stated that the City has outstanding employees and that he cannot say enough good things about the Public Works Department and the service they provide.

Mr. Koenig reiterated that they are very deliberate in the hiring process because each job is important and plays a critical role in the delivery of services. They are working every day to try to fill vacancies, not just in the Department of Public Works, but all across the organization. Mr. Koenig noted that some departments are extremely aggressive to recruit positions and as soon as a position becomes open, they drop everything to make sure that the position is recruited immediately. When you have 17 openings, there is a wide range of hiring that is going on and it is not just the Department of Public Works that is under pressure when you have 17 openings. The Human Resources Department is conducting 17 recruitments and the Police Department is conducting background checks - there is a lot of effort that goes into the hiring process. Mr. Koenig stated again that it is important not just to fill the position with a body, but to fill it with somebody who is going to contribute significantly to the organization.

Mr. Sudler suggested, as a strategy to recruit, to consider reviewing the term "all other duties necessary," which may be a contributing factor to the high turnover rate or the lack of excitement in taking the job. He stated that he has heard a lot of concerns about "all other duties necessary" and feels that may be contributing to employee burnout. Mr. Sudler suggested that a job description that more closely fits the specific duties may help. Responding, Mr. Koenig stated that he had been with the City a long time and there have been a number of days where "all other duties" applied to a number of things that he has done. It is just a requirement for this type of organization. There are days where we need to drop everything that we are doing to respond to another event, some type of emergency. That caveat is something that needs to remain in the job descriptions because it is used all across the organization.

Mr. Hosfelt moved for acceptance of the City Manager's Report, seconded by Mr. Neil and unanimously carried.

Police Chief's Report

Mr. Hosfelt, noting that total complaints were up by almost 2,000 and some of the other numbers were down, asked if there was a correlation. Responding, Chief Bernat stated that the complaint calls for service are up approximately 9% mainly because the Department switched to a new CAD system in November of 2014 and calls that were categorized as quick calls are now logged in the system. He noted that it represented an additional 3,200 calls.

Chief Bernat noted that actual shootings are up 125% - 18 this year compared with eight (8) last year and shots fired are up 59% - 127 this year compared with 80 last year. He advised that they are authorized at 101 police officers and they currently have seven (7) police officers in the Delaware State Police Academy and two (2) additional officers who will go to the Academy in March; five (5) officers who came out of the March class of this year and are getting ready to come off of field training; two (2) officers on administrative leave; a lieutenant who is in Chicago at Northwestern University at a command school; and four (4) officers on light duty. Chief Bernat stated that out of the 101 authorized officers there are 21 that are not full-time ready to go for full service, which puts him at 80 officers. He stated that the following week five (5) of the officers will be off of field training and they hired another certified officer. Chief Bernat advised that two (2) officers were taken from the motorcycle unit in January and they have been supplementing the road shift.

Chief Bernat stated that they try to maintain four (4) 12-man shifts. He noted that each motorcycle officer averages approximately 150 tickets per month. Chief Bernat advised that the officers are really working very hard and the retirements have hit them hard. He stated that he was very grateful that Council authorized the 10 additional officers.

Responding to Mr. Hosfelt, Chief Bernat stated that he did not think they had ever been 100% staffed; however, he thought they would get close to 100% next year. He advised that there have been six (6) retirements this year; an officer is expected to leave for another agency next month; and three (3) officers are looking for other jobs.

Mr. Hutchison asked when the Public Safety Study would be complete. Responding, Mr. Koenig, City Manager, stated that they initially had difficulty getting the information out of the CAD system for the Police Department; however, they recently did test runs and were successful. They are still running background scripts to make sure they are getting the right data, so the Police Department data has not been sent to the consultant. Mr. Koenig stated that the Fire Department data has been sent to the consultant and they have a visit scheduled for early November. He noted that as soon as the Police data is turned over and they have some time to analyze it, they are going to be scheduling the Police Department's visit. Mr. Koenig stated that he expects the study to conclude some time in December.

Mr. Sudler asked which Council district was affected by the increase in shootings and whether the Department was working on developing a strategic plan to address the shootings. In response, Chief Bernat stated that the increase is not in one particular area, and noted that the Department was doing everything it could with the current manpower and the detectives continued to do an excellent job.

Mr. Sudler asked about the Police Department's rapport with the community in regard to their providing information to make their communities safer. Chief Bernat advised that non-cooperation is a problem, whether individuals fear retaliation or do not want to implicate themselves.

Mr. Hosfelt moved for acceptance of the Police Chief's Report, seconded by Mr. Hare and unanimously carried.

FIRST READING - PROPOSED ORDINANCE #2015-15 AMENDING CHAPTER 70 - OFFENSES AND MISCELLANEOUS PROVISIONS, SECTION 70-2 - WEAPONS GENERALLY AND APPENDIX F - FEES AND FINES

Council President Slavin reminded the public that copies of the proposed ordinances are available at the entrance of the Council Chambers or can be obtained from the City Clerk's Office. Final action by Council on the proposed ordinances will take place during the Council Meeting of October 26, 2015.

Mr. Scott Koenig, City Manager, advised that the proposed amendments update the definitions and make changes to the language to comply with the most recent changes to the State Code, specifically related to municipal buildings. In addition, this amendment eliminates the requirement in the existing ordinance for the Police Chief to issue a specific license on behalf of the City of Dover.

Mr. Anderson, referring to lines 35 through 38 which state "It shall be unlawful for any person to purchase from, or sell, loan or furnish any weapon to any person under the influence of any alcoholic beverage or any narcotic drug, stimulant or depressant, any person in a condition of agitation and excitability or a minor under the age of 18 years", asked if there was a definition for "stimulant" somewhere else in the Dover Code. He noted that caffeine and nicotine were stimulants that do not influence behavior. Mr. Koenig noted that this language was currently in the Code and was not being proposed for amendment.

Mr. Anderson asked if the proposed amendments would interfere with people with concealed carry permits who enter a municipal building with their weapons concealed. Responding, Mr. Hosfelt stated that it would not.

Responding to Mr. Anderson, Police Chief Paul Bernat stated that the amendment would eliminate the burden of performing background checks for over 100 carrying applications.

Referring to lines 73 through 77, which states "Forfeiture. Every person convicted of a violation of this section, section 70-3, or any state law relating to weapons shall forfeit the weapon to the city. Upon a finding of guilt, it shall then be the duty of the court, after the expiration of a reasonable time, to declare by written order that the chief of police shall either dispose of the weapon or retain the weapon for official police department use", Mr. Anderson asked if it were straight out forfeiture or if there was a time limit to return the weapon. Mr. Koenig stated that he interpreted it as a forfeiture.

Responding to Mr. Sudler, Mr. Nicholas Rodriguez, City Solicitor, stated that if they were to be challenged in court of the term "stimulant", they would research it to determine if there were cases involving the State of Delaware to see if a definition had been handed down by the courts, since they are generally going to follow the State.

Responding to Mr. Neil, City Solicitor Rodriguez stated that they could define "stimulant" without interfering with the passage of the amendment.

Mr. Anderson pointed out that parts of the amendment are not mandated by State law. He asked if the provision about displaying pistols in pawn shops was current or a proposed amendment. Responding, Mr. Koenig stated that it was in the current ordinance.

Mr. Anderson moved to amend the Final Reading of Proposed Ordinance #2015-15 by striking lines 73 through 77. The motion failed for the lack of a second.

In accordance with Section 1-9 of the Dover Code, Council acknowledged the First Reading of the Ordinance Amendment as read by the City Clerk, by title only, as follows:

> Ordinance #2015-15 Amending Chapter 70, Offenses and Miscellaneous Provisions, Section 70-2, Weapons Generally and Appendix Fees and Fines.

FIRST READING - PROPOSED ORDINANCE #2015-16 AMENDING CHAPTER 106 - TRAFFIC AND VEHICLES, ARTICLE III - STOPPING, STANDING AND PARKING, DIVISION 2 - METERED PARKING, SECTION 106-164 - VIOLATIONS; PENALTIES

Council President Slavin reminded the public that copies of the proposed ordinances are available at the entrance of the Council Chambers or can be obtained from the City Clerk's Office. Final action by Council on the proposed ordinances will take place during the Council Meeting of October 26, 2015.

Mr. Koenig, City Manager, advised that this ordinance relates to immobilization of vehicles and the amendment reduces the amount of time from 120 hours to 24 hours once the boot has been placed on a vehicle for it to be towed. This amendment is the direct result of a recent incident of an immobilized, unsecured car sitting on the street for a period of time and it created additional nuisances. Mr. Koenig stated that the amendment will allow the Police Department to boot the vehicle and then, 24 hours later, authorize the towing of it from the street.

Mr. Sudler asked if this was a major problem. Responding, Mr. Koenig stated that he would not call it a major problem across the City; however, if you are downtown and there is a car that is booted it is a nuisance which creates a major headache for downtown parking areas.

Mr. Anderson expressed concern with reducing the cumulative amount of unpaid violations from $200 to $100 to trigger immobilization, noting that just one (1) ticket for parking in a handicapped spot is $100 and if it were not paid within a few days the car would be booted and towed.

Mr. Anderson moved to strike the reduction from $200 to $100 for cumulative unpaid violations subjecting the owner to civil enforcement. Mr. Slavin stated that the amount currently in the Code was $100, recently changed from $200, and the amendment would have to raise the threshold amount from $100 to $200 for cumulative unpaid violations. The motion failed for the lack of a second.

In accordance with Section 1-9 of the Dover Code, Council acknowledged the First Reading of the Ordinance Amendment as read by the City Clerk, by title only, as follows:

> Ordinance #2015-16 Amending Chapter 106 - Traffic and Vehicles, Article III - Stopping, Standing, and Parking, Division 2 - Metered Parking, Section 106-164 - Violations; Penalties.

FIRST READING - PROPOSED ORDINANCE #2015-18 - FIRST BUDGET AMENDMENT FOR FISCAL YEAR 2015/16 - PROJECT CARRY-FORWARD BUDGET BALANCES

Council President Slavin reminded the public that copies of the proposed ordinances are available at the entrance of the Council Chambers or can be obtained from the City Clerk's Office. Final action by Council on the proposed ordinances will take place during the Council Meeting of October 26, 2015.

Mr. Scott Koenig, City Manager, advised that this is the first amendment to the budget ordinances being proposed by the Finance Department and the City Manager's Office for FY16. He provided an overview of the amendments, noting that the first four (4) pages of the ordinance are the cumulative overview of all the changes for projects or purchases that were in progress as of June 30, 2015.

In accordance with Section 1-9 of the Dover Code, Council acknowledged the First Reading of the Ordinance Amendment as read by the City Clerk, by title only, as follows:

> Ordinance #2015-18 - First Budget Amendment for Fiscal Year 2015/16 - Project Carry-Forward Budget Balances.

COUNCIL MEMBERS' ANNOUNCEMENTS

Mr. Lewis announced that he would be sponsoring a recreational event in the Second District on October 31st in affiliation with Victory Christian Fellowship Church on Greenhill Avenue. It is going to be from 6:00 to 8:00 p.m. in lieu of Halloween and is being called Hallelujah Night. He stated that it is mainly for the children of the community and they are going to be giving out lots of candy and they will have rides for the kids and a bouncy house. Mr. Lewis invited the children of the community to come out.

Mr. Sudler thanked the Central Branch of the National Association for the Advancement of Colored People (NAACP), the Dover Police Department, and all the City officials who came out to support the community outreach event held the previous Thursday. He noted that it was a great event.

Mr. Anderson, noting that cold weather is approaching, encouraged members to support the homeless shelters in the community, whether it is Interfaith, Whatcoat, Shepherd's Place or others. He stated that they provide important activities and they can use support. Mr. Anderson advised that now is a good time to start with meals and encouraged everyone to do their part. He thanked Council President Slavin and others for doing their part.

Mr. Slavin informally thanked members of the Dover Fire Department for their response to last week's fire at Legislative Hall. He stated that it was an event that caused a lot of anxiety for people and, as somebody watching it unfold, he thought the City should be very proud of the service the Fire Department provided, as well as the Fire Chief who took command of a very difficult situation and did a very, very good job.

Mr. Hare moved for adjournment, seconded by Mr. Neil and unanimously carried.

Meeting adjourned at 9:14 p.m.

TRACI A. McDOWELL
CITY CLERK

All ordinances, resolutions, motions, and orders adopted by City Council during their Regular Meeting of October 12, 2015, are hereby approved.

ROBIN R. CHRISTIANSEN
MAYOR

/TM
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Exhibits
Exhibit #1 - Letter to the Delaware Department of Transportation
Exhibit #2 - City of Dover Financial Policies
Exhibit #3 - Investment Policy Statement, as Amended

City of Dover

October 22, 2015

Mr. Mark Luszcz
Chief Traffic Engineer
State of Delaware Department of Transportation
169 Brickstore Landing Road
Smyrna, DE 19977

RE: Proposed Left Turn Signals – State Street / Water Street & Queen Street / Water Street

Dear Mr. Luszcz:

Please accept this correspondence as the City of Dover's official request to conduct any and all necessary studies to determine whether or not the above referenced intersections are in need of dedicated left turn signal arrows. The State Street / Water Street intersection has these arrows on Water Street; however, they are not installed on State Street. Traffic in this area has increased significantly in the past few years and the lack of left turn signals requires that motorists take risks that potentially endanger other motorists. The Queen Street / Water Street intersection has left turn arrows on Water Street; however, they are not installed on Queen Street. Motorists at this intersection are also exhibiting potentially dangerous behavior as they become impatient waiting for a break in traffic to make the left turn onto Water Street.

Based on emails received from Mr. Paul Bernat, Chief of Police; we believe your staff has already begun preliminary work on this request. Thank you for your time and attention to this request. If you have any questions, please contact me at (302) 736-7005.

Sincerely,

Scott D. Koenig, P.E., ICMA-CM
skoenig@dover.de.us
City Manager

cc: Robin R. Christiansen, Mayor
Timothy A. Slavin, Council President
Paul Bernat, Chief of Police
Kirby A. Hudson, Assistant City Manager
Traci A. McDowell, City Clerk
Sharon Duca, P.E., Director of Public Works
Ann Marie Townshend, AICP, Director of Planning & Community Development

CITY OF DOVER
FINANCIAL POLICIES

Amended October 12, 2015

CITY OF DOVER, DELAWARE
FINANCIAL POLICIES

The purpose of these policies is to present a standardized set of principles that the City follows in managing its financial and budgetary affairs. These are general statements of policies, which represent long-standing principles, traditions, and practices that will be used to guide the City in maintaining financial stability. It will be the responsibility of the Finance Department to ensure the financial objectives of these policies are maintained.

Revenue Policy

1. The City will strive to maintain a broad and diversified revenue base that will equitably distribute the burden of supporting City services and will protect the City from short-term fluctuations in any one revenue source.

2. The City will actively support economic and industrial development recruitment and retention efforts to provide for a solid revenue base.

3. The City will maintain timely collection systems and implement necessary enforcement strategies to collect revenues from available sources.

4. The City will establish user fees and charges for services, when feasible, at levels related to the cost of providing the services. The City will review the fees and charges every three to five years to determine modifications needed to keep pace with the cost of providing the services. Property Tax Rates are set annually

5. The City will establish, when feasible, self-supporting enterprise funds and intergovernmental service funds in which a relationship between revenues and expenditures clearly exists.

6. The City will project current revenues on a conservative basis so the actual revenues will consistently meet or exceed budgeted revenues. Revenues greater or less than the original budget will flow through to the audited Ending Budget Balance.

7. The City will maintain a budgetary control system and will prepare reports, which compare actual revenues to budgeted amounts.

8. The City will limit the designation of General Fund revenues for specified purposes to maximize flexibility in budgeting and revenue utilization.

9. The City will review annually and revise, where necessary, its cost allocation formulas, i.e. internal service departments.

10. Upon satisfying all rate covenants the City will provide operating transfers to the General Fund. From the Water/Wastewater Utility no greater than $1,000,000 and from the Electric Utility no greater than $10,000,000.

Expenditure Policy

1. Basic and essential services provided by the City will receive first priority for funding, i.e. Public Safety & Health, Utilities, Streets, & Sanitation.

2. A report of the expenses of the Public Safety categories that have been identified will be presented to City Council two (2) times; once upon delivery of the proposed budget in May and the other upon the adoption of the budget in July. The report will map the revenues that have been identified to support the expenses, how much of a gap there is, and what the trend is for closing the gap over a 20 year period. The revenues will be the direct revenues of those programs and the Property Tax Revenue, excluding BID taxes.

3. The City will adopt a balanced budget, by fund, for all funds maintained by the City, in which total anticipated revenues must equal or exceed the budgeted expenditures for each fund. The Beginning Budget Balance will not be considered a revenue source.

4. The City will maintain a budgetary control system to ensure adherence to the original adopted budget and will prepare reports, which compare actual expenditures to budgeted amounts. Expenditures greater or less than the original adopted budget will flow through the audited Ending Budget Balance.

5. The City will restrict the use of appropriations as follows:
   - Funds appropriated for personnel expenses shall be restricted to use as personnel expenses; Any personnel savings at the end of each fiscal year will be re-appropriated in the next fiscal year to be transferred to the City's unfunded retirement liabilities;
   - Funds appropriated as capital expenses shall be restricted to use as capital expenses;
   - Funds appropriated as operating expenses shall be restricted to use as operating expenses;
   - All requests for additional personnel shall be accompanied with a five-year estimate on the costs of such position(s), including salaries and other employment costs (OEC's);

6. The City will refrain from budgeting revenues derived from infrequent and unanticipated transactions for ongoing expenses. These revenues will be set aside for asset replacement or as otherwise directed by Council.

7. The City will provide access to medical, dental, vision, life, AD & D, and short-term disability insurance for its employees. The cost for these benefits will be a shared responsibility between the City and its employees as outlined in the City Personnel Handbook or collective bargaining agreements

8. The City will provide access to medical and dental insurance for its retirees and their families. The cost for these benefits will be a shared responsibility between the City and its retirees as outlined in the City Personnel Handbook or collective bargaining agreements.

9. The City will provide access to appropriate retirement plans for its employees. The City will make contributions for eligible employees at the actuarial determined percentage defined for each of the respective retirement plans.

10. The City will establish an Other Post-Employment Benefit Fund (OPEB). The City will make contributions for eligible employees and retirees at the actuarial determined rates or percentages to fund future retiree medical benefits.

Debt Policy

1. The City will maintain a debt management policy and full disclosure on financial reports.

2. The City will maintain communications with bond rating agencies and continue to strive for improvements in the City's bond rating.

3. The City will adhere to its debt covenants.

4. The City will review its debt capacity every three (3) years.

5. The City will pay for all capital projects and capital improvements on a pay-as-you-go basis using current revenues if possible. If a project or improvement cannot be financed with current revenues, long-term debt or use of reserves will be recommended.

6. The City will refrain from issuing long-term debt for a period in excess of the expected useful life of the capital project.

7. The City will use special assessment revenue or other self-supporting bonds instead of general obligation bonds, when practical.

8. The City will seek refinancing of outstanding debt if it is determined that the City will benefit by reduced interest expense over the remaining life of the bonds.

Budget Balance/Reserve Policy – General Fund

1. The City will strive to maintain a minimum Budget Balance, of at least 8% and no greater than 12% of the current year operating revenues for the General Fund, excluding the carry forward balance. The purpose of the budget balance is to meet temporary fluctuations in cash flows and to provide a cushion for loss of revenues until operating changes can be implemented. If the final Budget Balance exceeds the amount as approved in the budget ordinance, such funds shall be used to provide for unfunded retirement liabilities or as otherwise designated by City Council. The City may use monies in the Budget Balance only in times of fiscal and economic hardship.

2. Once achieved, at no time should the City's budget balances fall below their specified percentages. If a shortfall occurs in the budget balance and immediately restoring the balances to the specified percentage would cause an extreme burden on the taxpayers, the budget balance may, with the City Council's approval, be restored to the specified percentage within one (1) year, but in any case, no longer than three (3) years.

3. The City will maintain a minimum reserve, in a contingency account, of at least $700,000. The City may only use monies in the contingency accounts to cover emergencies of a non-recurring nature that are over and above the normal course of operations. Examples are uninsured losses,

storms or hurricane damages. The Contingency Reserve will not be used to balance the operating budget.

4. The total of the General Fund budget and contingency balances shall not exceed 17% (~ 2 months) of Budgeted Operating Revenues.

5. The City will create a Capital Asset Replacement account for Governmental Fund asset procurements. Optimally, the amount set aside for future asset replacements should equal the annual depreciation of the current assets. (Annual Depreciation is approximately $2.5 million per year) The City will appropriate excess (amounts greater than budgeted) revenues to fund this account, or if the balance is less than the $500,000 minimum, $200,000 per annum until such time the minimum balance is replenished.

6. The City will create a General Capital Project Fund to account for all General Government asset procurements and projects. The City will provide operating fund transfers and/or debt proceeds for each fiscal year's Capital Investment Plan. All vehicle and equipment purchases under $25,000 will be budgeted on a pay as you go basis.

Budget Balance/Reserve Policy – Water/Wastewater Fund

1. The City will strive to maintain a minimum Budget Balance, of at least 8% and no greater than 17% (two months) of the current year operating revenues for each of the Water & Wastewater Utility Funds, excluding the carry forward balance. The purpose of the budget balance is to meet temporary fluctuations in cash flows and to provide a cushion for loss of revenues until operating changes can be implemented. If the final Budget Balance exceeds the amount as approved in the budget ordinance, such funds shall be used to provide for unfunded retirement liabilities or as otherwise designated by City Council. The City may use monies in the Budget Balance only in times of fiscal and economic hardship.

2. Once achieved, at no time should the City's budget balances fall below their specified percentages. If a shortfall occurs in the budget balance and immediately restoring the balances to the specified percentage would cause an extreme burden on the ratepayers, the budget balance may, with the City Council's approval, be restored to the specified percentage within one (1) year, but in any case, no longer than three (3) years.

3. The City will maintain a minimum reserve, in a contingency account, of at least $250,000 for each the Water & Wastewater Fund. The City may only use monies in the contingency accounts to cover emergencies of a non-recurring nature that are over and above the normal course of operations. Examples are uninsured losses, storms or hurricane damages. The Contingency Reserve will not be used to balance the operating budget.

4. The total of the combined Water & Wastewater Fund budget and contingency balances shall not exceed 25% (3 months) of Budgeted Operating Revenues.

5. The City will maintain a Capital Asset Replacement account to cover replacement or procurement of assets of the utility. Optimally, the amount set aside for future asset replacements should equal the annual depreciation of the current assets. The City will maintain a minimum balance of $500,000 for each utility for Capital Asset Replacements. The City will

appropriate excess revenues to fund this account, or if the balance is less than the minimum $100,000 per annum for each utility until such time the minimum balance is achieved.

6. The City established by ordinance on December 17, 1996 the Wastewater Impact Fee Reserve to provide for future expansion of the City's wastewater system due to increased demand. The ordinance further provides for debt service payments attributed to wastewater expansion projects to be funded by the current year's collection of Impact Fees and the remainder to be deposited into the reserve account. The City shall maintain a minimum of 20% of wastewater revenues in the Impact Fee Reserve account. Amounts used to finance projects shall be replenished by the operating revenues of the Wastewater Fund over the succeeding seven years of any project completion.

7. The City established by ordinance on February 1, 2008 the Water Impact Fee Reserve to provide for future expansion of the City's water system due to increased demand. The ordinance further provides for debt service payments attributed to water system expansion projects to be funded by the current year's collection of Impact Fees and the remainder to be deposited into the reserve account. The City shall maintain a minimum of $1.5 million of water revenues in the Impact Fee Reserve account. Amounts used to finance projects shall be replenished by the operating revenues of the Water Fund over the succeeding seven (7) years of any project completion.

8. The Water & Wastewater Improvement & Extension Fund budget balance shall be no less than $200,000 of the current fiscal year's appropriation for water and wastewater projects to allow for project variances and change orders; a 10% contingency shall be included in project budgets greater than $250,000 if the Department Head determines it to be appropriate. All vehicle and equipment purchases under $25,000 will be budgeted on a pay as you go basis. The City Manager shall make the necessary budget amendments in accordance with the City of Dover Purchasing & Budget Amendment Policies.

Budget Balance/Reserve Policy – Electric Revenue Fund

1. The City will strive to maintain a minimum Budget Balance, of at least 12% (45 days) of the current year operating revenues for the Electric Revenue Fund, excluding the carry forward balance and power cost adjustments. The purpose of the budget balance is to meet temporary fluctuations in cash flows and to provide a cushion for loss of revenues until operating changes can be implemented. If the final Budget Balance exceeds the amount as approved in the budget ordinance, such funds shall be used to provide for unfunded retirement liabilities or as otherwise designated by City Council. The City may use monies in the Budget Balance only in times of fiscal and economic hardship.

2. Once achieved, at no time should the City's budget balances fall below their specified percentages. If a shortfall occurs in the budget balance and immediately restoring the balances to the specified percentage would cause an extreme burden on the ratepayers, the budget balance may, with the City Council's approval, be restored to the specified percentage within one year, but in any case, no longer than three years.

3. The City will maintain a minimum reserve, in a contingency account, of at least $750,000 for the Electric Revenue Fund. The City may only use monies in the contingency accounts to cover emergencies of a non-recurring nature that are over and above the normal course of operations.

Examples are uninsured losses, storms or hurricane damages. The Contingency Reserve will not be used to balance the operating budget.

4. The total of the combined Electric Revenue Fund budget and contingency balances shall not exceed 25% (3 months) of Budgeted Operating Revenues.

5. The City has established by bond covenant an account to cover insurance deductibles on the electric transmission and distribution system or the generating plants. The City shall maintain a minimum balance of $750,000 to cover various deductibles.

6. Recognizing price fluctuations in the wholesale power markets the City has established a rate stabilization reserve. The purpose of using such a reserve is to level off the fluctuations in the wholesale power supply market and in turn provide stable rates to our customers. In those instances where the actual cost of power supply and generation are less/more than the budgeted cost of power supply and generation, the City will transfer the difference to/from the Rate Stabilization Reserve. The balance shall be maintained at a minimum of 10% not to exceed 20% of the purchase power cost in any given year. If the reserve balance exceeds the 20% maximum, a credit will be applied to the power cost adjustment.

7. The Electric Improvement & Extension Fund budget balance shall be no less than $200,000 of the current fiscal year's appropriation for electric system projects to allow for project variances and change orders; a 10% contingency shall be included in project budgets greater than $250,000 if the Department Head determines it to be appropriate. All vehicle and equipment purchases under $25,000 will be budgeted on a pay as you go basis. The City Manager shall make the necessary budget amendments in accordance with the City of Dover Purchasing & Budget Amendment Policies.

8. The City has established an account to provide for capital financing of Future Capacity or system expansion. The City shall maintain a balance equivalent to the value of 10% growth in capacity at any given time, or no less than $10,000,000. Amounts used to finance projects shall be replenished by the operating revenues of the Electric Revenue Fund over the succeeding seven years of any project completion.

9. The City has established an account to provide for replacement or procurement of utility system assets, otherwise known as Depreciation Reserve. Optimally, the amount set aside for future asset replacements should equal the annual depreciation of the current assets. The City will maintain a minimum balance of $10,000,000. The primary purpose of this account is to provide partial or all financing of major capital projects and minimize debt service payments. The account is also intended to cover unforeseen capital replacements due to equipment breakdowns, storms or hurricane damages. Amounts used to finance projects shall be replenished by the operating revenues of the Electric Revenue Fund over the succeeding seven (7) years of any project completion

10. The total of the combined Electric Revenue and Electric Improvement & Extension Fund budget and reserve balances shall be benchmarked at 50% Budgeted Operating Revenues. Operating Fund Budget Balance and Reserves shall be adjusted to appropriate levels through adjustments in the operating budget. Improvement & Extension Fund Budget Balance and Reserves shall be adjusted in accordance with the Capital Improvement Plan.

Investment and Cash Management Policy

1. The City will deposit all receipts on a timely basis in interest bearing accounts.

2. The City will strive to maximize the return on its investment portfolio without jeopardizing principal amounts.

3. The City will limit its investments to the types of securities provided for by Delaware statutes.

4. The City will diversify its investments by maturity date to protect against market fluctuations.

5. The City will purchase securities from qualified institutions based on competitive bids in an effort to obtain the highest available rates.

6. The City will maintain an Investment Policy based on prudent investment practices and will monitor all investment managers' compliance with policy objectives.

Capital Improvement Policy

1. The City will prepare and update, as needed a five-year Capital Improvements Program (CIP) which will provide for the orderly maintenance, replacement, and expansion of capital assets.

2. The CIP will identify long-range capital projects and capital improvements of all types, which will be coordinated with the annual operating budget to maintain full utilization of available revenue sources.

3. When preparing the CIP, the City will seek to identify all viable capital projects and capital improvements required during the subsequent five-year period. These projects and improvements will be prioritized by year and by funding source.

4. Every attempt will be made to match projects and improvements with available funding sources. Future operating costs and savings associated with a project or an improvement will also be given consideration in the establishment of priorities.

5. When appropriate, the City will seek Federal, State, and other funding to assist in financing capital projects and capital improvements.

6. The City will incorporate the reasonable findings and recommendations of other cities' Boards, Commissions, Committees, and Citizen Task Forces, as they relate to capital projects and improvements.

7. The City will seek input from the public by holding public hearings in relation to the establishment of projects and project priorities.

Financial Reporting Policy

1. The City's accounting system will maintain records in accordance with accounting standards and principles outlined by the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB), and the State of Delaware.

2. The City will employ an independent accounting firm to perform an annual audit of the City's finances and make the annual audit available to all required and interested parties.

3. The City will produce monthly and quarterly financial statements reporting the current periods' activity for all funds maintained by the City.

4. The City will prepare an annual budget document that provides a basic understanding of the City's planned financial operations for the coming fiscal year. Copies of the proposed and final budget will be made available to all interested parties and opportunities will be provided for citizen input prior to final decisions on the budget.

5. The City will place continued emphasis on review and maintenance of an accounting system which provides strong internal budgetary and accounting controls designed to provide reasonable assurance, but not absolute, assurance regarding:

    (a) the safeguarding of assets against loss from unauthorized use or disposition and,
    (b) the reliability of financial records for preparing financial statements and reports, and the maintaining accountability for assets.

6. The City will seek annual renewal of the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting.
7.

Adoption:
Approval by City Council: January 28, 2002

Most recent amendments:
1. Amended by City Council on June 11, 2014
2. Amended by City Council on September 8, 2014
3. Amended by City Council on October 12, 2015

City of Dover, DE

Investment Policy Statement

Dated October 12, 2015

1.0 Governing Authority

It is the policy of the City of Dover to invest public funds under its control in a manner that will provide the highest investment return consistent with the maximum safety of principal, while meeting cash flow needs of the City. The investment program shall conform to all state and local statutes governing the investment of public funds.

2.0 Scope

This Investment Policy Statement (the "Policy") applies to all financial assets of the City of Dover for which the City retains direct or indirect daily control. Funds for which the City has retained outside fund manager(s) shall also be governed by this Policy or, in the case of bond proceeds, related governing bond documents.

2.1 Accounts

2.1.1 Cash and Liquidity Accounts: The majority of the City's cash balance available for investment is maintained in the cash and liquidity accounts. These accounts will be managed and invested by investment managers, selected by the City Council through competitive bid, in order to maximize the return to the City while, at the same time, providing for safety of principal and sufficient liquidity for the City to meet its cash needs. The City will manage its short-term investments to ensure sufficient liquidity and prevent their premature sale for the purpose of covering expenditures. Short-term investments should mature at face value in sufficient amounts to meet any liquidity needs.

2.1.2 Reserve Cash (Intermediate) Account: To the extent cash is not expected to be needed on short notice, the City shall invest such funds in the Reserve Cash Account. This fund shall be managed and invested by an investment manager or managers**,** selected by the City Council after a competitive bid, in order to maximize the return on said money to the City while providing for the safety of principal.

All of the City of Dover's funds are accounted for in its Comprehensive Annual Financial Report. Those funds to which this Policy applies include (excluding the Deferred Compensation Plan and Pension Trusts):

2.2 Funds

2.2.1 General Fund
2.2.2 Capital Project Funds
2.2.3 Special Revenue Funds
2.2.4 Enterprise Funds
2.2.5 Internal Service Funds
2.2.6 Any new fund created by the City Council, unless specifically exempted

3.0 Objectives

The primary objectives of the City of Dover's investment activities, in order of importance shall be:

3.1 Safety

Preservation of principal is the foremost objective of the investment program. To attain this objective, funds shall be diversified among securities of high credit quality and liquidity, so that risk of loss of principal is minimized.

3.2 Liquidity

The City's investments shall be made for such periods as to enable the City to meet all operating requirements that may be scheduled or reasonably anticipated.

3.3 Return on Investments

A goal of the investment program shall be to maximize investment return within the constraints of Sections 3.1 and 3.2.

4.0 Delegation of Authority

Authority to manage the City of Dover's investment program is derived from this Policy, which is approved by City Council, and "Dover Code, PART I, Subpart A, Article II, Section 17" (attachment B) which states in part that "The Controller/Treasurer shall be the custodian of all of the City funds."

The City's Controller/Treasurer shall:

1) Review the this Policy annually and recommend changes, if any, to City Council;
2) Be charged with implementing the Policy, and may delegate authority to make investments to an investment advisor. The Controller/Treasurer shall be responsible for all investment transactions and shall establish controls to regulate the activities of the investment advisor, if any.
3) Ensure that records of the City's investment activities are kept for ten-years.

5.0 Prudence, Ethics and Conflicts of Interest

Any official of the City or investment advisor/manager empowered to make investments on behalf of the City of Dover shall comply with the following:

5.1 "Prudent Person" Rule

Investment decisions shall be made with the judgment and care which persons of reasonable intelligence, under circumstances prevailing at the time the investment is made, would exercise in the management of their own investments assuming that their objectives are those shown in Section 3.0 of this policy.

5.2 Ethics and Conflict of Interest

The delegate authorized to make City investments shall act at all times in an ethical manner, and shall not engage in activity that could impair or be perceived to impair their ability to make impartial investment decisions. They shall disclose to the Mayor and City Council any material interests in financial institutions with which the City has financial dealings, and which may be related to the performance of the investment program. Employees and officers shall refrain from undertaking personal investment transactions with the same individual(s) with whom business is conducted on behalf of the City.

6.0 Authorized Institutions and Dealers

All broker/dealers that desire to become qualified for investment transactions with the City shall meet the following:

1. Primary dealers and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule)
2. Capital of at least $25,000,000 or capital of $5,000,000 for firms incorporated in the State of Delaware
3. Registered as a dealer under the Securities Exchange Act of 1934
4. Member of the Financial Industry Regulatory Authority (FINRA)
5. Registered to sell securities in the State of Delaware
6. Engaged in the business of effecting transactions in U.S. government, federal agency, and corporate securities for at least five (5) consecutive years

To the extent the City utilizes the services of an outside Investment Advisor, it shall be the responsibility of the Investment Advisor to maintain an approved list of brokers.

7.0 Safekeeping and Custody

To ensure that securities are deposited in an eligible financial institution prior to the release of funds, all trades of marketable securities will be executed by delivery vs. payment ("DVP").

Further, all securities will be held by an independent third-party custodian, in the name of the City, and evidenced by safekeeping receipts in the City's name. The custodian shall provide daily confirmation of held securities as well as a monthly transactions and holdings report.

8.0 Authorized Investments and Trading of Securities

The Controller/Treasurer or authorized delegate may invest only in the types of securities listed below. The maximum stated maturity of any security shall be limited to 10 years at settlement, unless otherwise stated. For Agency mortgage backed securities, the maximum maturity shall be defined as the weighted average life ("WAL"). WAL is a convention that estimates the expected weighted amount of time, in years, for the principal amount of an issue to be fully paid. For this sector, WAL shall be limited to 10 years, measured at the settlement date, provided by Bloomberg Financial Markets.

8.1 United States Government Securities

Marketable securities issued by the U.S. Government and supported by the full faith and credit of the U. S. Treasury either by statue or an opinion of the attorney general of the United States. Up to 100% of the portfolio may be invested in this sector.

8.2 Government Agency Securities

Debt securities issued by government-sponsored enterprises ("GSE"), federal agencies, federal financing banks, and instrumentalities of the U.S. Government. Up to 100% of the portfolio may be invested in this sector.

8.3 Certificates of Deposit and Time Deposits

8.3.1 Domestic Institutions: Issued or endorsed by a domestic bank, or a savings and loan association, organized and supervised under the laws of the United States and denominated in U.S. dollars; provided, however, that deposits are fully insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC").

If not insured by the FDIC:

- The banking institution must have assets of not less than $5 billion; and
- Issuers must have a short-term rating of A-1 by Standard & Poor's or P1 by Moody's and a long-term rating of AA by Standard & Poor's or Aa by Moody's.

The maximum stated maturity of any investment in this sector shall be limited to 5 years at trade settlement. This sector shall not exceed 25% of the total portfolio. No single issuer shall exceed 5% of the City's portfolio.

8.3.2 Delaware-Domiciled Institutions: Issued by or endorsed by any bank or savings association domiciled in the State of Delaware and organized and supervised under federal or State of Delaware banking laws which does not meet the requirements of Section 8.3.1 hereto; provided, however, that:

- For each of the latest two years, the bank or association has had a return on total average assets of 0.50% or greater and an average capital ratio (defined as total equity capital to total assets) of at least 1 to 20, or the instrument is secured as set forth in Section 9, "Collateralization of City Deposits," hereto; and
- Not more than the lesser of $10 million or 25% of an issuer's total equity capital, may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)
- The Board expressly affirms that, consistent with these guidelines, Delaware banks and savings associations should be considered as a source of investment.
- The maximum stated maturity of any investment in this sector shall be limited to 5 years at time of purchase. This sector shall not exceed 20% of the total portfolio. No single issuer shall exceed 5% of the City's portfolio.

8.4 Corporate Debt Instruments

Such instruments include commercial paper bankers' acceptances, and non-convertible senior debt securities (bonds and debentures).

8.4.1 Corporate securities must be denominated/issued in US dollars. Many foreign corporations issue debt/securities in the US market, in US dollars.

8.4.2 No single issuer shall exceed 5% of the City's portfolio.

8.4.3 Commercial Paper shall be limited to a final stated maturity of 270 days. This sector shall not exceed 25% of the total portfolio. Issuers shall be rated at least A-1 by Standard & Poor's or P-1 by Moody's.

8.4.4. Bankers' Acceptances shall be limited to a final maturity of 365 days. This sector shall not exceed 25% of the City's Portfolio. Issuers shall be rated at least A-1 by Standard & Poor's or P1 by Moody's.

8.4.5 Corporate bonds and debentures shall be limited to a final stated maturity of 5 years. This sector shall not exceed 50% of the total portfolio. Issuers shall hold a long-term rating of at least A by S&P or A2 by Moody's.

8.5 Repurchase Agreements

The underlying collateral shall consist of U.S. government and/or GSE securities provided, however, that:

8.5.1 All repurchase agreements must be governed by a written master repurchase agreement;

8.5.2 Agreements will be entered into only with respect to underlying securities in which the investment manager may otherwise invest as described above, and only with a recognized U.S. Government/broker or a bank which meets the requirements set out under paragraph Section 8.3.1 or 8.3.2 above;

8.5.3 In the case of repurchase collateral held in book-entry form in the Federal Reserve System, all deliveries of securities must be made, for the transfer thereof, through the Federal Reserve book-entry system to the account designated by the investment manager for such purpose. Securities held in certificated form must be delivered to the investment manager or a custodian as directed by the investment manager.

8.5.4 Any collateral employed under this paragraph shall be counted towards the applicable maximum limits set forth within these guidelines for such type of investment, and such collateral shall be valued at market at not less than 103 percent of the maturity value of the agreement and marked-to-the-market as requested by the investment manager.

8.5.5 Repurchase agreements shall be limited to a maximum maturity of 90 days from date of purchase. No single issuer shall exceed 25% of the City's portfolio.

8.6 Registered Investment Companies (Money Market Funds)

No single fund shall exceed 25% of the City's portfolio. Money market funds shall be rated AAAm by Standard & Poor's. A current prospectus must be obtained before investing in any money market fund, and current holdings reports must be maintained at least each month.

8.7 Mortgage-Backed Securities

Mortgage-backed securities issued by the following: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Association (FHLMC). This sector shall not exceed 50% of the total portfolio.

8.8 Municipal Obligations

Taxable and tax-exempt securities issued by state and local governments and public authorities in the United States. The maximum stated maturity of any investment in this sector shall be limited to 5 years. This sector shall not exceed 30% of the

City's portfolio. No single issuer shall exceed 5% of the City's portfolio. Issuers shall be rated at least "A" by Standard & Poor's or A2 by Moody's. Additionally Issuers in the short term market (under one year) shall be rated at a minimum of "mig-1" or "sp-1" for Moody's and S&P.

8.9 State of Delaware Investments Pool

8.9.1 Delaware Local Government Investment Pool (DELGIP) -The investment in this pool is permitted in relation to the City's cash flow and the guidelines set forth by the State of Delaware. The investment in this pool will not exceed 25% of the total funds available and will be monitored by the City's Finance Department on a monthly basis.

8.9.2 Delaware Local Government Retirement Investment Pool (DELRIP) The investment in this pool is permitted in relation to the City's Post-Retirement Benefits Fund. The investment in this pool will not exceed 25% of the total funds available and will be monitored by the City's Finance Department on a monthly basis.

8.10 Trading Securities

The Controller/Treasurer is hereby authorized to sell securities prior to their stated maturity date in the following circumstances:

1. A security with declining credit may be sold prior to its maturity to minimize loss of principal;
2. A security swap may be executed if it would improve the quality, yield, or target duration of the portfolio;
3. Securities may be sold to provide needed liquidity.

8.11 Internal Control on such transactions

8.11.1 An investment report will be provided to the Council on a quarterly basis.

8.11.2 All investment reporting documents will be provided to the independent auditors.

8.11.3 Investment records will be kept by the City for ten (10) years.

8.11.4 The trading shall not involve any hedge, derivatives and/or borrowing funds for trading purposes.

9.0 Collateralization of City Deposits

If the City deposits funds in any financial institution, those funds will be subject to the following collateralization requirements. The financial institution shall:

9.1 Collateralize the City's daily ledger balance(s) if, for any quarter during the most recent eight quarters the bank has not met both of the following two criteria:

- Return on total average assets of 0.50 percent or greater.
- Average capital ratio (total equity to total assets) of 5.00 percent or greater.

9.2 If either criterion in paragraph 9.1 is not satisfied collateral must be pledged and shall consist of one or more of the following securities:

- U.S. Government securities
- U.S. Government agency securities
- Federal Home Loan Board letters of credit
- State of Delaware securities

- Mortgaged backed securities as referenced in Section 8.7
- Securities of a political subdivision of the State of Delaware with a Moody's rating of "A" or better

9.3 Ensure that the securities pledged as collateral (except for Federal Home Loan Board letters of credit) have a market value equal to or greater than 102 percent of the ledger balance(s) in the account(s) marked to market each day.

9.4 Ensure that securities pledged as collateral are housed at the Federal Reserve Bank or a mutually agreed upon third party depository. (The trust department of the winning vendor will not be acceptable.)

9.5 Provide reports on a monthly basis to the City Finance Department detailing the collateral pledged.

9.6 Provide a Call Report (Consolidated Report of Condition and Income, FFIEC 031) on a quarterly basis to the City Finance Department.

10.0 Policy Considerations

If securities owned by the City are downgraded by either Standard & Poor's or Moody's to a level below the quality required by this Policy, it shall be the City's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.

If a security is downgraded two grades below the level required by the Policy, the security shall be sold immediately.

If a security is downgraded one grade below the level required by this Policy and matures within 6 months, the security may be held to maturity. The Controller/Treasurer may determine to sell the security if it is determined that there is a probability of default prior to maturity.

If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Controller/Treasurer.

11.0 Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The Treasurer shall also establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Prohibition of physical delivery securities
- Clear, written delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers

12.0 Performance Standards

The City of Dover's investment decisions shall be made with the objective of obtaining a rate of return commensurate with the investment risk constraints and the cash flow needs. On a quarterly basis, the Controller/Treasurer shall compare the City's portfolio against the

Merrill Lynch 0-5 Year U.S. Treasury Index, in terms of time-weighted total return and average duration for the period under review.

13.0 Reporting

At the end of each calendar quarter, the Controller/Treasurer will submit a report of all quarter-ending investments to the Mayor and City Council. Reports shall include the following:

- Listing of individual securities held as of last day of reporting period, sorted by sector
- Par, market, and amortized cost values of each security
- Coupon, current yield, and final stated maturity date of each security

14.0 Investment Policy Adoption

The City of Dover's investment policy will be adopted by the City Council after review and recommendation of the Legislative and Finance Committee. The policy will be reviewed at least once every year by the Legislative and Finance Committee, which is charged with considering the existing policy and any recommendations to modify the policy. Any modifications to the policy must be approved by the City Council.

LEGEND

1. Original approval by City Council - November 14, 1988
2. Revised policy approved by City Council - March 7, 2005
3. City Council Approved with No Changes – April 14, 2008
4. Revised policy approved by City Council – July 25, 2011
5. Revised policy approved by City Council – August 12, 2013
6. Revised policy approved by City Council – September 8, 2014
7. Revised policy approved by City Council – October 12, 2015

ATTACHMENT A

GLOSSARY

AGENCIES: Federal agency securities, otherwise known as "Government Sponsored Enterprises."

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

BANKERS ACCEPTANCE: A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER: An unsecured obligation issued by a corporation or bank to finance its short-term credit needs. Maturities typically range from one (1) to 270 days.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the City of Dover. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

CORPORATE BONDS: A debt security issued by a corporation based in the United States of America. Such bonds usually have a par value of $1,000, have a term maturity, and are traded on a major exchange.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns, in an attempt to limit risk.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-a-vis member commercial banks.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term "passthroughs" is often used to describe Ginnie Mae's.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumable be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MORTGAGE-BACKED SECURITIES (MBS): An investment instrument that represents ownership of, and is backed by, an individual interest in a pool of mortgages such as those issued by Ginnie Mae or Freddie Mac. Principal and interest from the individual mortgages is used to pay principal and interest on the MBS.

MUNICIPAL NOTES AND BONDS: Securities issued by a state, city, or local government to finance operations or special projects.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody

state--the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: A measure of worth, either at security or aggregate portfolio level, over a period of time. There are many return conventions, including but not limited to yield to maturity at cost, yield to maturity at market, yield to worst, time weighted total return, dollar weighted total return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT: The purchase of a security by a dealer with the agreement to sell it back to the seller at a fixed price at a later date. Typically used by owners of securities to finance short-term needs without having to liquidate the security.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

TIME DEPOSITS: A savings account or CD held for a fixed term or with the understanding that the customer can withdraw only by giving advanced notice.

TREASURY BILLS: A short-term (less than one year) non-interest bearing discount security issued by the U.S. Treasury department to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1: also called net capital rule and net capital ratio.

Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

VARIABLE RATE MASTER DEMAND NOTES: A floating rate security with initial maturities and indexed rates chosen by the investor. The interest rate is adjusted periodically, usually off a standard such as that prevailing on a Treasury Bill or the prime interest rate.

YIELD: The rate of annual income return on an investment, expressed as a percentage.

INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security.

NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

ATTACHMENT B

Dover, Delaware, Code of Ordinances >> PART I - CHARTER AND RELATED LAWS

PART I - CHARTER AND RELATED LAWS [1]

Subpart A - CHARTER

PREAMBLE [3]

We the people of the City of Dover, under the constitution and laws of the state of Delaware, in order to secure the benefits of local self-government and to provide for an honest and accountable council-manager government, do hereby adopt this charter and confer upon the city the following powers, subject to the following restrictions, and prescribed by the following procedures and governmental structure. By this action, we secure the benefits of home rule and affirm the values of representative democracy, professional management, strong political leadership, citizen participation, and regional cooperation.

ARTICLE I. - POWERS OF THE CITY

ARTICLE II. - MAYOR AND COUNCIL

Sec. 17. - Controller/treasurer.

At the annual meeting the council shall elect a controller/treasurer to hold office until the next annual meeting of the council, or until his/her successor has been duly chosen and qualified, but subject to removal at any time by the council.

The controller/treasurer shall be the custodian of all the city funds and shall deposit them in a banking institution designated by the council.

(Amd. of 7-12-2005 (S.B. 126); Amd. of 7-8-2009 (S.B. 165, § 15))