# LEGISLATIVE, FINANCE, AND ADMINISTRATION COMMITTEE

The Legislative, Finance, and Administration Committee meeting was held on June 23, 2014, at 6:00 p.m. with Chairman Slavin presiding. Members present were Mr. Anderson (arrived at 6:04 p.m.), Mr. Hare (arrived at 6:05 p.m.), Mr. Shevock, and Mr. Sudler. Members of Council present were Mr. Dixon, Mr. Hutchison, and Mrs. Williams.

**AGENDA ADDITIONS/DELETIONS**

**Mr. Shevock moved for approval of the agenda as presented, seconded by Mr. Sudler and unanimously carried.**

**Presentation - Law Enforcement Against Prohibition (LEAP) (Ken Abraham)**

Mr. Ken Abraham, 430 Kings Highway, Apt. 414, addressed members regarding drug policies and laws. He advised members that he is a member of the Speakers Bureau for Law Enforcement Against Prohibition (LEAP) and that he enjoyed working as a prosecutor for approximately 10 years in Dover, then moved to Florida, went into business, and returned to Dover. He stated that approximately seven (7) years ago he lost everything to drugs, despite having had the best parents and a wonderful childhood. Since he could not change the past, he stated that he was trying to turn the negative in his life into a positive, noting that it was a learning experience. He stated that, in addition to starting a non-profit organization eight (8) months ago, he gives presentations to rotary clubs, youth groups, etc., as well as individuals such legislators and ministers.

Mr. Abraham indicated his understanding that City Council does not set or control drug policy; however, he wanted members to be made aware of the issues and suggested that the City adopt a resolution encouraging State legislators to change the drug laws to some extent. As an example, he suggested that legislators could be encouraged to adopt medical marijuana and to legalize marijuana. Mr. Abraham encouraged members to read the "After Prohibition" brochure issued by LEAP, explaining that it addresses many issues, problems, concerns, and questions. He stated that the material indicated quite emphatically that both addiction and crime decrease when drugs are legalized or decriminalized, contrary to the belief held by most that addiction and crime will increase if these changes are made. Referring to Colorado's experiment with marijuana, which he stated had proven to be a great success, he indicated that, although there are problems with the legalization/decriminalization of drugs, the benefits far outweigh the problems. He stated that Colorado was making a substantial amount of tax revenue and crime and addiction rates had decreased.

Mr. Abraham advised members that the illicit drug market was approximately a $300 billion per year business and questioned if this business, with the whirlpool of crime that swirls around it, should be run by drug kingpins, thugs, and hoodlums or if the State should legalize, regulate, and tax drugs. He reminded members that the country started prohibition with alcohol and it did not take long to realize that this was a mistake. It was Mr. Abraham's belief that alcohol did not create Al Capone; prohibition created Al Capone, just as the prohibition of drugs in America creates a whirlpool of crime. He stated that, according to studies, 84%-90% of all crime is drug related and over 90% of property crimes are drug related (theft for the purpose of purchasing drugs). Mr. Abraham expressed his belief that changing the laws to legalize and regulate drugs would decrease those percentages substantially.

Mr. Abraham explained that regulation simply means responsible people making responsible decisions and that in Colorado children were not standing in line to buy drugs. He stated that LEAP's position was that all drugs should be decriminalized, legalized, regulated, and taxed; that there is a difference between hard and soft drugs; and a different approach should be taken for each. Mr. Abraham stated that the bottom line is that drug addiction is a health problem and that more and more individuals are realizing that addicts should be treated rather than locked up in prisons.

As a former prosecutor, Mr. Abraham stated that he had seen crime victims every day and explained that when addicts are treated, future crime victims are prevented, the recidivism rate is reduced, and the revolving door to prison is slowed down. As mentioned in the material provided, he stressed the importance of advertising, explaining that any legalization and regulation of drugs needed to be accompanied by advertising of the dangers of drugs. Referring to the situation in Colorado, he stated that it was expected that the State would gain $150M in tax revenue and $40M was planned to be spent on rehabilitation centers, treatment, and an advertisement campaign warning about the dangers of drugs. He noted that the use of cigarettes by teens between the ages of 12 to 17 was cut in half from 2002 through 2012 due to advertising of the dangers of cigarettes.

Noting that most of what had been addressed was beyond the scope of City Council, Mr. Anderson questioned what could be done to encourage rehabilitation on a local level and if any barriers were known. Responding, Mr. Abraham stated that he was not aware of any barriers, such as zoning issues. He felt that there was a need to increase public awareness of the need for treatment and rally those that have the funds and means to provide effective treatment.

In response to Mr. Sudler, Mr. Abraham stated that he was not aware of any statistical analysis or comparison relating to the implementation of such a program in an area similar in size to Dover, Delaware. However, he stated that the general principles and results are the same wherever there had been a change in policy implemented and did not feel that the size of the area would make a difference. Regarding the difference in the results based on "hard" and "soft" drugs, Mr. Abraham stated that in those jurisdictions that have legalized all drugs, including "hard" drugs, the results have been the same - a decrease in addiction rates, a reduction in health problems, and a decreased crime rate. He advised members that an agency known as DrugFree.org, in New York, recently took over the Montana Meth Project, which dramatically reduced methamphetamine use, drug lab busts, trips to the emergency room, etc. in about eight (8) states. Advertisements for the Montana Meth Project include real people who tell their stories of the effects of drugs on them.

Mr. Abraham advised members that DrugFree.org will develop an advertising campaign for any jurisdiction. He explained that there are two (2) groups of people: those who do not use drugs and those that do, and that the advertising works differently for those groups. For those who do not use drugs, the advertising dramatically reduces the number of people who are inclined to use drugs. Advertising treatment dramatically reduces the number of people already using drugs, once the policies are changed in criminal law. Mr. Abraham stated that the information provides facts regarding the effects that drugs have on human brains, explaining that these sinister drugs release

a chemical in the brain that gives pleasure and is released to such an extent that, as described by a psycho-forensic evaluator with the public defender's office, the brain is "hijacked" by overwhelming one's sense of judgement, moral values, awareness of right and wrong, etc. It just makes the user want more of the drugs.

The Committee took no action regarding this matter.

**Expiration of Downtown Dover Partnership (DDP) Loan Guarantee Extension**

During their Regular Meeting of June 10, 2013, members of City Council approved an extension of the Downtown Dover Partnership (DDP) loan guarantee for a period of one (1) year effective July 1, 2013 on the loan between PNC Bank and the DDP.

Mr. Scott Koenig, City Manager, reviewed information prepared by Mrs. Donna Mitchell, Controller/Treasurer, regarding the DDP's negotiation of new terms for the PNC Loan collateralized by real estate on Governors Avenue (former "Acme" Property). He reminded members that City Council had provided the City's guarantee on the loan since March 2008 and that the guarantee was extended for one year, effective July 1, 2013. He stated that the approximate dollar amount of the loan was $1.3M.

Mr. Koenig stated that in the renegotiations of this loan by Mr. Gerald Street, representative of the DDP, it was hoped that, at some point, the City could be released from the loan; however, due to the current economic conditions, PNC requested the continuation of the City's guarantee through the term of the loan. He indicated that the reason for this request was due to: 1) the loan to value (LTV) of greater than 80%; and 2) the marketability of the "Acme" property, value, strength of tenants, and lease stream. The bank had agreed to extend the "Acme" loan to March 1, 2017 and begin amortizing the loan based on a 20-year amortization. Mr. Koenig stated that the loan included a 3.75% interest rate. PNC will require a principal and interest payment, and at the end of the initial term, PNC would renegotiate the interest rate over the balance of the loan term.

Staff recommended approval of the extension of the Downtown Dover Partnership loan guarantee with PNC Bank through March 1, 2017.

Responding to Mr. Hare, Mr. Koenig stated that the initial amount of the loan in 2008 was $1.3M and that payments had been made only on interest since that time. He stated that for the next three (3) years, principal and interest payments would be made based on a 3.75% interest rate.

In response to Mr. Shevock, Mr. Koenig stated that the DDP would make the payment to PNC from monies collected by the DDP from the leasing tenants. He stated that the guarantee appears on the City's balance sheet as a potential debt; however, this debt would be incurred only if the note were called and the DDP exhausted their funds. He stated that it would continue to be reflected as a commitment of the City as it had been since 2008.

Noting that only interest was paid on the loan, Mrs. Williams questioned the use of monies collected from the tenants. Responding, Mr. Gregg Moore, President, DDP, stated that the tenants at the Acme site had been making their payments to the DDP and that those monies had been used by the DDP to make interest payments to PNC. Since an interest-only loan was negotiated, all additional proceeds were used for other downtown projects. He stated that the DDP had been actively marketing the site and that its sale would allow for the loan to be paid in full. However, he assured members that enough rent was coming from the two (2) tenants to cover the principal and interest payments. He stated that this payment had been included in the DDP budget which was provided to City Council.

Responding to Mr. Sudler regarding the DDP's top two (2) priority projects for which these additional funds were used, Mr. Moore indicated that, in accordance with the current terms of the loan, the DDP was not required to make any principal payment; therefore, only interest payments were made. Since the DDP was actively in the market to sell the property and had a full price sales contract (which did not go through), the DDP's position was to use the least amount of money required and use any additional funds for other purposes in the downtown area, such as First Friday, Farmer's Market, or marketing for other downtown functions. He stated that the monies were not provided to any given project and that there were not two (2) particular projects that accessed those funds. He explained that the proceeds were used by the DDP for their overall mission, which is to improve the culture and revitalize the downtown area; therefore, all six (6) of the DDP's committees and missions draw from the additional monies. He noted that marketing the downtown is something that each of the committees includes in their budget; therefore, this would probably be the biggest use of those funds.

**Mr. Anderson moved to recommend extension of the Downtown Dover Partnership (DDP) loan guarantee with PNC Bank through March 1, 2017, as recommended by staff, seconded by Mr. Hare and unanimously carried.**

**Proceeds from Sale of Real Estate**

Mr. Scott Koenig, City Manager, reviewed information prepared by Mrs. Donna Mitchell, Controller/Treasurer, regarding proceeds from the sale of real estate. Mr. Koenig reminded members that City Council approved the sale of Garrison Oak Technical Park Lot 12 (10.684 acres) for $1,000 per acre, in accordance with the City's economic development goals. He stated that the City's net proceeds from the sale of Lot 12 were $10,623, explaining that the contract sales price was $10,864, less the seller settlement charges of $241. He stated that the City's current Real Estate Disposition Policy does not specify to which account the net proceeds should be credited; therefore, staff recommended that the credit be applied to the Capital Asset Reserve and that a formal policy be developed for future transactions.

Mr. Koenig noted that, in accordance with Generally Accepted Accounting Principles (GAAP), accounting for this transaction will require the recordation of a $44,140.65 loss on the sale of the fixed asset since the City was awarded a $2M grant from the State of Delaware for the purchase of

the Garrison Oak Technical Park and the City subsequently resold the property at a dollar value that was less than the per acre value of the original transaction. The City recorded the purchase of the land (381.8425 acres) at $1,933,277.16, or $5,063.02 per acre.

In response to Mr. Shevock, Mr. Koenig stated that the grant was awarded 10 or more years ago; therefore, he did not anticipate that the State would request that the grant monies be refunded.

Responding to Mr. Anderson regarding whether the City intended to sell or lease lots at the Technology Park, Mr. Koenig stated that there was currently a lease for the Garrison Energy Center tract and that the Solar Park also had a lease. He stated that negotiations for the sale or lease of the property would be dependent upon the needs of the organization that is interested in a tract. It was his opinion that it would be best for the City to sell the properties to avoid long-term liability or maintenance, should the property be abandoned. He stated that the current leases were made prior to his tenure as City Manager and that most discussions now involved the potential sale of properties.

Mr. Hare questioned if anyone was actively marketing the Garrison Oak Technical Park. Responding, Mr. Koenig stated that it is known locally that the property is for sale; however, no funds had been used for marketing the property, nor had advertisements been placed in the *Wall Street Journal*. He assured members that the State Economic Development Office was aware of properties for sale at the site, and stated his belief that funds included in the City's Economic Development Office's budget for advertisement were limited.

Mr. Slavin suggested that the Economic Development Director and/or the Mayor could better advise members with regard to the marketing of the Garrison Oak Technical Park.

Mr. Hutchison stated that the City had a very strong working relationship with the State of Delaware and Kent County Economic Development Offices, as well as the congressional leadership team. As a result, in terms of advertising, it was well known that the Garrison Park was for sale. He stated that if the City were to continue to be in the economic development business, members needed to realize that in order to be successful, there would be a need to make concessions, as that is what economic development does. He explained that if the City wanted jobs and opportunities, it would be necessary to make concessions and if that was not desired, the City should get out of the economic development business.

Mr. Hare stated that, although the State may be marketing the property, he felt that the City should take a more aggressive approach in marketing not only the Garrison Oak property but the entire City of Dover.

**Mr. Hare moved to recommend approval of staff's recommendation that the net proceeds from the sale of governmental fund real estate be credited to the Capital Asset Reserve for future capital projects. The motion was seconded by Mr. Anderson and unanimously carried.**

**Proposed Financial Reforms**

Mr. Slavin reminded members that during the June 11, 2014 Budget Hearings, he proposed a series of 14 financial reforms to be addressed over the next six (6) to nine (9) months that would assist in shaping the City's Budget for FY 2015/2016. He stated that the proposed reforms were clustered into four (4) separate areas, as follows: 1) public safety; 2) compensation policies; 3) property tax governance; and 4) restrictions on uses of appropriations. He requested that members consider the public safety area first and that staff be requested to review the reforms, develop recommendations, and provide information on any financial gap that may result.

Responding to Mr. Anderson, Mr. Slavin stated that the review would allow members to identify whether there was a need to create policy, ordinances, or Charter changes to implement any changes that may result from those discussions.

**By unanimous consent, the meeting adjourned at 6:32 p.m.**

Timothy A. Slavin
Chairman

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