LEGISLATIVE, FINANCE AND ADMINISTRATION COMMITTEE

The Legislative, Finance, and Administration Committee meeting was held on April 27, 2015, at 6:05 p.m. with Chairman Slavin presiding. Members present were Mr. Anderson, Mr. Hare, Mr. Shevock, and Mr. Sudler. Members of Council present were Mr. Hutchison and Council President Bonar (arrived at 6:07 p.m. and departed at 6:26 p.m.). Mayor Christiansen was also present.

AGENDA ADDITIONS/DELETIONS

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

Evaluation of Proposal - Investment Banking Custody Services

Mrs. Donna Mitchell, Controller/Treasurer, reviewed the details regarding proposals received for Investment Banking Custody Services. She advised members that Union Bank's costs are based on fees only. TD Bank has no transaction fees and bases their costs on basis points, which are a percentage of the investment portfolio. Wells Fargo, Wilmington Trust and Key Bank use a combination of fees and basis points.

Staff recommended awarding the Investment Custody Services to Union Bank for a three (3) year period to start the date of the contract, which may be renewed or extended for two (2) additional two (2) year periods by mutual consent and approval of City Council.

Mrs. Mitchell explained that staff's recommendation was based strictly on price. She informed members that staff reviewed annual reports and Securities and Exchange Commission (SEC) filings, and although litigation issues were found with some of the banks, there seemed to be a very low probability that they would affect these banks. Mrs. Mitchell stated that if Council decided to use a local bank regardless of the fees, staff recommend TD Bank. Since TD Bank has no transaction fees and costs are based on basis points, staff felt that this would be the next lowest cost option. She indicated that all of the banks had good references.

Mrs. Mitchell reiterated that recommendations were based on cost. She advised members that although WSFS did not bid on this request, WSFS supports the Dover Days Festival. She indicated that several local banks, including M & T Bank, also perform community service but was unsure which other banks do so. Mrs. Mitchell advised members that Wilmington Trust, a subsidiary of M & T Bank, would handle all of the City's investments under their proposal and would keep the City's money in trust and track it on a balance sheet. If there were any litigation issues, the City would be protected since funds would be kept in the form of a trust.

Mr. Hare questioned why the fees for Union Bank were so much lower than the other proposals. Responding, Mrs. Mitchell stated that the City currently uses Union Bank and their low fees may possibly be due to the size of the bank and their volume of business; however, she noted that they are based in California and banking procedures may be different.

In response to Mr. Hare regarding whether local banks could be asked to reduce their numbers, Mrs. Mitchell stated that she generally uses the numbers submitted rather than returning to negotiate with one (1) particular bank. She indicated that she had not contacted any of the banks to determine if this was their best and final offer.

Mr. Sudler asked if Mrs. Mitchell would be willing to consider Mr. Hare's suggestion of negotiating with the banks and if there was a preferred bank that she thought the City should do business with. Responding, Mrs. Mitchell stated that all submissions were received from good banks with electronic capabilities and favorable references and she had no preferences, noting that her recommendation was solely based on price. She reiterated that some banks help the community and she could understand if Council felt indebted to obtain this service from a local community bank rather than a California bank.

In response to Mr. Anderson, Mrs. Mitchell confirmed that Union Bank currently maintained the City's shared investment pool. She stated that Wells Fargo services the City's pension plans, and she would not recommend Wells Fargo because all of the City's investments would then be held in one (1) bank.

Mr. Anderson stated that the City had some flexibility since the cost was less than $25,000. He questioned if the City would be at risk of violating its Code by negotiating with the banks since the public proposals had already been served. Responding, Mrs. Mitchell stated that this was sent out as a Request for Proposals (RFP) rather than a bid and, therefore, could be negotiated.

Mr. Sudler stated that he would like staff to go through the sealed bid process for this service. Responding, Mrs. Mitchell stated that staff does not typically go through the sealed bid process, including advertising, for amounts this low; however, staff could do this.

Mr. Hare was unsure if it was necessary to go through the sealed bid process. He suggested that staff contact the banks that submitted proposals to determine if these were the best and final offers. Responding, Mrs. Mitchell stated that she could contact the local vendors to obtain a final offer.

Mr. Hare noted the significant difference between some of the proposed rates and those of the City's current provider. In response, Mrs. Mitchell explained that the City initially began utilizing Union Bank because their cost was low and had been using this provider for a little more than three (3) years.

In response to Mr. Anderson, Mrs. Mitchell confirmed that the services offered by all providers were the same.

Mr. Nick Adams, Vice President, Global Capital Markets Division, Wilmington Trust, informed members that he is a taxpayer in the City of Dover and resides in the Third District. He stated that he was heartened by the members' discussion and the line of questioning that had transpired. He explained that he had been at Wilmington Trust for approximately four-and-one-half years and prior to that spent nearly 12 years in State government in Delaware, serving as Deputy State Treasurer during the latter portion of that time. Mr. Adams stated that he was exceptionally familiar with the RFP processes, having previously evaluated responses and compiled responses for review. He stated the need for the Mayor and members of Council to send a message to their constituents that the City is open for business and informed members that he had heard them doing this loudly and clearly. Mr. Adams stated that responses were sent by local vendors who are overwhelmingly committed to the City, employ people and pay taxes in Dover and are located near City Hall; however, these

vendors were not given the level of consideration because of a price and are unable to respond to a best and final pricing request. Mr. Adams expressed his opinion that going straight from the RFP is a disservice to local vendors and to the City.

Mr. Adams informed members that it was noted in M & T Bank and Wilmington Trust's response and letter to the City of Dover that this firm is the largest full-service commercial bank in Delaware based on deposit market share, having employed nearly 2,100 people in Delaware. Additionally, over the past three (3) years, employees had volunteered over 50,000 hours of their time to organizations throughout Delaware and contributed nearly $5M dollars to not-for-profit organizations in all three (3) counties. Mr. Adams indicated that they had contributed well over $100,000 to numerous projects, non-profit organizations, and community events in the City of Dover, including the new City of Dover Public Library, previous title sponsorship of the Dover Days Festival, title sponsorship of City of Dover fireworks, title sponsorship this year of the Biggs Museum of Art Gala, and contributions to the Schwartz Center and many other organizations. He stated that M & T Bank and Wilmington Trust was exceptionally gracious in reconfiguring its parking lot and drive through to allow ingress and egress to the new library and to City Hall as an accommodation for the City.

Mr. Adams stated that there are other similar cases where Wilmington Trust and M & T bank is competing for the City's business and losing bids over $1,000 or a couple thousand dollars and are not given an opportunity to rebid, which is disheartening and frustrating. He indicated that there had been a pattern of contracts going to non-resident providers based on price alone. Mr. Adams informed members that a paying agent role recently went to the Bank of New York Mellon and investment management services went to Public Financial Management, neither of which employ people in the State of Delaware.

Mr. Adams felt that the City could not continue to say it is open for business and invite people to come, and then send money to California when the City has an opportunity to put its money where its mouth is. He advised members that Union Bank is owned by a Japanese corporation, not a U.S.-based corporation. Mr. Adams indicated that this was a great opportunity and indicated that M & T Bank and Wilmington Trust would welcome the opportunity to revisit the proposal because they want to do business with the City. He stated his firm had shown its commitment to the City and asked that the City of Dover show its commitment to vendors and those who want to be here in the City.

Mr. Hare stated that he has seven (7) accounts at M & T Bank and expressed his opinion that staff should request best and final offers. He indicated his appreciation for everything that M & T Bank does in the community; however, he could not honestly tell the taxpayers that it was planned to go with an offer over 200% higher than the lowest proposal. Mr. Hare stated that if the offers were close, he would not have a problem. For comparison, he expressed his opinion that if M & T Bank were planning to redo their bank, they would choose a contractor from New Jersey charging $30,000 versus a local contractor charging $100,000.

Mr. Adams concurred with Mr. Hare; however, he stated that in this case the 200% difference represents approximately $10,000, which is fractional compared to the amount of money paid in property taxes by M & T employees who reside in the City. He asked that this be considered in terms of actual dollars and cents.

Responding to Mr. Sudler regarding the reason for the vast difference in price, Mr. Adams stated that competitors, particularly non-resident competitors, often want to find opportunities to get a foothold into markets where they do not have one. He advised members that Wilmington Trust and M & T Bank serves in excess of 80% of all municipal clients in Delaware, including the State of Delaware and its numerous entities, and if an organization like Union Bank can cut their price significantly to get a foothold into this market, this is found business for them. Mr. Adams indicated that Wilmington Trust and M & T Bank must try to set prices in line with the services provided to the other numerous municipalities they serve throughout the State. This becomes a bit of a double-edged sword in that they want to provide the best level of service while charging fair fees. Mr. Adams advised members that this did not mean that they were unwilling to sharpen their pencils and revisit this issue.

Mr. Shevock questioned if Wilmington Trust and M & T Bank gives the same bid to every municipality in the State of Delaware or if they look at the product to see if they can provide a better price. Responding, Mr. Adams stated that every opportunity is evaluated on its own merit and a price is developed. The firm's tiered pricing suggests that a $50M account, like the City's, should be priced at a particular amount, and they then work from that number. Mr. Adams stated that it is exceptionally rare when a client does not come back and request the bank to sharpen their pencils, particularly when clients receive a lower bid. He explained that there is often a give and take between the client and the bank as they try to develop a price that is mutually beneficial for both parties.

In response to Mr. Slavin, Mr. Scott Koenig, City Manager, informed members that when the City's capital projects are bid, a 3% discount is provided for local bidders.

Mr. Slavin stated that, while there is a wide disparity between all five (5) of the offers, if the entities that do not have a presence in Delaware were discounted, the span would be $13,979 to $16,270, which is a very small gap. He felt that this would be worth taking a look at.

Mr. Adams stated that he would not have appeared before the Committee tonight if the decision and recommendation set forth had been to award this business to a TD, PNC, or WSFS Bank, or to a resident bank in the City that is as committed to the City as Wilmington Trust and M &T Bank is; however, this was not the case.

Mr. Slavin expressed a desire not to make awards only to Delaware contractors, noting that the Delaware Contractors Association would agree with this. He stated the desire to see Delaware's borders open so that our workers can work in other states and vice versa. However, he expressed his belief that the economy in Dover and Delaware would be made stronger by taking moments like this and reinvesting in the community.

Mr. Hare moved to recommend that Mrs. Mitchell, Controller/Treasurer, go back and ask for a best and final offer from all five (5) respondents, seconded by Mr. Sudler and unanimously carried.

Downtown Dover Business Improvement District (BID) Budget and Assessment (Tax) Rates for Fiscal Year 2015-2016

Mr. Scott Koenig, City Manager, advised that the Business Improvement District (BID) budget and assessment are set annually. He reminded members that a number of years ago, Council identified the BID, which is specified in Code with specific boundaries and zones, and each year the Tax Assessor prepares a budget based on input from staff and then prepares an assessment. Mr. Koenig explained that the City has typically raised approximately $50,000 through the BID tax. This additional tax burden is placed on businesses in the BID and the funds raised are used for economic development. For the past several years, this money, along with additional funds, has been transferred to the Downtown Dover Partnership (DDP) for economic development and promotion in the BID.

Mr. Koenig stated that the proposed tax revenue for FY 16 was $49,600. Mr. Koenig indicated that proposed expenses would be equal to revenue since, in the past, this tax had been collected and the tax value was then transferred to the DDP for operating expenses.

Mr. Koenig reviewed the BID Tax Calculation Worksheet, July 1, 2015 to June 30, 2016, noting that Ms. Cheryl Bundek, Tax Assessor, had indicated that the percentages of overall revenue raised in each zone are as follows: Zone 1 - 48%, Zone 2 - 41%, and Zone 3 - 10%, for a total of 100%.

Mr. Koenig explained that there are a certain number of parcels in each zone that qualify for the assessment, and the total aggregated assessment for the BID is slightly more than $138M, including the 2015 assessments. Reiterating that the revenue breakdown is prescribed by Code, Mr. Koenig explained that this was based on the assessments, and no increase in the total revenue was proposed.

Staff recommended approval of the proposed budget and assessment (tax) rate for fiscal year 2015-16.

Mr. Hare questioned if the City manages the DDP budget. Responding, Mr. Koenig stated that the City's prepares the draft budget figures for the DDP and pays their bills; however, the DDP manages its own budget. He stated his belief that the DDP was cash positive by several hundred thousand dollars. Mr. Koenig advised members that a budget is presented to the DDP Board and includes all operating expenses, such as the cost of managing properties; property loans; office expenses such as rent, electricity, and office supplies; contractual services, such as meter repairs; and other services associated with the properties owned, such as mortgage payments and rent receipts.

Mr. Hare questioned if members would be provided the information that would be presented in the DDP budget before making a decision. He stated, for example, that if there were $300,000 in the DDP's account, they might not need some of these funds this year. Responding, Mr. Koenig explained that the DDP's budget is a separate issue from the BID tax.

Mr. Hare questioned if funds would be automatically transferred to the DDP if the BID tax and assessment were approved. Responding, Mr. Koenig stated his belief that funds would not transfer automatically; however, the assumption would be that they would be transferred.

Mr. Slavin stated that this would offset $49,600 in other areas.

Mr. Anderson questioned why various businesses have different assessments and zones. Responding, Mr. Koenig stated his recollection that Zone 1 is the area closest to Loockerman Street and that the amount of the tax payment reduces going outward from this core area; however, he indicated that he may have to clarify this before the matter goes before Council for consideration.

Mr. Anderson felt that it was presumed that there would be less benefit derived from marketing, etc. further from Zone 1, and Mr. Koenig confirmed this.

Mr. Slavin stated his recollection that, at the time that the BID tax was created, the intention was to leverage the higher value of properties further from Zone 1 to help some of the more blight-related areas.

Mr. Koenig further explained that when the tax was originally implemented, Mainstreet Dover was the core area and primary beneficiary.

Mr. Slavin stated that since 2003 he had commented annually that he hates this tax since he cannot understand how the City could entice people to open businesses in this area by saying that the City will effectively assess more taxes on them when they come into the BID. He expressed his hope that this issue could be addressed later this year. Mr. Slavin stated his opinion that this rate is set for the purposes of budgeting so that it is loaded as Council goes into the budget year.

Mr. Anderson moved to recommend acceptance of staff's recommendation to approve the proposed budget and assessment (tax) rate for fiscal year 2015-16, as outlined in Attachments A and B to the Business Improvement District - Assessment (Tax) Rates for Fiscal Year 2015-2016, seconded by Mr. Sudler and unanimously carried. *[City Clerk's Office Note: Subsequent to the meeting, Ms. Cheryl Bundek, City Assessor, provided a revised report for the Business Improvement District - Assessment (Tax) Rates for Fiscal Year 2015-2016* ***(Attachment #1)****. Corrections to the Business Improvement District Tax Calculation Worksheet, July 1, 2015 to June 30, 2016, reflect the percentages of revenue raised as required by Code.]*
Mr. Hare moved for adjournment, seconded by Mr. Sudler and unanimously carried.

Meeting adjourned at 6:33 p.m.

Timothy A. Slavin
Chairman

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Attachment
Attachment #1 - Revised - Business Improvement District - Assessment (Tax) Rates for Fiscal Year 2015-2016

Revised 05/07/2015 by deleting text indicated in red strikeout and inserting the bold, blue text as follows:

CITY OF DOVER
LEGISLATIVE FINANCE AND ADMINISTRATION COMMITTEE
April 27, 2015

BUSINESS IMPROVEMENT DISTRICT - ASSESSMENT (TAX) RATES FOR FISCAL YEAR 2015-2016

Submitted by: Cheryl A. Bundek, AAS

INTRODUCTION

The Business Improvement District (BID) Ordinance adopted by City Council requires that Council must adopt a BID budget and assessment every year. This report presents the proposed budget and assessment for fiscal year 2015-16.

ORDINANCE REQUIREMENT AND BUDGET

(A) Appendix D, Article III, Section 9(f) requires that a budget be submitted to City Council for consideration and approval.

For your consideration, we have attached the FY 2015-2016 budget showing BID tax revenue and the expenses charged against this revenue (Attachment A).

(B) For your consideration, we have also provided the tax calculation worksheet with recommended rates (Attachment B).

REQUEST FOR ACTION

We request Council to approve the following budget for fiscal year 2015-16 Attachment A, and Assessment (Tax) Rate for 2015-16 - Attachment B.

ATTACHMENT A

BUSINESS IMPROVEMENT DISTRICT

CASH RECEIPTS BUDGET FOR 2015-16

BID TAX REVENUE AND EXPENSES CHARGED AGAINST THIS REVENUE ADMINISTERED THROUGH CITY OF DOVER

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

1. The amount hereinafter named aggregating ~~Fifty thousand~~ **Forty nine thousand, six hundred**~~,~~ (49,600) **dollars** or so much thereof as may be necessary is hereby appropriated from current revenues and other funds for economic development purposes for the fiscal year beginning July 1, 2015, and ending June 30, 2016:

REVENUE	PROPOSED
Tax Revenue	$49,600
EXPENSES	
Personnel & Administration Expenses	$49,600

ATTACHMENT B

CITY OF DOVER
LEGISLATIVE FINANCE AND ADMINISTRATION COMMITTEE
April 27, 2015
BUSINESS IMPROVEMENT DISTRICT -
ASSESSMENT (TAX) RATES FOR FISCAL YEAR 2015-2016

BUSINESS IMPROVEMENT DISTRICT

TAX CALCULATION WORKSHEET

JULY 1, 2015 TO JUNE 30, 2016

	ZONE 1	ZONE 2	ZONE 3	TOTAL
Aggregate Assessments	$38,489,300	$61,080,200	$38,670,200	$138,239,700
Assessment Tax Rate per $100	0.0644	0.0325	0.0128	---
	~~0.0624~~	~~0.0335~~	~~0.0132~~	
Revenue Raised	$24,800	$19,900	$4,900	$49,600
	~~$24,000~~	~~$20,500~~	~~$5,100~~	
% Revenue Raised	50%	40%	10%	100%
	~~48%~~	~~41%~~		
Number of Parcels	113	105	42	260
Average Assessment	$219	$190	$117	$526
	~~$212~~	~~$195~~	~~$121~~	~~$529~~

NOTE: These figures were estimated per the 2015 reassessed values. The revenue percentages by Zone are per the City of Dover Code Appendix D-Article III, Section 9(e).