SPECIAL COUNCIL MEETING
BUDGET REVIEW

A Special Council Meeting was held on June 11, 2014 at 6:31 p.m. with Council President Bonar presiding. Council members present were Mr. Anderson (arrived at 6:38 p.m.), Mr. Dixon, Mr. Lynn (arrived at 6:38 p.m.), Mr. Perza (arrived at 6:35 p.m.), Mr. Slavin, Mrs. Williams, Mr. Hare (departed at 8:12 p.m. and returned at 8:18 p.m.), and Mr. Hutchison.

Council staff members present were Police Chief Bernat, Mrs. Mitchell, Mr. Koenig, Mrs. Townshend, and Mrs. McDowell. Council staff members absent were Fire Chief Carey and City Solicitor Rodriguez.

AGENDA ADDITIONS/DELETIONS

By unanimous consent, the agenda was adopted as presented.

TRANSFER OF STREET LIGHTS FROM GENERAL FUND TO ELECTRIC FUND/DISCUSSION OF PUBLIC SAFETY AND CAPITAL IMPROVEMENT PROJECT (CIP) COSTS

Mr. Scott Koenig, City Manager, provided members with a Presentation - City of Dover FY 2014/15 Proposed Budget, Budget Meeting - June 11, 2014 ***(Exhibit #1)***, prepared by himself and Mrs. Donna Mitchell, Controller/Treasurer, regarding potential additional options for the FY 2014/2015 proposed budget. Mr. Koenig stated that these options were prepared as a result of the hesitation expressed by members of Council in regard to adoption of the budget as it was presented during the First Reading of Proposed Ordinance #2014-17 during the Regular City Council meeting held on June 9, 2014.

Responding to Mr. Hare, Mr. Koenig confirmed that the presentation provided two (2) options that were not previously discussed specifically on the floor.

Mr. Koenig explained that Page 2 and the first summary block of information on Page 3 of the presentation reflected the budget as presented during the First Reading of the proposed budget ordinance on June 9, 2014. He noted that, if this budget were adopted, there would be a single year deficit of $768,400 in the Electric Fund, which would not be in compliance with the City's Charter requirements. He expressed his concern that a deficit in the Electric Fund would not be a favorable signal to send either to the public or the City's rating agencies.

Mr. Koenig reviewed Alternative A (Page 3), stating that this option would reverse the motion made previously to move the street light expenses from the General Fund to the Electric Fund. Instead, street lights would be retained in the General Fund, and there would be an additional transfer of $774,500 from the Electric Fund to the General Fund. He stated that this alternative would be compliant with the Charter but would require an amendment to the City's revenue policies. Referring to the Surplus/(Deficit) for Alternative A, Mr. Koenig explained that this would result in a surplus of $181,500 in the General Fund; $361,700 in the Water Utility; $469,400 in the Wastewater Utility; and $6,100 in the Electric Fund and would be barely compliant.

Mr. Koenig reviewed Alternative B, explaining that this proposed option would also reverse the motion to transfer the street lights to the Electric Fund and keep this expense in the General Fund, transfer an additional $774,500 from the Electric Fund, and include a tax increase of $0.0222 related

to public safety items. Referring to the FY15 Proposed Budget Public Safety Related Increases on Page 4, he stated that the $0.0222 tax increase would raise $700,600, which would be dedicated to the increased spending related to public safety, including police and fire equipment, police pension contributions, and the implementation of year three (3) and beyond of the Fraternal Order of Police (FOP) contract. Mr. Koenig reminded members that there would be a five (5) year debt service of $190,100 for the purchase of the police and fire equipment, consisting of the 800MHz radios and the self-contained breathing apparatus (SCBA). In regard to the police pension contribution, he explained that the old police pension plan was closed; however, the City has to make additional payments of $347,000+ per year. He stated that implementation of the third year of the FOP contract would create a baseline increase in wages of $186,600. Mr. Koenig stated that a proposed $.0222 tax increase would basically cover these additional public safety related increases.

In response to Mrs. Williams, Mr. Koenig clarified that under the current FOP contract, there were two (2) years of zero (0) general wage increase; however, on July 1, 2014 the third year of the contract would begin. He stated that, keeping everything static, with 91 officers, the base wage increase through the implementation of the contract equated to $186,600. There were no costs assigned to any contract revisions for 2016-2019; however, if wage increases were awarded through contract negotiations above the 2015 contract, they would be in addition to the $186,600. Mr. Koenig reminded members that those contracts had yet to be negotiated.

Mrs. Williams stated that the forecast did not preclude layoffs if the City could no longer afford the contracts. Responding, Mr. Koenig reiterated that the forecast assumed full employment for 91 officers, based on the contracts. He stated that there were currently 91 officers in the FOP and noted that the Police Chief and Major were excluded from the FOP.

Mr. Koenig reminded members that, during the FY 14 budget development process, there was significant discussion about increasing funding to the Street Program, noting that the primary way to create a baseline funding stream for the Street Program was to dedicate consistent funds to that program. At that time, there was discussion of dedicating roughly $1M for the street and concrete program, and staff built the FY 2015 budget based on that $1M target. He indicated that for FY 15, staff proposed an increase of $0.0722 in the tax rate to attain this target. Staff's second proposal, which included a $0.0622 tax increase, decreased the $1M target for the Street Program to $850,000; however, staff still maintained that a tax increase was needed to sustain the program. Mr. Koenig stated that when Council previously passed motions to transfer additional funds to the Electric Fund and shift the funding of street lighting, this was based on the Street Program still being budgeted at $1M. He explained that a $1M Street Program remained in the budget; however, this amount would be over and above what was included last year. He indicated that $1M of expense had been added in the Street Program, but it was proposed to take more than this amount of money out of the Electric Fund to help pay for that expense.

Referring to Page 4, Item #4 - Property Tax Increase for Public Safety Items, Mr. Koenig stated that Item #4 - Property Tax Increase for Public Safety Items, reflected a proposed tax increase of $0.0222 in the event that Council agreed that public safety was a baseline expense and an increase in funding was needed. He indicated that the $0.0322 property tax increase reflected under Property Tax Increase for Public Safety & Street Improvements would extend that logic and include the baseline cost of public safety, as well as $315,000 of street work every year.

Mr. Lynn questioned what assurances the taxpayers had that property tax linked to the Street Program would actually be used for this purpose, reminding members that funds set aside previously for the Street Program had been used for other expenses. Responding, Mr. Koenig expressed his opinion that there was no way to guarantee that a set portion of the property tax rate, e.g., $0.01, would be dedicated to the Street Program in perpetuity, but the City would operate under good faith that next year staff would be able to track these funds and show members how they were spent.

Mrs. Donna Mitchell, Controller/Treasurer, concurred that the tax rate could not be broken out for the Street Program; however, she stated that if an equivalent dollar amount were determined, this amount could be set aside as a reserve to be used only for the Street Program.

Mr. Lynn felt that it would be disingenuous for Council to allocate this money for streets in connection with a tax increase but then, reallocate it, in this instance, for the benefit of a third party entity and not really for the benefit of the taxpayer. He stated that he had heard comments of this nature "around the room" and expressed alarm.

Responding, Mr. Koenig stated that General Fund money was being used at the Garrison Oak Technology Park for building new City roads and storm water infrastructure and not to repave roads or replace curb. He felt it was reasonable to use these funds for this purpose.

PROPOSED AMENDMENTS TO FINANCIAL POLICIES

Mr. Slavin stated that the discussion regarding allocating funds for streets opened a door for the introduction of dialogue around City policies. Members were provided with a Discussion Draft - Proposed Financial Reforms ***(Exhibit #2)*** prepared by Mr. Slavin. He stated that this information was intended simply to begin a dialogue and not to unravel the budget that had emerged through the review process, although he indicated that he did not support the budget. He expressed his hope that, over the next few months, members could build consensus on an overall direction for budgeting and financial reform and that Council would become proactive and prescriptive rather than reactive in this regard. Mr. Slavin stated his opinion that Council had been "playing defense" for the last few weeks and that he was tired of this approach. He reviewed the proposed financial reforms, explaining that the first five (5) items were related to the creation of a public safety fund. He noted that Item 5 would provide a 10-year window to address what he believed would amount to approximately a $3M difference between the revenues for categories listed and the expenses for those services. He explained that the intent would be to provide greater transparency to taxpayers so they could correlate and see exactly what their property taxes are paying for.

Mr. Slavin advised members that the second group of policies related to compensation and were intended to strengthen the City's position in labor negotiations from the outset. This would prevent the City from walking into a bargaining session where the ceiling was set artificially high with requests that the City could not fund. In addition, he felt, in fairness, that Mr. Koenig, Mrs. Mitchell, and the City labor attorney should be provided additional guidance and instruction on how to proceed. He stated that these policies would establish the ground rules for the beginning of negotiations and also leave the power vested with Council, who could make an exception with a two-thirds majority vote.

In regard to Property Tax Governance, Mr. Slavin stated that the City was currently in a position of considering a "whopper" of a property tax increase, due to a variety of factors. He felt that the proposed policies would allow for the City to be more proactive and incremental in its approach to adjusting the property tax rate when needed. He noted that Items 9 and 10 were meant to be "and", "or", or "and/or" items, with Council choosing the most appropriate approach. Mr. Slavin explained that Item 10, was modeled after amendments to the State Constitution, which require the vote of two (2) separate legislatures, and would require the vote of two (2) separate Councils to take place. He noted that Council governs itself and must set the rules for its own engagement and could not wait for a miracle to happen. Mr. Slavin felt that Council could not continue to "kick the can down the road."

Mr. Slavin advised members that the section on Restriction on Uses of Appropriations had to do whether funds could be moved from the intent and purpose for which they were appropriated. He expressed a need for flexibility to adjust to different issues, noting that Items 11-14 would eliminate some fungibility of the funding, which he felt seems to occur when funds are moved. He provided an example where a position vacancy occurs, resulting in a six (6) month savings in salary and other employment costs, and these monies are then moved over to help fund a gap in a capital project.

Mr. Slavin indicated that the only action he hoped to elicit at the present time was dialogue, which could occur at the Council level or at the Legislative, Finance, and Administration Committee. He expressed willingness to take this on as the charge of that Committee, to work through the policies to first gain consensus, and then create the policies, ordinances, or charter changes needed to enact them. He cautioned members that the policies contained some math errors and stating his preference to have 10-15 sets of eyes reviewing them rather than just his own.

Mr. Bonar concurred that a proactive stance was badly needed.

Mrs. Williams stated that the proposed policies may require charter changes if members agreed to them. It was her hope that any charter changes precipitated would made be in conjunction with other charter changes so that the General Assembly would need to be approached only once.

Mr. Bonar agreed and cautioned members that HB333, pending in the Senate, may have a bearing on this matter, because it would require the City to go through the State legislature to raise any tax. Responding, Mr. Koenig noted that any tax currently in place could be amended by the municipality. Mr. Slavin also indicated that if a municipality's charter was adopted prior to 1966, it would be exempt from this legislation.

DISCUSSION OF PUBLIC SAFETY AND CAPITAL IMPROVEMENT PROJECT (CIP) COSTS (Continued)

Returning to the FY2014-15 Proposed Budget presentation (Exhibit #1), Mr. Koenig reminded members that, even in difficult economic times, the City of Dover had been growing, and the addition of houses and roads was creating additional pressures on the General Fund, outside of changes in accounting and revenues. He noted that the City was in a very unique situation because it owned public utilities, including an electric system, probably the largest contiguous water system in the State south of Wilmington, and its own sewer utility, and could transfer excess revenues out of those utilities to offset costs in the General Fund to improve the quality of life. Referring to

Page 5 - Transfer Policy Revision, Mr. Koenig advised members that he would like to see the transfer from the Water/Wastewater utility, which was currently $500,000, grow to $1M by the end of the five (5) year forecast; therefore, he recommended a $500,000 transfer in FY 15; $600,000 in FY 16; $700,000 in FY 17; $900,000 in FY 18; and the full $1M in FY 19. Mr. Koenig proposed growth each year, which would require a revision to the transfer policy on the Water/Wastewater Utility. He explained that, currently, the policy stated that the transfer from the Electric Fund to the General Fund would be no greater than $8M, and this would be the third year with a proposed $8M transfer. He indicated that concerns had been expressed about being compliant with the Charter with respect to the Electric Fund, so staff recommended, if the Electric transfer were increased, that the policy be amended to provide staff direction when developing the FY 16 budget. Mr. Koenig stated that this would provide consistency, emphasizing that stable transfers help staff to develop the budget and communicate City policies effectively to rating agencies and business people who might be interested in locating City.

In reference to Future Considerations - Page 6, Mr. Koenig cautioned members that real expenses were in the City's future. He reminded members that Units 1 and 2 at the Electric Plant would be removed from service in Power Year 18. He explained that The Energy Authority (TEA) would advise the City on how those units would be decommissioned and there would be related expenses that had not been identified in the capital plan and would be brought before Council in the future.

Mrs. Williams questioned if there would be revenues associated with the decommissioning. Responding, Mr. Koenig stated that he felt it unlikely that another party could remove the units without charge to the City. In addition, Mr. Koenig stated that, when work was recently done on Unit 3, NAES Corporation indicated that finding components for Unit 3 was becoming more difficult and costly. He noted that, as these units age, the cost and availability of replacement parts increases and that this must be considered for the future.

Mr. Koenig reminded members that major upgrades to the City's water treatment plant were needed. He stated that the Long Point Road plant was originally built in 1994 as a baseline plant; however, because of demand in the system, it had always been used as a peaking plant. Mr. Koenig advised members that it was expected that the Long Point Road plant would be running as a baseline load for delivery of water when the Calpine plant comes online. After Calpine becomes part of the baseline load, it would become necessary for the City to provide more water in order for Block 2 at the Garrison Energy Center (GEC) to be built. He indicated that the City may expand the Long Point Road Plant with additional wells or expand the Piney Point or Cheswold aquifers; however, direction from the Delaware Department of Natural Resources and Environmental Control (DNREC) indicated that it would be necessary to expand resources that dip into the Frederica Aquifer, which is very deep and quite expensive to access. Mr. Koenig stated that, as the City reaches its capacity, it would be important to be "ahead of the curve" because if a big user comes to the City, it would be very difficult to deliver water supply within a short time frame, e.g., 12 months. He noted that the City's planning processes, and probably the Delaware Department of Transportation (DelDOT) and Kent Conservation District, would be moving faster than the City's ability to develop a water source.

Mrs. Williams questioned the possibility of desalinization rather than going to the Frederica aquifer. Responding, Mr. Koenig stated that this had not been discussed with DNREC, noting that

desalinization was still significantly more expensive than groundwater options. He indicated that this may depend upon what technology is available by the time the City looks for the next source.

Mrs. Williams suggested, as the Long Point Plant goes from a peaking to a baseline plant, that a thorough investigation of all technologies would be important. Mr. Koenig concurred that all additional supply would be investigated as the City begins realizing the baseloads for Calpine and other approved projects. This would not be not limited to developing supply but would include potential interconnections with other utilities to purchase water. It was Mr. Koenig's belief that alternative options would likely cost more than the City was spending today.

Mr. Bonar questioned how much would be needed in terms of additional water resources if Calpine were to build a second generating unit. Mr. Koenig stated that he was unsure; however, he estimated that an additional 1M gallons of water per day would be needed.

Mrs. Williams indicated that she had received information from the Calpine Chief Executive Officer (CEO) that a second plant, if built, would be identical to the plant under construction; therefore, the water needs would be doubled.

Mr. Koenig advised members that the City continued to grow, even though the development community had scaled back, and roads would be dedicated in the Eden Hill, Cannon Mills, Patriot Village, and Clearview Meadow subdivisions, and he anticipated that the City's inventory of approximately 105 miles would climb to 155-120 in the foreseeable future. He stated that some of the roads that he had seen built many years ago as Director of Public Works were in need of repaving. Mr. Koenig advised members that 25 years ago, asbestos fibers were added to asphalt and roads lasted 25-30 years; however, because of the current mixes, traffic load, etc., the expected time for milling and repaving had been reduced to the 12-15 year range. The current composition of mixes also caused increasing costs.

Mr. Koenig reminded members that discussions had been held about the condition of the City's facilities, that Council Chambers needed improvements for Americans with Disabilities Act (ADA) compliance, and additional improvements were needed in regard to technology, fire protection, and security. The City's facility at 5 East Reed Street needed replacement of the heating, ventilation, and air conditioning (HVAC) system and roof. He noted that discussions had been held about selling the former Dover Public Library; however, this decision would depend on what action would be taken with the City's other buildings, since the former library could potentially be used as a conference center or Council Chambers. Mr. Koenig stated that there were additional needs related to the relocation of the pumping station located at Public Works Site 2 (PW2), the City's warehouse was aging, and the Electric Administration building was not a new building anymore. He reminded members that the costs of facility needs were not included in the FY 2015 budget and had not been vetted to the point where real costs had been determined. He indicated that these were costs that typically would be discussed in connection with proposals of for bonding or borrowing money because they would be expected to be multi-million dollar projects that must be paid for over a number of years. He stated that, while there were no plans to borrow funds for these projects this year, the bond rating would be important when interest rates are determined in the future.

Mr. Koenig noted that discussions had been held regarding maintaining the City's physical assets, addressing safety and handicapped requirements, and trying to improve systems and

communications with customers. An asset management system was needed. Discussions had been held about updating the City's computer and customer billing systems, and all of these projects had substantial costs.

RESPONSES TO COUNCIL MEMBERS' QUESTIONS AND INQUIRIES AND OPEN DISCUSSION

Mr. Koenig advised members that changes in pension accounting had not yet been implemented. The funded portion of the City's pension plans had an expected rate of return; however, the rates of return may have to be adjusted on the unfunded portion going forward, and this would drive up the liability associated with the plans. He indicated that progress was being made on the unfunded liability; however, the City could go from being 60% funded to 45% by virtue of a change in accounting standards. In regard to Other Post-Employment Benefits (OPEB), he explained that the defined benefit plan was closed, participating employees were aging out of the system, and close to 45%-55% of all employees were in the defined contribution plan; however, the costs of those in the defined benefit plan were still affecting the City. He noted that long-term medical liabilities were associated with this, although the City had implemented 15% cost sharing. The IBEW contract that was recently approved provided for employees to enter the plan at 20% cost sharing, so staff was doing what it could to control costs; however, these costs affect the budget. Mr. Koenig reminded members that the proposed budget included an increase of approximately $16,000 in personnel cost from last year and staff had been able to add one (1) position, but this was because there had been a number of years with no salary increase. Some employees had also retired and new employees were hired at lower rates. He stated that costs in general were increasing, e.g., gas and, materials and these were being passed on to the City through bids.

In summary, Mr. Koenig stated that all of these factors were putting pressure on the City's enterprise funds, especially the General Fund and cautioned members that there would continue to be pressure on this fund. He indicated his agreement with incremental raising of the tax rate to offset those costs; however, he expressed his feeling that it would have been difficult during the first night of budget discussions to advise members that no tax rate increase was being proposed but he was proposing to transfer an additional $1.5M - $2M from the Electric Fund to balance the budget. Mr. Koenig stated that a proposed 21% tax increase "gets people's attention." He advised members that staff had done their best in the budget process to present the picture, that expenses had been reviewed and analyzed, and he was very comfortable with the spending plan that was brought forward. He noted that staff must adjust to the requests of Council and make the budget work as a sellable plan to the public.

In looking at the outline of future projects, Mr. Hutchison agreed that each of them were worthwhile and expressed concern that there was no preparation to set aside funds to address them. Responding, Mr. Koenig stated that minimal funds had been set aside since a portion of the contingency and reserve funds could be used for some of these costs, and they would be brought into the budget at some point.

Mr. Lynn moved to refer the proposed financial reforms provided by Mr. Slavin to the Legislative, Finance, and Administration Committee for discussion, seconded by Mr. Hutchison and unanimously carried.

Mr. Hare questioned Mr. Koenig's comment that he would not have gotten attention on the first night of budget discussions if a balanced budget had been presented and included a transfer from the Electric Fund. He felt that coming the first night with proposed Alternatives A, B, and C would have been a better approach. In regard to Mr. Koenig's statement that there was pressure on the General Fund, he felt that there had always been pressure on the General Fund and it had never been balanced. He felt that if there would be a carry forward of approximately $13M and if Council chose to take $1.1M or $1.2M of that money, there would still be $10M or $11M to build the reserve fund, which would satisfy the bond rating agencies. He felt that all of the funds were "City money."

In regard to shutting down Units 1 and 2, Mr. Hare questioned if staff had examined what the penalties would be if the City were to shut them down versus the costs to maintain them, since parts were becoming more expensive and harder to find.

Mr. Hare concurred that the issues raised by Mr. Slavin and Mr. Koenig would be good talking points for discussions early next year; however, stated that four (4) nights had been spent going through the budget and Council had voted on a number of items. He stated his expectation that members would want to review the budget again and he did not agree with this. Referring to Mr. Lynn's comments made during the Special Council Meeting (Budget Review) session held on June 5, 2014, he noted that Police Department overtime this year was $160,000 less than previously and they were working to keep overtime down, and expressed his opinion that the other issue that resulted in a $300,000 payment was not the fault of the Police Department. He felt that members should stick to the budget discussed previously.

Mr. Slavin stated his recollection that the transfer from the Electric Fund was previously tracked as a transfer and then was changed to using a flat dollar amount. He questioned if there was an issue with tracking this as a percentage. Responding, Mrs. Mitchell stated that, because of economic development, the State put pressure on all municipalities in regard to electric rates. The City flatlined the transfer at $8M, which was very close to 8% at the time, rather than using a percentage. She stated that because the rates were decreased, if the City continued to use 8%, the transfer amount would be less than $7M currently. Mrs. Mitchell indicated that flatlining the transfer at $8M had made it revenue neutral for the General Fund. In response to Mr. Slavin, Mrs. Mitchell stated that, if calculated as a percentage, the amount of the transfer would be 9.9%.

Mr. Koenig stated that a substantial discussion had been held between the municipalities, the Delaware Electric Cooperative, and the Governor's Office regarding rates and the City's accounts were reviewed. The result was that the full requirements members of the Delaware Municipal Electric Cooperative (DEMEC) all entered Memoranda of Understanding (MOUs) with the State regarding how transfers would be addressed. Some fixed their transfer to a percentage, others to a flat dollar amount. Each municipality chose subjectively; however, the State was looking for a consistent number, whether a percentage or a flat fee. Mr. Koenig advised members that the State also wanted municipalities to indicate that they would be willing to develop an economic development rate if a project came forward that was meritorious. Dover did not enter into an MOU because the City is a partial requirements member of DEMEC. The City purchases its own energy through The Energy Authority (TEA) and felt that it was "on a different playing field." He indicated that the City was able to meet and exceed the spirit of the MOU. The State wanted a consistent transfer, a guarantee of 10% reduction in electric rates over a three (3) year period, and an economic

development rate. Mr. Koenig noted that over the last three (3) years, the City had reduced its rates by approximately 20%, had not developed an economic development rate but had the ability to amend its tariff to do so, and set the transfer at $8M. In terms of economic development, he indicated that no companies had indicated to him that the electric rate was a reason for not locating in Dover.

As a follow-up, Mr. Bonar inquired what reasons were given by companies for not locating in Dover. Responding, Mr. Koenig stated there were transportation concerns that were beyond the City's control and could not be resolved easily, including lack of direct access to an airport, difficulty with freight because Route 1 is not an interstate highway, and the difficult east-west route between Dover and Route 301. He indicated that the gas line extension was an issue at one point, but a 16-inch lateral was available for further extension and it was his understanding that there may be opportunities related to that in the future. He stated that fiber and data access were hindrances at this point but could be worked out over time and that geographic issues were working against the City.

Mr. Anderson expressed agreement with Mr. Hare that the actions taken during previous sessions resulted in a very sensible budget that would help bridge some very serious issues, protect the interests of taxpayers, and give them some money back from the Rate Stabilization Fund, which was twice its current maximum, and he felt that members could be happy with this. He indicated that he did not see the logic of reopening the budget, except for a possible minor amendment if staff wished to adjust the transfer to provide for a transfer dedicated to street lights. Mr. Anderson stated that long as the pressure was off the General Fund in regard to street light expenses, he was open minded on how this was achieved. He felt that Council had done a good job with the budget and should move forward since continued second guessing would not provide any real benefit. He stated that Council should look at certain options over the long run, including the starting points provided by Mr. Slavin, noting his concurrence with some, but not all, of them and expressed thanks to Mr. Slavin.

Mr. Hutchison stated, in reviewing the demands on the budget, that if a small public safety tax were implemented, this would help to offset the General Fund and the cost of the operation of the City. He indicated that some had expressed enthusiasm for this idea but had indicated that it should have been discussed sooner. Mr. Hutchison stated that the budget had not yet been approved and that members had the opportunity to discuss these concerns this evening. He expressed interest in hearing others' thoughts on this matter.

Mr. Lynn concurred with Mr. Hutchison and felt it was not too late to make changes. He expressed his opinion that the tone and tenor during the Regular City Council Meeting held on June 9, 2014 revealed dissatisfaction with the budget that was arrived at the week prior. He expected that alternatives would be considered during the current meeting so that there could be some unanimity and the dissatisfaction could be resolved. He indicated that changes could be made until the Final Reading and was not confident that the budget would pass at that time.

Mr. Perza stated that Mr. Anderson and Mr. Hare were correct that the City had a budget that was balanced; however, that he and others had experienced unease regarding future concerns that were not addressed by the budget. He indicated that if no action were taken during the current meeting, it is possible that the FY 2015 budget problem would be solved, but he felt it would be negligent to

not discuss how these problems related to the substantial future considerations would be solved and this discussion should be started sooner rather than later. Using an analogy, he stated that if money is not available to pay a household mortgage, money should not be taken from a savings account to go to Disneyland, i.e., for recreational needs. Mr. Perza felt that if the City cannot pay basic expenses and is borrowing to do so, he had reservations about spending money on things that are not necessary. He indicated that the future concerns of the City are realities that must be addressed by the City in the next 10 years. Mr. Perza stated that he was one of the last people in the world that would agree to a tax increase, noting that he would "kick and scream and claw at the wall" before doing this; however, that he would be amenable to increasing taxes for the purpose of future deficit reductions. He expressed real reservations about increasing taxes and spending these funds without addressing future concerns. Mr. Perza acknowledged that economic development was important and that "it would be great to grow our way out of this problem" by adding businesses and tax revenue without increasing taxes; however, from a planning perspective, he indicated his preference to plan for the worst. He stated the need to address future concerns, possibly in the FY 2015 budget, but did not want to do this in a shortsighted way and that he would only favor a tax increase that would solve some of the long-term problems.

Mr. Perza stated his expectation that a motion would be made to effectively follow Mr. Koenig's Alternative A, which would reverse the transfer of street light expenses that was made last week and shift approximately $700,000 from the Electric Fund to the General Fund, which would be revenue and deficit neutral. Instead of borrowing $1.5M from the Electric Fund, $2.2M would effectively be borrowed. This would provide a budget that conforms to the Charter and the bond advisors. He indicated that he was not prepared to make an application to raise taxes; however, over the next week or two (2), he felt that this discussion must be held in representative communities and consideration should be given as to whether tax increases would be necessary and under what conditions Council would be willing to raise taxes. Mr. Perza was unsure if this would be considered on June 23, 2014 or if Council would pass a continuing resolution and move this discussion into July. Mr. Perza felt that the City had big challenges that must be addressed and stated he would prefer to address them now rather than neglecting the duty that Council had been charged with.

Mr. Hare reiterated his previous comments, stating that many good points had been made; however, a budget had been developed, the increases in the water rates recommended by Mr. Koenig were approved, and Council voted for a budget that did not have a tax increase. He did not disagree with Alternative A. He felt that constituents now believed that property taxes would not be raised, they could manage the water rate increases, and that it would be wrong to now approve a tax increase.

Mr. Lynn stated Council had been apprised of the information regarding future considerations during the last budget cycle and in the five (5) year projections and elected to do nothing. He felt that members could not "have it both ways" by saying they would not vote for this budget and also indicate they would not take proactive steps to address these issues that they had been aware of for one (1) to two (2) years. He indicated that staff had told members the options available to really address the budget; however, the majority of Council was not willing to do it.

Mrs. Williams noted that a projection of additional revenues had not been included in reviewing future considerations and indicated that she was not prepared to change her vote until the full picture was available.

Mr. Anderson expressed his opinion that the money being transferred from the Rate Stabilization Fund was not money that the City saved or would borrow, and did not belong to the City, it was money that was being hoarded and should be returned to the people. He stated that the amount of these funds was twice the allowable maximum limit and the discussion was about returning it, possibly over two (2) to three (3) years; it was not about borrowing funds from savings. He did not feel that the budget needed to be changed. Mr. Anderson advised members that residents in District 4 were highly concerned about the stress in the economy because their wages were going down, costs were increasing, and they needed a break. He stated that the year before last, the City increased the trash fee to make that fund more of an enterprise fund. The City's cost increased as a result of a doubling in fuel cost and tipping fees that increased to almost double. Mr. Anderson explained that the City had to address this, people understood and could accept this, and it was done step by step. He indicated that this year, some of the future needs were being addressed, including attempts to upgrade public roads and sidewalk capital maintenance. Water and sewer revenues would be increased to help start addressing those needs. Mr. Anderson felt that people understood that the City has the same costs that they have and they are not unreasonable, and the City cannot be unreasonable with them and cannot ignore that people are hurting, those on Social Security have had almost no increases in their income over the last four (4) years, and those on pensions are treading water. He maintained that if taxes and fees were piled on these individuals, some would be put in desperate situations. It was his belief that things must be done in a sensible and incremental way and that the draft budget would achieve this and would be pro-citizen and pro the needs of the City.

Mr. Hare stated that he did not disagree with Mr. Lynn's previous comments; however, he stated that future expenses were not brought up when the City Manager recommended spending millions of dollars for Calpine. He expressed concurrence with Mr. Anderson's comments and suggested that Council begin addressing the future needs in October or November rather than waiting until March or April.

Mrs. Mitchell advised members that staff was one (1) month away from reconciling year-end capital projects and she believed that there would be savings from other capital projects that could be brought before Council for consideration for the Parkland Reserve Fund. She stated that if Alternative A were adopted, the transfer to the Parkland Reserve Fund were removed, and the transfer from the Electric Fund to the General Fund were increased from $9.5M to $10M, each of the funds would be balanced and a tax increase would not be necessary.

Responding to Mr. Lynn, Mrs. Mitchell confirmed that she was referencing the transfer in the amount of $100,000 to the Parkland Reserve Fund that was previously approved by Council.

Mr. Lynn moved to accept Alternative A but still fund the extra $100,000 to the Parkland Reserve Fund, seconded by Mr. Dixon.

Mr. Hare indicated that he could support this motion if the building at Dover Park would be torn down.

Mr. Lynn expressed his opinion that the existence of mold in the building was not confirmed and that no builder, developer, or contractor had evaluated the facility. He felt that plans should be

drawn up for "Building 2," so it could be determined if parts could be reused. He felt that tearing down the building would be premature.

Mr. Koenig stated that a meeting of the Parks, Recreation, and Community Enhancement Committee was held in the building in September 2013 and it was very difficult to breathe. He suggested that there was mold growing there, the air conditioning units had not worked because they were pirated by vandals and, in his opinion, if the building were privately owned it would have been declared dangerous and Council would have ordered the property owner to tear it. He stated that a building condition assessment by Mr. Val De Rocili, President, Environmental Compliance, Inc., had identified mold and asbestos associated with the building. All of those things would have to be remedied if the building were to be reused. There was water damage to the exterior walls and a litany of problems, and an estimate of approximately $250,000 was discussed to allow the building to be used. They layout of the building was not of a modern, functional use. Staff had been progressing for many months under the anticipation that the building would be torn down. Mr. De Rocili was hired to prepare bid specs for asbestos abatement. Bids were received for demolition of the building and staff prepared the required project budget and followed all of the rules to bring this matter before Council for a vote during the Regular City Council Meeting held on June 9, 2014; however, the motion failed. Mr. Koenig stated that he did not know what to do to move forward and believed he was out of options.

Mr. Dixon stated that he had reversed his position on this matter because the community was promised that the City would take care of this building and the community believed that once the building was demolished nothing would be done. He stated that a guarantee was desired that a new building would be put up for the young people so that they would have someplace to go for recreation.

Mr. Anderson indicated that once the budget is passed with the additional funds for the Dover Park, he would have no issue with the demolition. He felt that the building had been demolished by neglect, that the investment of the people through their taxes was disrespected, and basic maintenance should have been taken care of. He noted that significant money would be needed and $80,000 would not build anything, stating his understanding that $56,000 would be required for demolition.

For clarification, Mr. Koenig advised members that the funds for demolition were budgeted in FY 14 and an additional $80,000 was proposed for allocation in the draft FY 15 budget for the Dover Park. He expressed his wish that this discussion had been held during the City Council meeting held on June 9, 2014 so that Council could have approved the project, contingent upon the adoption of the budget, because the demolition contracts were now in abeyance. They had not yet been canceled, but were not authorized.

Mr. Hare stated that the concerns raised by Mr. Dixon had been presented previously and it had twice been recommended to tear the building down. He indicated that he did not have a problem putting something at the Dover Park, but even if there were no mold or asbestos present, the building was more of an office building than a functional recreation center. Mr. Hare stated that he could support placing $100,000 in the new budget if there were an associated amendment that included tearing down the old building.

Mrs. Williams stated that the recreation center was a 1960 model building which was appropriate for its use at the time. She indicated that the children were taken out of the building because it became a health hazard. Council was unaware how bad it was and staff was brought in to the building until staff started getting sick. She stated that there should not be blame for neglect of a building. Mrs. Williams stated that the facility was built for a certain period of time, lasted for that time, was in a very wet, wooded area, and the building died. She felt that this matter should be put to rest and the building torn down.

Mr. Dixon moved to amend the motion to include tearing down the building.

Mr. Lynn questioned whether $180,000 was enough to build a new building since the costs and uses of a new building were still unknown.

Mr. Hare indicated that he did not disagree with Mr. Lynn; however, reiterated that the existing building was not functional. He felt that Council should get rid of the building rather than worrying about whether a piece of it could be used and begin to determine what could be done there. Mr. Hare stated that the building could not be used for anything and the rates for demolition would only increase.

Mr. Bonar stated that there was a motion on the floor, a second, and a request that the maker of the motion amend the motion to allow part of that money to be spent to tear the building down, as suggested by staff.

By unanimous consent, the meeting recessed at 8:12 p.m. and reconvened at 8:17 p.m.

Mr. Lynn deferred to Mr. Koenig to restate the motion made previously with additional provisions that they discussed during the recess.

Based on his and Mrs. Mitchell's understanding of this discussion, Mr. Koenig suggested that a motion be made to adopt Alternative A with the following adjustments: 1) that $10M be transferred from the Electric Fund to the General Fund; 2) that $100,000 be set aside in the Parkland Reserve Fund, as previously approved by Council; and 3) that the Street Program budget be reduced from $1M to $900,000.

Mr. Lynn moved to amend the motion to adopt Alternative A with the following adjustments: 1) that $10M be transferred from the Electric Fund to the General Fund; 2) that $100,000 be side aside in the Parkland Reserve Fund, as previously approved by Council; and 3) that the Street Program budget be reduced from $1M to $900,000. The motion was seconded by Mr. Dixon.

Mr. Lynn requested, once this motion was voted upon, that the Council President return the floor to him to make a corollary motion to change the City's policy relative to the electric transfer.

Mrs. Williams questioned if funds would be transferred from the Electric Fund or the Rate Stabilization Reserve. Responding, Mrs. Mitchell stated that funds from the Rate Stabilization Reserve would be transferred into the Electric Operating Fund and funds would then be transferred from the Electric Fund into the General Fund.

The motion to adopt Alternative A with the following adjustments: 1) that $10M be transferred from the Electric Fund to the General Fund; 2) that $100,000 be side aside in the Parkland Reserve Fund, as approved by Council previously; and 3) that the Street Program budget be reduced from $1M to $900,000 was carried by a roll call vote of five (5) yes (Anderson, Dixon, Lynn, Hare, and Bonar) and four (4) no (Perza, Slavin, Williams, and Hutchison).

Referring to the City of Dover FY 2014/15 Proposed Budget - Budget Meeting, June 11, 2014 - Transfer Policy Revision on Page 5 (Exhibit #2), Mr. Lynn stated that the maximum transfer from the Electric Utility to the General Fund had been set at $8,000,000. In order to protect the City during future review by financial rating agencies and to ensure that this would become policy, he inquired what this number should be changed to.

Responding, Mrs. Mitchell recommended that this figure be changed to $10M. Members were provided the City of Dover General Fund & Electric Fund Financial Projections 2015-2019 - Budget Meetings - June 11, 2014 ***(Exhibit #3)***. Mrs. Mitchell advised members that this forecast had been revised using a $9.5M transfer from the Electric Fund and if this amount were increased to $10M, the financial forecast would still be able to sustain all of its debt covenants.

Mr. Lynn moved to revise the Transfer Policy to state that, 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, seconded by Mr. Dixon.

Mr. Slavin questioned if the intent was to strike the second part of the governance in the policy that included a not-to-exceed percentage of General Fund reserves and no longer track that, and this was confirmed by Mrs. Mitchell. Mr. Slavin stated that he was not in favor of this.

The motion to revise the Transfer Policy to state that, 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 was carried by a roll call vote of six (6) yes (Anderson, Dixon, Lynn, Hare, Hutchison, and Bonar) and three (3) no (Perza, Slavin, and Williams).

During the Regular City Council Meeting held on June 9, 2014, Council considered the evaluation of bids - Dover Park Recreation Center Demolition, Mr. Hare moved in favor of staff's recommendation to authorize staff to award the contract to Delaware Mulch and Stone in the amount of $35,600. The motion failed by a roll call vote of five (5) no (Anderson, Dixon, Lynn, Slavin, and Bonar) and four (4) yes (Perza, Williams, Hare, and Hutchison).

During the Special City Council Meeting (Budget Review) held on June 11, 2014, Mr. Hare moved to approve the removal of the building at Dover Park, as recommended by staff during the June 9, 2014 Regular City Council Meeting, seconded by Mrs. Williams.

Noting that the motion in favor of this action had been defeated by Council during the meeting held on June 9, 2014, Mr. Slavin questioned the procedure for bringing it back for reconsideration.

Mr. Anderson stated that the motion could be deferred so that it would have the proper notice for the next regular Council meeting; otherwise, a favorable vote by two-thirds of the members of Council would be required, and he was unsure if Mr. Hare wanted to risk obtaining a two-thirds vote. He suggested that there would be a better chance of a favorable vote if this item were put on the agenda for the next Regular Council Meeting.

Mr. Lynn expressed his opinion that this was a motion for reconsideration; therefore, a member who voted against the demolition at the previous meeting would have to bring this item forward. In addition, he felt that this could be a violation of the Freedom of Information Act (FOIA), given that this item was not on the current meeting agenda.

Mr. Perza felt that the matter could be discussed; however, he expressed discomfort in voting on it.

Mr. Bonar stated that, since this item was not on the current meeting agenda, the motion was out of order and asked that it placed for consideration on the agenda for the next Regular City Council Meeting.

Mr. Anderson formally requested placement of this item on the next Council meeting agenda after the budget vote.

Mr. Bonar stated that the item would be placed on the next Council meeting agenda and, as Council President, he would have discretion regarding its specific placement on that agenda.

Mr. Perza stated his opinion that the purpose of these meetings was to start discussing the issues since public meetings were the only forum in which these topics could be addressed. He stated his understanding that every issue raised had two (2) sides to it. He did not view disagreements between members as personal slights, noting that it would be very rare to receive unanimous votes on every issue. He felt that it might be a good idea to hold these discussions more often to focus attention on upcoming concerns.

Mr. Bonar stated that staff and Council had worked hard on the budget and all had their own views regarding what is right and wrong. From a personal perspective, he stated his preference for passing a tax increase that could be deducted from income taxes rather than transferring money from the Electric Fund and providing a rate reduction, and he knew that there would be disagreement and respected this disagreement.

Mrs. Williams suggested that some people do not file taxes because they do not make enough income, and others who do file taxes do not have itemized deductions and cannot deduct tax increases.

Mr. Anderson moved to refer the budget to Council, as amended, seconded by Mr. Slavin and carried by a roll call vote of eight (8) yes (Anderson, Dixon, Lynn, Slavin, Williams, Hare, Hutchsion, and Bonar) and one (1) no (Mr. Perza).

Mr. Slavin moved for adjournment, seconded by Mr. Anderson and unanimously carried.

Meeting adjourned at 8:31 p.m.

TRACI A. McDOWELL
CITY CLERK

All orders, ordinances, and resolutions adopted by City Council during their Special Meeting of June 11, 2014, are hereby approved.

DAVID L. BONAR
COUNCIL PRESIDENT/
VICE-MAYOR ACTING

/TM
S:\AGENDAS-MINUTES-PACKETS-PRESENTATIONS-ATT&EXH\Council-Minutes\2014\06-11-2014 Budget Review.wpd

Exhibits
Exhibit #1 - Presentation - City of Dover FY 2014/15 Proposed Budget, Budget Meeting, June 11, 2014
Exhibit #2 - Discussion Draft - Proposed Financial Reforms, Prepared by Councilman Slavin
Exhibit #3 - City of Dover General Fund & Electric Fund - Financial Projections 2015-2019 - Budget Meetings - June 11, 2014

City of Dover
FY2014/15 Proposed Budget

Budget Meeting

June 11, 2014

EXHIBIT #1
2014 Budget Review
Special Council Meeting of 06/11/2014

City of Dover
Council Budget Hearing 6/5/14
Motions Passed for FY15 Proposed Budget

	Motion	Division/Fund	General Fund	Water/WW Fund	Electric Fund
1	Elminate Training/Conference	Mayor	(4,500)		
		Council	(8,500)		
2	Transfer Street Light expenses to the Electric Fund	Fund Expenses	(774,500)		774,500
3	Reduce Vehicles	Transfer to Capital Project Fund			
	Police - 1 car and 1 motorcycle	Police	(43,400)		
	Ford Explorer	City Manager	(32,800)		
	Ford Explorer (not in final motion)	Electric			-
4	Change Storekeeper to Perm PT	Inventory & Procurement	(21,500)		
5	Transfer Credit Card Fees from Customer Service to Electric Fund	Customer Service	(146,800)		
		Electric Fund Expense			146,800
6	Increase Contribution to DDP	Fund Expense	10,000		
7	Transfer from Rate Stab Reserve	Transfer to - General Fund	-		1,500,000
8	Internal Service Fund Allocations	Fund Expense	-	(35,800)	(132,500)
9	Transfer to Parkland Reserve	Fund Expense	100,000		
10	Raises for Non-Bargaining @ 3%	Multiple & All Funds	7,100	-	-
	(Difference will be between City Manager Proposed increases and Councils approved increases)				
	Expense Changes		**(914,900)**	**(35,800)**	**2,288,800**
1	Transfer from Rate Stab Reserve	Transfer In - Electric Fund	1,500,000		1,500,000
	Additional Motion Needed				774,500
	Adjusted Transfer from Rate Stab Reserve				2,274,500
2	Increase Transfer Tax receipts	Transfer In - Transfer Taxes	150,000		
3	Elimination of Property Tax Increase	Property Taxes	(2,278,500)		
4	Re-allocation of Interfund Services	Internal Service Fund Receipts	(168,300)		
	Revenue Changes		**(796,800)**	-	**2,274,500**
	Total Budget Adjustments		**(1,711,700)**	**(35,800)**	**14,300**

City of Dover
FY15 Proposed Budget Meeting
June 11, 2014

Revenue Policy #7 & Expenditure Policy #2 After Budget Meeting on 6/5/14
As Currently Approved by City Council - Electric not in compliance with City Charter requirement

	General Fund	Water Utility	Wastewater Utility	Water/Wastewater Fund	Electric Fund
Revenues	$38,350,900	$5,508,300	$8,992,100	$14,500,400	$81,806,500
Expenses	(38,169,400)	(5,146,600)	(8,522,700)	(13,669,300)	(82,574,900)
Surplus/(Deficit)	$181,500	$361,700	$469,400	$831,100	($768,400)
Ending Budget Balance	$3,574,500	$1,020,100	$525,900	$1,546,000	$8,485,200
% of Revenue	9.3%	18.5%	5.8%	10.7%	10.4%
Beginning Budget Balance	$3,393,000	$658,400	$56,500	$714,900	$9,253,600

Revenue Policy #7 & Expenditure Policy #2 Alternative A
With Street Lights Motion Reversed & Increasing Transfer from Electric Fund

	General Fund	Water Utility	Wastewater Utility	Water/Wastewater Fund	Electric Fund
Revenues	$39,125,400	$5,508,300	$8,992,100	$14,500,400	$81,806,500
Expenses	(38,943,900)	(5,146,600)	(8,522,700)	(13,669,300)	(81,800,400)
Surplus/(Deficit)	$181,500	$361,700	$469,400	$831,100	$6,100
Ending Budget Balance	$3,574,500	$1,020,100	$525,900	$1,546,000	$8,485,200
% of Revenue	9.1%	18.5%	5.8%	10.7%	10.4%
Beginning Budget Balance	$3,393,000	$658,400	$56,500	$714,900	$9,253,600

Transfer from Electric	$774,500	
Street Light Expense	$774,500	($774,500)

Revenue Policy #7 & Expenditure Policy #2 Alternative B
With Street Lights Motion Reversed & New Public Safety Items covered by tax increase $.0222 or 6.5%

	General Fund	Water Utility	Wastewater Utility	Water/Wastewater Fund	Electric Fund
Revenues	$39,051,500	$5,508,300	$8,992,100	$14,500,400	$82,306,500
Expenses	(38,920,100)	(5,146,600)	(8,522,700)	(13,669,300)	(81,800,400)
Surplus/(Deficit)	$131,400	$361,700	$469,400	$831,100	$506,100
Ending Budget Balance	$3,574,500	$1,020,100	$525,900	$1,546,000	$8,485,200
% of Revenue	9.2%	18.5%	5.8%	10.7%	10.3%
Beginning Budget Balance	$3,393,000	$658,400	$56,500	$714,900	$9,253,600

Property Tax Increase	$700,600	
Street Light Expense	$774,500	($774,500)
Police Car and Motorcycle	$43,400	
Emergency Manager Vehicle	$32,800	
Transfer to Parks & Rec Reserve	($100,000)	
Transfer In - Rate Stab Reserve		$2,000,000

City of Dover
FY15 Proposed Budget
Public Safety Related Increases

	2015	2016	2017	2018	2019
Fire & Police Equipment	$ 190,100	$ 190,100	$ 190,100	$ 190,100	$ 190,100
Police Pension Contribution	347,600	354,600	361,700	368,900	376,300
FOP Contract	186,600	186,600	186,600	186,600	186,600
Total	$ 724,300	$ 731,300	$ 738,400	$ 745,600	$ 753,000
Property Tax Increase for Public Safety Items	$ 0.0222	$ 0.0222	$ 0.0222	$ 0.0222	$ 0.0222
Additional Property Taxes	$ 700,600	$ 700,600	$ 700,600	$ 700,600	$ 700,600

Public Safety Related & Street Program Increases

	2015	2016	2017	2018	2019
Fire & Police Equipment	$ 190,100	$ 190,100	$ 190,100	$ 190,100	$ 190,100
Police Pension Contribution	347,600	354,600	361,700	368,900	376,300
FOP Contract	186,600	186,600	186,600	186,600	186,600
Street Program	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total	$ 1,724,300	$ 1,731,300	$ 1,738,400	$ 1,745,600	$ 1,753,000
Property Tax Increase for Public Safety & Street Improvements	$ 0.0322	$ 0.0322	$ 0.0322	$ 0.0322	$ 0.0322
Additional Property Taxes	$ 1,016,200	$ 1,016,200	$ 1,016,200	$ 1,016,200	$ 1,016,200

Transfer Policy Revision

- Upon satisfying all rate covenants the City will provide operating transfers to the General Fund. From the Water/Wastewater Utility no greater than ~~$500,000~~ $1,000,000 and from the Electric Utility no greater than ~~$8,000,000~~. ~~The Utility transfers will not exceed 25% of the General Fund Revenues.~~

City of Dover
Future Considerations

- De-commissioning Units 1 & 2
- Finding component parts for Unit 3 becoming more difficult and costly; Requires modification to current equipment;
- Major upgrades to Water Treatment Plant
- Public road and sidewalk capital maintenance
- City facilities upgrades and space needs
- Maintaining our physical assets to address safety and handicap requirements of our citizens, customers and employees
- Changes in pension accounting not yet implemented
- Future effects of other post-employment benefits
- Cost increases of our suppliers passed down to the City
- Cost benefit analysis of future proposals to maintain/reduce cost

Discussion Draft

Proposed Financial Reforms

Councilman Tim Slavin, At-Large

For Discussion at June 11, 2014 Budget Hearing

Public Safety Fund

1. A Public Safety Fund will be created. It will be comprised of all costs associated with Police, Fire, and Ambulance services.

2. Revenue to the Public Safety Fund shall include all monies included in the revenue categories of Fines and Police Revenue, Police Extra Duty, Civil Traffic Penalties, Property Tax, and grants related to these functions.

3. Expenses against the Public Safety Fund shall include all monies included in the expense categories of Life Safety, Police, Police Extra Duty, and Fire.

4. The entire amount of funds received from the revenue category of Property Tax will be dedicated to the Public Safety Fund.

5. It is stated policy of City Council that the City shall have a goal of covering 100% of the costs for the Public Safety Fund with the revenue categories of Fines and Police Revenue, Police Extra Duty, Civil Traffic Penalties, Property Tax, and grants by FY 25.

Compensation Policies

6. Council will not authorize pay raises, bonuses, or other forms of compensation in consecutive fiscal years for any City employee, including Council appointees. A two-thirds vote of Council is required to authorize an exception to this policy.

7. Council will not authorize more than 1% compensation increases (which shall include the total of salary, bonus, and other forms of compensation) for any one fiscal year. A two-thirds vote of Council is required to authorize an exception to this policy.

8. Council will not authorize any compensation package with a bargaining unit which results in a total compensation increase of more than 2.5% in any three-year period. A two-thirds vote of Council is required to authorize an exception to this policy.

Property Tax Governance

9. Council shall not raise the property tax rate more than 9.5% without first holding a referendum on the proposed tax increase. This provision shall not apply in those years when a revenue-neutral adjustment to the tax rate is required because of property revaluation.

10. Council shall not raise the property tax rate more than 9.5% without two separate votes of a two-thirds majority vote of Council, with the requirement that a municipal election occur between the first and second vote. This provision shall not apply in those years when a revenue-neutral adjustment to the tax rate is required because of property revaluation.

Restrictions on uses of Appropriations

11. Funds appropriated for personnel expenses shall be restricted to use as personnel expenses.

12. Funds appropriated as capital expenses shall be restricted to use as capital expenses.

13. Funds appropriated as operating expenses shall be restricted to use as operating expenses.

14. All requests for additional personnel shall be accompanied with a five-year estimate on the costs of such position, including salaries and other employment costs (OECs).

City of Dover
General Fund & Electric Fund
Financial Projections
2015 – 2019

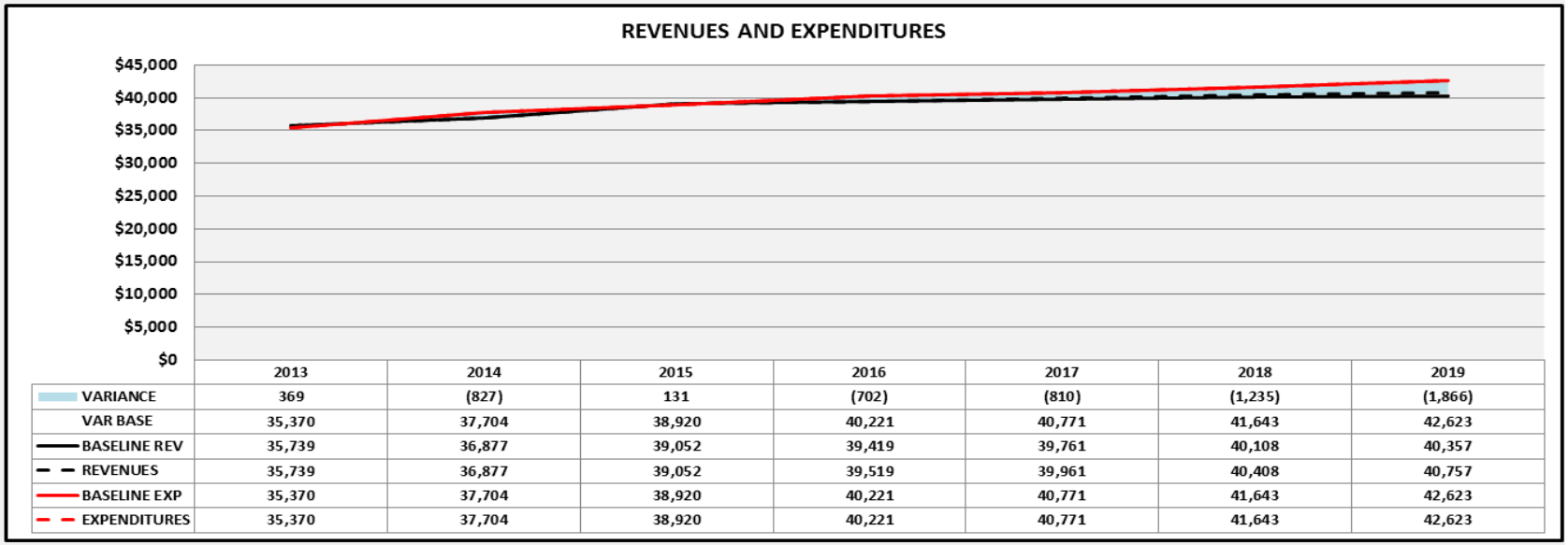
Budget Meetings
June 11 2014

Special Council Meeting of 06/11/2014
2014 Budget Review
EXHIBIT #3

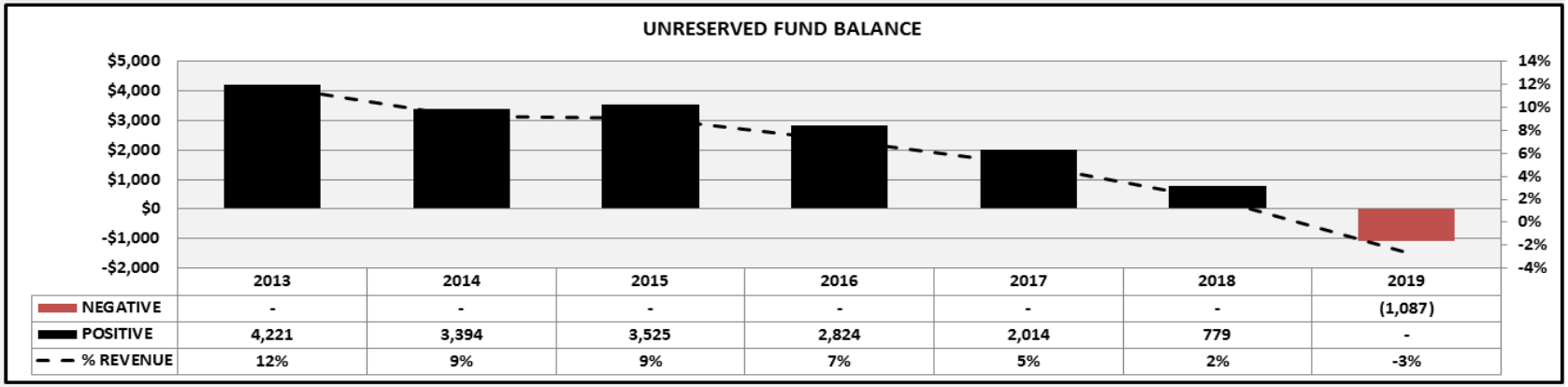
General Fund - Revenues, Expenditures & Fund Balance

	2015F	2016F	2017F	2018F	2019F
FUND BALANCE-BEGINNING	**3,394,000**	**3,524,400**	**2,667,061**	**1,657,391**	**121,996**
REVENUES AND SOURCES					
01-PROPERTY TAXES	11,799,800	11,917,798	12,036,976	12,157,346	12,278,919
02-LICENSES AND PERMITS	2,814,200	2,842,342	2,870,765	2,899,473	2,928,468
03-GRANTS RECEIVED	1,287,400	1,287,400	1,287,400	1,287,400	1,287,400
04-COURT OF CHANCERY FEES	1,023,000	1,033,230	1,043,562	1,053,998	1,064,538
05-SANITATION FEES AND REBATES	2,595,600	2,608,578	2,621,621	2,634,729	2,647,903
06-LIBRARY REVENUE - GENERAL	521,600	524,208	526,829	529,463	532,111
07-FINES	1,288,800	1,301,688	1,314,705	1,327,852	1,341,130
08-INVESTMENT INCOME (LOSS)	40,000	40,200	40,401	40,603	40,806
09-MISCELLANEOUS SERVICES	940,100	958,902	978,080	997,642	1,017,594
10-INDIRECT SERVICES BILLING	4,863,000	4,960,260	5,059,465	5,160,655	5,160,655
11-TRANSFERS IN-ELECTRIC	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000
12-TRANSFERS IN-WATER/WW	500,000	500,000	500,000	500,000	500,000
13-TRANSFERS IN-OTHER	1,878,000	1,944,340	1,981,108	2,018,814	2,057,484
TOTAL REVENUES AND SOURCES	**39,051,500**	**39,418,946**	**39,760,912**	**40,107,974**	**40,357,008**
EXPENDITURES AND USES					
01-SALARIES AND WAGES	16,341,000	16,667,820	17,042,846	17,468,917	17,905,640
02-FICA	1,204,500	1,228,590	1,256,233	1,287,639	1,319,830
03-HEALTH INSURANCE	2,560,600	2,663,024	2,769,545	2,880,327	2,995,540
04-OTHER-BENEFITS	439,900	443,199	446,523	449,872	453,246
05-RETIREE HEALTHCARE	1,636,500	1,701,960	1,770,038	1,840,840	1,914,474
07-PENSION	2,707,500	2,761,650	2,816,883	2,873,221	2,930,685
08-OPEB	1,715,600	1,749,912	1,784,910	1,820,608	1,857,021
09-MATERIALS & SUPPLIES	1,226,200	1,238,462	1,250,847	1,263,355	1,275,989
10-ADMIN EXPENDITURES	4,808,200	4,880,323	4,953,528	5,027,831	5,103,248
11-FUND EXPENSE	2,024,800	2,024,800	2,024,800	2,024,800	2,024,800
12-STREET LIGHT	774,500	782,245	790,067	797,968	805,948
13-OTHER-CHARGES	500,000	500,000	500,000	500,000	500,000
14-TRANSFER-TO-DEBT	708,600	914,300	919,900	670,000	670,000
15-TRANSFER-TO-CIP	2,272,200	2,664,300	2,444,500	2,738,000	2,866,500
TOTAL REVENUES AND SOURCES	**38,920,100**	**40,220,585**	**40,770,621**	**41,643,378**	**42,622,920**
SURPLUS/(DEFICIT)	**131,400**	**(801,639)**	**(1,009,709)**	**(1,535,404)**	**(2,265,912)**
% REVENUE	*0%*	*-2%*	*-3%*	*-4%*	*-6%*
FUND BALANCE-ENDING	**3,524,400**	**2,667,061**	**1,657,391**	**121,996**	**(2,143,912)**
% OF REVENUES AND SOURCES	**9.0%**	**6.8%**	**4.2%**	**0.3%**	**-5.3%**

Sensitivity Analysis – Water & Wastewater Transfer Increase



	2013	2014	2015	2016	2017	2018	2019
VARIANCE	369	(827)	131	(702)	(810)	(1,235)	(1,866)
VAR BASE	35,370	37,704	38,920	40,221	40,771	41,643	42,623
BASELINE REV	35,739	36,877	39,052	39,419	39,761	40,108	40,357
REVENUES	35,739	36,877	39,052	39,519	39,961	40,408	40,757
BASELINE EXP	35,370	37,704	38,920	40,221	40,771	41,643	42,623
EXPENDITURES	35,370	37,704	38,920	40,221	40,771	41,643	42,623



	2013	2014	2015	2016	2017	2018	2019
NEGATIVE	-	-	-	-	-	-	(1,087)
POSITIVE	4,221	3,394	3,525	2,824	2,014	779	-
% REVENUE	12%	9%	9%	7%	5%	2%	-3%

Electric Fund Forecast

	Revised 2014	Proposed 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Yr 1 - Yr 5 Total
Net Margins							
Revenue from Current Electric Rates	$ 78,971,700	$ 78,043,000	$ 78,158,200	$ 78,327,200	$ 78,550,900	$ 78,550,900	$ 391,630,200
Proposed Power Cost Adjustment	-	-	-	-	-	-	-
Utility Tax	1,312,300	1,296,900	1,298,800	1,301,600	1,305,300	1,305,300	6,507,900
Miscellaneous Receipts	1,427,600	1,204,600	1,163,800	1,168,000	1,173,000	1,178,000	5,887,400
Total Operating Revenue	81,711,600	80,544,500	80,620,800	80,796,800	81,029,200	81,034,200	404,025,500
Power Supply & Production	(55,841,100)	(50,109,200)	(47,855,000)	(46,850,400)	(48,386,000)	(48,552,700)	(241,753,300)
Operating Expenses	(13,714,300)	(14,269,200)	(14,653,700)	(15,054,900)	(15,469,900)	(15,894,800)	(75,342,500)
Operating Transfers - Out (General Fund)	(8,000,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(9,500,000)	(47,500,000)
Total Operating Expenses	(77,555,400)	(73,878,400)	(72,008,700)	(71,405,300)	(73,355,900)	(73,947,500)	(364,595,800)
Operating Margin	4,156,200	6,666,100	8,612,100	9,391,500	7,673,300	7,086,700	39,429,700
Non-Oper. Rev. - Interest on Operating	37,200	36,800	70,500	66,000	65,000	62,000	300,300
Non-Oper. Rev. - Interest on Reserves	279,400	230,900	218,200	219,700	221,200	223,000	1,113,000
Margins Available For Debt Service	4,472,800	6,933,800	8,900,800	9,677,200	7,959,500	7,371,700	40,843,000
Interest on Long-Term Debt	(1,131,900)	(1,037,000)	(918,700)	(884,000)	(847,500)	(815,700)	(4,502,900)
Cash From Operations	3,340,900	5,896,800	7,982,100	8,793,200	7,112,000	6,556,000	36,340,100
Non Cash Income/Loss & Reserve Transfers							
Transfer from Rate Stabilization Reserve	7,000,000	2,000,000	-	-	-	-	2,000,000
Depreciation Expense	(5,375,700)	(5,394,500)	(5,520,800)	(5,661,000)	(5,817,000)	(5,907,200)	(28,300,500)
Net Margins	$ 4,965,200	$ 2,502,300	$ 2,461,300	$ 3,132,200	$ 1,295,000	$ 648,800	$ 8,039,600

Net Positive/(Negative Cash)

	Revised 2014	Proposed 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Yr 1 - Yr 5 Total
Transfer to I & E Fund	$ 4,918,600	$ 4,750,000	$ 4,000,000	$ 4,000,000	$ 3,000,000	$ 3,000,000	$ 18,750,000
Reinvestment of Reserve Interest	304,600	255,700	243,000	239,900	240,300	239,100	1,218,000
Debt Service Principal	2,170,000	2,260,000	2,365,000	695,000	730,000	765,000	6,815,000
Total Cash Budget Requirements	7,393,200	7,265,700	6,608,000	4,934,900	3,970,300	4,004,100	26,783,000
Net Positive/(Negative Cash)	$ 2,947,700	$ 631,100	$ 1,374,100	$ 3,858,300	$ 3,141,700	$ 2,551,900	$ 11,557,100

Rate Stabilization Reserve

	Revised 2014	Proposed 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Yr 1 - Yr 5 Total
Rate Stabilization Account							
Balance in Account on July 1	$ 17,382,100	$ 10,507,300	$ 8,583,000	$ 8,644,800	$ 8,707,000	$ 8,769,700	
Receipts							
Interest Earned	125,200	75,700	61,800	62,200	62,700	63,100	325,500
Appropriations	-	-	-	-	-	-	-
Total Funds Available	$ 17,507,300	$ 10,583,000	$ 8,644,800	$ 8,707,000	$ 8,769,700	$ 8,832,800	
Disbursements							
Transfer to (from) Operations	7,000,000	2,000,000	-	-	-	-	2,000,000
Transfer to Reserves (from Reserves)	-	-	-	-	-	-	-
Balance in Account on June 30	$ 10,507,300	$ 8,583,000	$ 8,644,800	$ 8,707,000	$ 8,769,700	$ 8,832,800	
Reserve Requirement - (< 10 % of Purchased Power)	20.99%	19.52%	20.82%	21.59%	21.04%	21.21%	
Reserve Requirement Status	*Exceeds 10%*	*Exceeds 10%*	*Exceeds 10%*	*Exceeds 10%*	*Exceeds 10%*	*Exceeds 10%*	

History of Major Electric Reserves

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013
Depreciation Reserve Account (Policy $10 mil)								
Balance in Account on July 1	$ 15,319,320	$ 15,652,798	$ 13,535,183	$ 4,451,663	$ 7,789,990	$ 8,021,155	$ 10,412,221	$ 9,742,058
Receipts								
Interest Earned	333,478	604,483	616,059	338,327	231,165	141,066	129,837	172,146
Appropriations	-	14,500	-	5,000,000	-	2,250,000	-	-
Total Funds Available	$ 15,652,798	$ 16,271,781	$ 14,151,242	$ 9,789,990	$ 8,021,155	$ 10,412,221	$ 10,542,058	$ 9,914,204
Disbursements								
Transfer to Capital Improvements (CIP)	-	2,736,598	9,699,579	2,000,000	-	-	300,000	-
Transfer to Reserves (from Reserves)	-	-	-	-	-	-	500,000	58,500
Balance in Account on June 30	$ 15,652,798	$ 13,535,183	$ 4,451,663	$ 7,789,990	$ 8,021,155	$ 10,412,221	$ 9,742,058	$ 9,855,704
Future Capacity Account (Policy $10 mil)								
Balance in Account on July 1	$ 8,386,381	$ 8,569,070	$ 8,958,792	$ 8,457,351	$ 8,763,863	$ 9,023,928	$ 9,178,771	$ 9,805,482
Receipts								
Interest Earned	182,689	389,722	498,559	306,512	260,065	154,843	126,711	153,208
Appropriations	-	-	-	-	-	-	-	2,100,000
Total Funds Available	$ 8,569,070	$ 8,958,792	$ 9,457,351	$ 8,763,863	$ 9,023,928	$ 9,178,771	$ 9,305,482	$ 12,058,690
Disbursements								
Transfer to General Fund	-	-	-	-	-	-	-	2,000,000
Transfer to Capital Improvements	-	-	1,000,000	-	-	-	-	-
Transfer to Reserves (from Reserves)	-	-	-	-	-	-	(500,000)	54,500
Balance in Account on June 30	$ 8,569,070	$ 8,958,792	$ 8,457,351	$ 8,763,863	$ 9,023,928	$ 9,178,771	$ 9,805,482	$ 10,004,190
Rate Stabilization Account								
Balance in Account on July 1	$ 2,615,646	$ 5,003,510	$ 379,783	$ 2,471,465	$ 4,652,527	$ 4,776,519	$ 6,160,167	$ 10,230,133
Receipts								
Interest Earned	73,074	35,802	61,003	95,314	123,992	83,648	69,966	151,991
Appropriations	2,314,790	340,471	2,030,679	2,085,748	-	1,300,000	5,000,000	12,400,000
Total Funds Available	$ 5,003,510	$ 5,379,783	$ 2,471,465	$ 4,652,527	$ 4,776,519	$ 6,160,167	$ 11,230,133	$ 22,782,124
Disbursements								
Transfer to (from) Operations	-	5,000,000	-	-	-	-	1,000,000	5,400,000
Transfer to Reserves (from Reserves)	-	-	-	-	-	-	-	-
Balance in Account on June 30	$ 5,003,510	$ 379,783	$ 2,471,465	$ 4,652,527	$ 4,776,519	$ 6,160,167	$ 10,230,133	$ 17,382,124
Reserve Requirement - (< 10 % of Purchased Power)	11.83%	0.58%	3.92%	6.88%	7.15%	9.82%	19.21%	35.01%
Reserve Requirement Status	*Exceeds 10%*	*OK*	*OK*	*OK*	*OK*	*OK*	*Exceeds 10%*	*Exceeds 10%*