SPECIAL COUNCIL MEETING
BUDGET REVIEW

A Special Council Meeting was held on May 22, 2012 at 6:00 p.m. with Council President Leary presiding. Council members present were Mr. Anderson (arrived at 7:30 p.m.), Mrs. Russell, Mr. Perza, Mrs. Williams, Mr. Hare, and Mr. Hutchison. Mr. Lynn and Mr. Bonar were absent.

Council staff members present were Mr Koenig, Mrs. Mitchell, and Mrs. McDowell. Mayor Carey was also present.

AGENDA ADDITIONS/DELETIONS

Mr. Hutchison moved to adopt the agenda as presented, seconded by Mrs. Williams and unanimously carried.

Mr. Hutchison stated that when the FY12 budget process began, the City had a shortfall of approximately $3.4M in the General Fund. Noting that members would be considering a $800,000 deficit in the General Fund in the draft FY13 budget, Mr. Hutchison conveyed his thanks to Mr. Scott Koenig, City Manager; Mrs. Donna Mitchell, Controller/Treasurer; the City's management team; and City employees for accomplishing this reduction in the deficit.

MISCELLANEOUS INFORMATION

Staff provided members with additional documents, as follows: 1) City of Dover Potential Savings for FY 2012 (as of May 22, 2012) ***(Exhibit #1)***; and 2) Correspondence from Mrs. Donna Mitchell, Controller/Treasurer, dated May 21, 2012 regarding Assessment Project Memo and Reassessment Estimate Figures ***(Exhibit #2)***.

INTRODUCTION AND PRESENTATION

Mr. Scott Koenig, City Manager, stated that in the past, the budget was prepared and presented by Mrs. Terry Tieman, Senior City Administrator in the City Manager's Office. He advised members that he worked closely with Mrs. Donna Mitchell, Controller/Treasurer, in preparing the FY13 budget; however, a number of staff members played a critical role in its development. He conveyed his appreciation to Mrs. Mitchell, Ms. Tracey Lisiecki, Financial Accounting and Reporting Manager (Finance Department); Ms. Jamie Fenske, Billing Clerk (Customer Service Department); Ms. Hollie Ford, Administrative Assistant (Human Resources Department); Mrs. Linda Gomes, Administrative Assistant (Finance Department); and Mrs. Marlene Loomis, Computer Operator (Information Technology Department) for their hard work and long hours spent preparing the budget.

Mr. Koenig read a letter to the Mayor and Members of City Council dated May 15, 2012 into the record, as follows:

> *Dear Mayor and Members of City Council:*
>
> *Enclosed is the proposed Fiscal Year 2012-2013 City of Dover Operating Budget to be considered by City Council over the next several weeks. As you are aware, we began the budget process this year with an expected shortfall in the General Fund of approximately $3.4 million dollars. Throughout this past year, members of city staff have worked extremely hard to cut expenses and consolidate operations as*

much as possible. The proposed budget reflects our commitment to providing efficient basic municipal services for our citizens.

Significant efforts have been made to comply with all financial policies. All budgets are balanced with current revenues equal to or greater than current expenses with the exception of the Electric Fund. As allowed by policy, we are proposing to use the Rate Stabilization Reserve for power cost adjustments. In addition, we are recommending a change in the transfer policy for utilities to a fixed dollar amount from the previous methodology to transferring a percentage of revenue.

The proposed budget has a significant impact on the city's existing workforce. The workforce will be contracted from 362 full-time personnel in Fiscal Year 2011-2012 to 347 full-time personnel in Fiscal Year 2012-2013, a reduction of 4.14%. This reduction affects almost every department in the City; however, it has the largest impact on the Economic Development Office. The proposed budget recommends the elimination of this office effective October 1, 2012. I have also proposed a 15% across-the-board healthcare premium cost sharing arrangement for all employees. In order for this recommendation to be fully implemented, we must successfully complete the collective bargaining process for all three (3) unions. In addition to the above impacts on our workforce, the budget was built without consideration for COLA raises in Fiscal Year 2012-2013 for any employee classification. The proposed budget does honor the contractual step increases in the FOP and IBEW contracts.

The capital budget has also received significant scrutiny as we have progressed through the budget process. A number of General Fund Capital Purchases and Projects have been deferred or eliminated from consideration for this budget due to financial constraints in the General Fund. The Utility Capital Investment Purchases and Projects have generally remained intact and on schedule.

Specific attention has been paid to long-term forecasting with respect to all of our funds (general, water/sewer & electric). Difficult decisions will be required to address significant structural problems related to future budgets in all of these funds. These decisions will include, but not be limited to, new revenue sources, increases in current revenue sources, further reductions in cost centers, revisions to capital plans, and the sale of assets.

All of the above efforts combined have allowed us to close the projected budget gap from $3.4 million dollars to $801,700. The recommendation to close this gap and balance the Fiscal Year 2012-2013 is as follows:

1) *Increase 90-gallon In-City Trash Fee from $11.70 per month to $17.00 per month (a 45.30% increase). All other In-City service categories will be prorated based on the $17.00 per month rate. This increase yields $487,100 in additional revenue.*

2) Increase the Tax Rate by $0.01 (a 3.00% increase). This increase yields $314,600 in additional tax revenue.

On a positive note, the Electric Cost of Service Analysis is almost complete. The preliminary results of this analysis indicate we will exceed our projected 8.5% overall cost of service reduction. Greater details of this analysis will be provided by Burns & McDonnell upon completion of the analysis.

If these recommendations are adopted as proposed, the Fiscal Year 2012-2013 Operating Budget is balanced as required. I appreciate your consideration of these recommendations and the potential impacts of all of the decisions necessary to present a balanced budget. I believe everyone involved in this process has put forth their best effort to balance the needs of our citizens, rate payers and employees. I am looking forward to the opportunity to present this document in detail at the budget hearings.

Scott D. Koenig, P.E.
City Manager

Mr. Koenig reviewed a presentation entitled "City of Dover General Fund - Recap of Last Year" ***(Exhibit #3)*** which he stated was developed to provide members an idea of how the City's budget has progressed since the development of the FY12 draft budget and provided a "backdrop" of where the City was in developing the FY13 budget.

Mr. Koenig reviewed a presentation entitled "City of Dover Fiscal Year 2013 Proposed Budget: Highlights of Overall Budget" which included information on Financial Policies, considerations that were Applicable to All Funds, General Fund Factors, Property Taxes, Sanitation Operations, Economic Development, Parks and Recreation, Sale of Current Library or Weyandt Hall, General Fund Projected Debt Service, General Fund - Long Term Forecast, Water/Wastewater Fund, and Electric Fund.

With regard to Financial Policies, Mr. Koenig explained that a change was recommended in the transfer policy for the utilities from a percentage of revenue to a fixed dollar amount. He explained that transferring 8% of total revenue in the Electric Fund (in accordance with the current policy) would have created a gap of approximately $700,000 in the General Fund, which would have created a number of problems in developing the General Fund budget.

Referring to budget measures that would be Applicable to All Funds, Mr. Koenig advised members that the FY13 budget includes a proposed cost-sharing arrangement whereby all active employees would contribute 15% of the cost of health care premiums effective July 1, 2012. He stated that currently employees make no contribution for individual coverage and pay approximately 15.34% for family coverage, 8.75% for employee and child coverage, and 13% for employee and spouse coverage. Mr. Koenig indicated that the impact of this change on employees would vary depending on the type of coverage and plan selected. He emphasized that this was a proposal that was subject

to the collective bargaining processes for the FOP, IBEW, and IUE-CWA union groups and would have a large effect on the General Fund in the present and future.

Mr. Koenig stated that bonus payments for interim directors/supervisors were proposed for three (3) months of the budget year as he hoped to have permanent directors/supervisors in these positions by October 1, 2012.

Mr. Koenig explained that all vacation sell-back and retirement payouts were removed from the department/division budgets and the estimated cost was transferred to a fund expense, which more accurately reflects how departments are budgeting for existing staff. He noted that in the past, departments included this cost in the budget and if it remained unused, it became part of the perceived baseline of that budget. Mr. Koenig explained that making it a fund expense allows staff to pool the money and budget based on the history of use, with consideration of employees who will actually retire. He noted that this would create additional savings in each fund.

In reviewing Sanitation Operations, Mr. Koenig advised members that one of the principal proposals for additional revenue in the draft proposed budget related to sanitation fees. He explained that initially sanitation was a pure General Fund expense and, over time, a fee was adopted that progressed from $5.00 per month, to $5.35, and ultimately to $11.70. Mr. Koenig proposed that the fee be increased to $17.00, which he stated would cover a majority of operating expenses and some capital expenses associated with the Sanitation Operation. He explained that the revenue projection for FY13 (Column #3), including the proposed fee increase, was $2,537,100, and expenses (including personnel, supplies, administrative expenditures, disposal fees at the landfill, overhead charges, and depreciation expenses) were estimated at $2,665,500. Under this proposal, the City would operate at a deficit of approximately$128,400. Mr. Koenig indicated that, after discussing this matter with Mrs. Mitchell, he would like to gravitate this service toward an enterprise fund; however, this would require additional accounting and place additional burdens on the Finance Department. For this reason, he indicated that the current plan was to gravitate toward cost recovery and consider an enterprise fund as an option for the future.

Responding to Mrs. Williams, Mr. Koenig stated that the out-of-City rate was kept constant at $42.75 because other trash providers in the area offer this service at approximately $25 to $28 per month and the amount of associated revenue is relatively small. He noted that, in the past year, the City has divested all customers that were not on the City's electric system and continues to provide service to approximately 150-200 out-of-City customers. Mr. Koenig stated that the out-of-City annualized revenue was approximately $10,000 and if service to these customers were eliminated, expenses for providing the service would only decrease by approximately $5,000 since these customers are paying a relatively high premium for the service. He indicated that typically neither additional personnel nor overtime are needed to serve these customers; therefore, eliminating the service (which is expected in time) would not significantly reduce expenses.

In response to Mrs. Williams, Mr. Koenig stated that if the entire sanitation operation were subcontracted, the City's expenses would be roughly unchanged. He explained that Kent County charges $4 per pick-up (per week) at each address and the County has significant sanitation restrictions. The City has many more vacant houses due to rentals, people disposing of large

amounts of material, yard debris, and outside the container set-outs than the County. He felt that a contract, if negotiated, would likely cost more than $4 per pick-up. In addition, he noted that if sanitation were contracted, the City would lose approximately 40% of its ability to plow snow because sanitation operators perform snow removal. The City would also have to find a way to provide special services, such as downtown trash pick-up and pick-up for special events (e.g., Dover Days). Mr. Koenig indicated that these functions could be contracted; however, this would represent a major change to City services.

Responding to Mrs. Williams, Mr. Koenig stated that if Council did not approve the proposed trash rate increase, other options for raising revenue would be raising the tax rate, cutting City-wide operations, or some combination of these alternatives. Because the number of personnel in the Sanitation Department was reduced from 13 to 11, additional cuts could not be made if the current level of service were to be maintained. He stated that sanitation is regarded as one of the City's high-quality services.

With regard to the City's Economic Development Office (EDO), Mr. Koenig explained that the budget was developed with the intention of eliminating this Office as of September 30, 2012; therefore, personnel and administrative costs were included for a three (3) month time period only. He suggested that current Economic Development Office personnel be laid off on October 1, 2012 if they have not secured alternative employment prior to that date. The budget was prepared assuming that the City would make a $60,000 contribution to the Downtown Dover Partnership (DDP) after October 1, 2012 (based on an annualized allocation of $80,000) to be used to address operations for the remainder of FY13. In addition, he noted that $35,000 was reserved in the budget to pursue other economic development options and he suggested that Council consider utilizing the Kent County Economic Development Office and the Kent County Economic Partnership to provide economic development services for the City.

Mr. Koenig stated that, as of May 22, 2012, the DDP had requested a contribution of $235,750 for FY13. He advised members that the Business Improvement District (BID) tax typically amounts to approximately $51,000 per year.

In response to Mrs. Williams, Mr. Koenig stated that the DDP receives parking revenue, revenue from DDP-owned properties, and other revenues; however, the main source of revenue from the City of Dover is the BID tax. His proposal was to budget $80,000 per year in the future, $51,000 of which would come from BID tax and $29,000 from general revenue.

Responding to Mrs. Williams, Mr. Koenig explained that the DDP was initially supported through seed money from the City and had received additional seed money from the City on a short-term basis throughout their history. DDP funds were increased through the sale and transfer of property. The Main Street Corporation, which was previously a stand-alone corporation, traditionally received revenues from the BID tax (roughly $50,000), which was the main source of revenue. The Parking Authority received revenue from parking fees, and these funds were used for parking lot maintenance. These three (3) entities had different funding streams. Mr. Koenig stated that the City does not transfer BID tax income to the DDP; however, BID tax revenues are used to offset the cost

of the Economic Development Office. Parking fees go directly to the DDP and additional revenue incoms, grants, etc., are associated with their operations.

In response to Mr. Hare, Mr. Koenig stated that at one time parking fees were as much $80,000 and are currently estimated to range from approximately $30,000 to $40,000.

Responding to Mrs. Williams, Mr. Koenig stated that these operations were self-sustaining prior to the hiring of staff; however, their activity level (in terms of obtaining grants and performing high-profile projects) was not the same as the current level. He noted that the Economic Development Office receives rental income from some properties and has generated grants which are covering capital projects but not operational funds.

In relation to Parks and Recreation, Mr. Koenig advised members that, from a programming standpoint, staff felt that the White Oak Park facility could be closed. He indicated that no savings were reflected in the FY13 proposed budget because this was only a proposal at this point.

Noting that more non-residents use the Pitts Center for open gym than residents, Mr. Hare questioned whether staff had considered charging non-residents for this service. Mr. Koenig stated that this was considered at the staff level; however, specific recommendations had not been made in the budget document regarding cost recovery on specific recreational programs or setting the fees related to recreational programs because the amount of revenue would be relatively small compared to the budget gaps; however, this could be something that could be implemented during FY13.

In response to Mr. Leary, Mr. Koenig stated that brief discussions had been held with the Boys and Girls Club to determine if they had an interest in the building; however, at this point no Request for Proposals (RFP) had been issued to determine if there was interest from non-profit groups. It was believed that staff could be transferred to the Pitts Center without reducing the level of service for recreation. He noted that the building was nearing the end of its life and needed repairs, including a roof, and if it were not used, the City would ultimately have to demolish it and build something in its place, such as an expanded playground or park attribute. He felt that upgrades would be needed to keep the building in operation and that these would require significant funds in upcoming budgets.

Responding to Mrs. Williams, Mr. Koenig stated that if staff were relocated within the first quarter of FY13, a decision must be made within the following six (6) months as to whether someone else would maintain the facility or if the City would demolish it, due to the possibility of deterioration, vandalization, or risk of habitation by drug dealers.

In reviewing considerations regarding the Sale of the Current Library or Weyandt Hall, Mr. Koenig advised members that the State of Delaware informed the City that the proposed purchase and refurbishment of the existing library did not meet State budget guidelines and did not "make the cut" in the Governor's proposal to the General Assembly. Staff consulted a local senator who was working on the Bond Bill to request reconsideration; however, the proposed State purchase of the facility was "up in the air." Consequently, Mr. Koenig stated that he and Mrs. Mitchell held discussions about whether the library or Weyandt Hall was best suited to meet the needs of the City

in the long term and concluded that the best alternative was to sell the library. (Mr. Koenig noted that if renovations to Weyandt Hall were made, they would be charged against the Electric Asset Fund since Weyandt Hall is an asset of the Electric Utility, not the General Fund.) Mr. Koenig felt that if an agreement were not obtained in the upcoming Bond Bill or the new State budget effective July 1, 2012, the City should pursue the library sale on its own in order to remove this property from City books so that debt associated with short-term borrowing could be paid down.

Responding to Mr. Hare, Mr. Koenig stated that the appraisal for the old library was in excess of $1.3M, including the old library, the Carriage House, and one (1) row of parking.

In response to Mrs. Williams, Mr. Koenig affirmed that the old library was in adequate condition for sale.

Mrs. Mitchell reviewed the Computation of Legal Debt Limit, advising members that the projected debt limit for FY13 was $157,267,000 against the assessed value of approximately $3.1B. The debt limit per the City's Charter was $6,425,000 (4.26%). She stated that the City was within the debt limit of 5% as required by the Charter; however, that the estimated debt applicable to the limit of $6,425,000 included the Garrison Farm improvements. If the City does not pay down the $1.2M that was planned to be paid through the sale of the library, the City would exceed the debt limit, as debt would be calculated at 5.1%. She indicated that the library must be sold in order to proceed with upgrading the infrastructure at the Garrison Farm.

In reviewing the General Fund Projected Debt Service, Mr. Koenig noted that the figures listed the net debt service from FY13 to FY33, with the highest year being 2014 at $668,000, followed by deceleration over the remaining years of the planning horizon. He noted that these amounts reflected a significant amount of debt for the General Fund in excess of $500,000 for the next four (4) to five (5) years.

In evaluating the information that was provided, Mrs. Williams stated she was troubled by the proposed policy change for the transfer from the Electric Fund to the General Fund because she recalled a time when the amount was 3%, then 4%, etc., and that each year the percentage increased. She felt the City was taking apart the savings fund that was carefully built years ago when the City contracted with Duke Energy. She felt that if the City were to go to a fixed monetary transfer figure of $8M, this approach would be solidified from policy to practice, then to preferred practice, and she believed this was not a preferred practice that the City could adhere to if the desire was to maintain solvency.

Mr. Koenig stated that this was a "baited" issue because of recent discussions by the Governor regarding electric rates and transfers to the General Fund, as well as questions regarding how to fund municipal services. He noted that in FY11, Council authorized a transfer of approximately $8.8M. In FY12, as part of the budget discussion, Mrs. Mitchell requested that Council adopt an 8% transfer fee based on her discussion of past practice and after talking to the bonding companies.

Responding to Mrs. Williams, Mr. Koenig stated that there has been a cost reduction resulting from the City's hedged power purchases, causing a projection of decreased revenue for FY13. He noted

that the 8% policy resulted in a decrease in the transfer from $8.8M in FY11 to $7.83M in FY12. If the 8% transfer policy were maintained, it would have yielded a transfer of $7.1M for FY13; therefore, all of the work done to cut costs in the General Fund, including staff cuts, health coverage cost-sharing, etc., would have evaporated. For this reason, three (3) to four (4) weeks ago, Mrs. Mitchell sent out a memo regarding a trial of the 8% transfer and the flat transfer recommendation.

Mrs. Williams was concerned that repeated withdrawals of $8M would deplete the fund, noting that the financial forecast reflected an $8M transfer for the five (5) year plan.

In response to Mrs. Williams, Mrs. Mitchell stated that the electric fund transfer is taken out of current revenue each year and is, therefore, operating income rather than a reserve fund. She indicated that the General Fund transfer is considered an expense in the Electric Revenue Fund. She noted that electric rates are based on expenses and the transfer is considered an expense that is built into the rates to recover the cost of service.

Responding to Mrs. Williams, Mrs. Mitchell explained that the City plans to maintain the $8M transfer for five (5) years and that customer electric rates will be reduced because the cost of the power supply has decreased. In addition, she noted that when the previous transfer was made at $8.8M, this was outside of City policy. The former City Manager recommended increasing the percentage to 9% (above policy) which was approved by Council. In FY12, it was returned to 8%, which was the percentage in effect prior to termination of the City's agreement with Duke Energy. When the City's fixed price agreement with Duke terminated, the City entered the real market. At the time, to keep the cost revenue neutral, the transfer was set at 6.5% so that ratepayers would not be charged for the increase, and the General Fund was in good condition. The policy change was made last year to return to the previous level of 8%.

In response to Mrs. Williams, Mrs. Mitchell stated that at this time the City is underwriting the General Fund by $8M.

Mr. Leary reiterated that this transfer is made from current revenue (profit), rather than a reserve fund that would be depleted.

Responding to Mr. Hare, Mrs. Mitchell stated that the transfer of $8.8M two (2) years ago was made in order to balance the General Fund budget. Mr. Koenig stated his belief that the reason for the increase to $8.8M was to not to pay for the new library but to pay general operation expenses for the City because the City's portion of the library expense was related to the asset reserves.

Mr. Hare felt that the $25M reserve fund was financed by the ratepayers of the City over the years as a contingency fund to use when needed and felt that the City now had a situation where some of it might be needed.

Mr. Leary stated that the purpose of the depreciation reserve fund was to replace assets and to partially or completely finance projects, such as the Cartanza Substation, and the future capacity reserve fund is to add capacity to the system, such as financing growth projects related to the plant.

Mr. Hutchison inquired about the amount of interest earned from the $25M reserve fund per year, and Mrs. Mitchell stated she would provide this information.

Responding to Mrs. Williams, Mrs. Mitchell stated that the City has raised electric rates, taxes, and trash fees in order to finance services provided by the City, and that the largest amount of money comes from ratepayers, because even in the General Fund there is more revenue from fee sources and fund transfers than from property taxes.

SUMMARIES OF FUND REVENUE AND EXPENSES

Mrs. Donna Mitchell reviewed the FY 2013 All Funds Summary - Fiscal 2013 Draft Budget including all budget balances, reserves, the operating revenues, transfers in, expenses and transfers out, and ending budget balances. She noted that balances were within the policy and that all revenues equal or exceed expenses. Mrs. Mitchell stated that the Rate Stabilization Reserves were used to help mitigate rate reductions in the Electric Fund. She advised members that the Rate Stabilization Reserve reflected a $5M expense/transfer out and the Future Capacity Reserve a $550,000 expense/transfer out (a capacity upgrade planned for the Van Sant generator). She noted additions in the Depreciation and Future Capacity Reserves in the amounts of $151,000 and $140,000, respectively, which was the interest on those two (2) reserves.

Responding to Mrs. Williams, Mrs. Mitchell stated that $153,800 in interest was added to the Rate Stabilization Reserve. The beginning balance of $10M reflected a proposed transfer of $5M to this fund in the revised FY12 budget to fund a rate decrease in FY13. She noted that the $10M was not in the account at the current time, but would be transferred if Council approved the revised FY12 budget. It was projected that the rate reduction would create an overall revenue decrease of 12%. Mrs. Mitchell cautioned that this was an estimate and anticipated further information from a consultant on May 29, 2012.

In reviewing the General Fund Cash Receipt Summary, Mrs. Mitchell noted that information provided in the central column, labeled 3/26/2012, reflected preliminary budget information reviewed by Council during their March 26, 2012 Financial Retreat. The column labeled 5/1/2012 included updated information proposed in the draft FY13 budget and included revenues received following the March Retreat. She noted that the figures proposed in March for General Fund Receipts totaled $34,218,300; however, the figures in the current draft FY13 budget were adjusted to $35,503,500, which included a trash fee increase, tax fee increase, and additional funds for School Resource Officers. Mrs. Mitchell advised members that revenue forecasts were examined by each department and all projected increases were provided.

Responding to Mr. Hare, Mrs. Mitchell explained that the amount the City charges for extra duty police officers covers labor and benefits but not overhead such as billing, collections, and accounting. Some of the grants used for extra duty officers do not completely cover benefits; therefore, the charges listed for benefits may be slightly more than what the City pays for benefits in order to cover the amounts that the grants do not pay. She noted that increasing the fees to cover the overhead costs was discussed during the Financial Retreat but required further research. She noted that such a change would potentially cause a 30% cost increase for one (1) customer who

currently permits the City to perform training on their site. It was felt that this customer might assess the City a fee for this service if their cost for extra duty officers was increased.

In reviewing the General Fund Expense Summary, Mrs. Mitchell indicated that departmental totals for expenses were projected at $28,753,500 in March and in May were $28,515,900; total expenditures were $35,998,400 in March versus $35,330,700 in May. The budget balance was projected at $974,200 in March and in May was $2,839,400, which was at the policy limit.

In response to Mr. Hare, Mrs. Mitchell stated that the Capital School District pays the City approximately $100,000, which covers the expense of one (1) School Resource Officer, and the second officer is being financed by the City at a cost of $100,000.

Mrs. Mitchell stated that the amount for vacation sell-back and retirement lump-sum payout included under other employment expenses was estimated at $624,000 in March but was now reduced to $463,400 based on actual experience. She noted that some retirements projected for FY13 occurred prior to June 30, 2012, with payment from FY12 funds.

Mrs. Mitchell stated that the Governmental Capital Projects Fund Summary showed revenues of approximately $3M in March compared to $5,257,200 currently, which included $2M extra for Garrison Farm upgrades. She reminded members that Council approved up to $6M for this project: $2M from the General Fund, $2M from the Water Fund, and $2M from the Wastewater Fund, all of which were very preliminary numbers. She noted that staff believed that less than $2M would be required from the General Fund; however, this amount was included as a placeholder until details were determined.

Mrs. Mitchell stated that there was not much change in Water/Wastewater Fund Summary since March, noting that revenues were projected at $13,925,950 in March and at $13,997,000 in the proposed budget. She indicated that significant growth was not projected in either the Electric or Water/Wastewater funds. She noted that the Water/Wastewater and Electric Fund budgets include an amendment for FY12. Mrs. Mitchell stated that the Revised 2011/12 column reflected a transfer to the Water Improvement and Extension fund (increased by $2M from the original budget) and a transfer to the Wastewater Improvement and Extension Fund (increased by $1M). She indicated that these transfers would help with the brown water issue and inflow and infiltration projects. Since rate increases were implemented for the projected debt service and the timing of the projects was delayed, the City has not had to issue a lot of the debt service. This has allowed the City to roll funds into the cost of the projects, rather than using the funds to cover the debt service.

Responding to Mrs. Williams, Mrs. Mitchell stated that the funds have been accumulated as a result of the cost of the power supply decreasing and this trend is not expected to continue.

Mrs. Mitchell stated that Water/Wastewater Improvement and Extension Fund had a $5,225,000 revenue projection in March and that figure was adjusted to $7,575,000 in May due to $4M in bond issue due to the Garrison Project. Expenses changed from $5,590,700 to $9,379,800, which was also attributed to the Garrison Project.

Mrs. Mitchell emphasized that the Electric Revenue Fund budget would change when the figures were received from the rate consultant. The March revenues for the Electric Fund were $94,029,900 and in May were projected at $91,631,300; however, Mrs. Mitchell indicated that the power cost adjustment of $8.2M would be closer to $11M when the rate study results were received.

Responding to Mrs. Williams, Mrs. Mitchell stated that the purchase power adjustment would continue to increase beyond 36.7%; however, she stated that ultimately the City would zero out the purchase power cost adjustment because it would be included in the rate; therefore, the sales to customer amount would decrease by approximately $11M. Mrs. Mitchell stated that the expenses for the operating fund budget were $96,034,550 in March and in May were $90,983,200, with a budget balance of $7.8M. She indicated that the FY 2011/12 approved budget balance of $12,375,188 reflected funds that accumulated over the past couple of years from the decreased cost of the power supply, and that was where $5M was obtained for the FY12 budget amendment which placed these funds in the Rate Stabilization Reserve to be used in the rate study.

Mrs. Mitchell stated that in March the Electric Improvement and Extension Fund reflected revenues of $4,070,500 and in May the figure was $4,090,700, due to interest charges. She noted that the transfer from the Electric Fund was reduced from the previous amount of $4,050,000 to $3.5M, which has been the City's historical trend, and the $550,000 needed for the Van San generator was taken from the future capacity reserve. Project expenses were $4,385,300 in March and were currently at $3,970,000. She noted that staff reviewed all Capital Improvement Projects (CIPs) and tried to remove projects that they felt could be removed in order to keep that amount low and reduce the amount needed for transfer from the Electric Fund.

PERSONNEL INFORMATION

Mr. Koenig reviewed the Personnel Information section of the Proposed Budget. He noted that the City consists of not only projects and physical assets but also employees. He stated that the City is heavily invested in employee expenses that are necessary for delivery of service. Referring to the City of Dover Fiscal Year 2013 Proposed Budget - Personnel Table, Mr. Koenig noted that the FY2010-2011 budget included 369 full-time positions and the proposed FY13 budget included 346 full-time personnel. The largest drop occurred in the General Fund which decreased from 283 in FY11 to 279 in FY12, and 266 full-time positions were proposed for FY13.

Referring to The Summary of Departmental Expenses by Fund, Mrs. Williams questioned why, with a reduction in force of 15 full-time employees in FY13, the budget reflected an increase of $2,483 per employee for average wages, overtime, and benefits. She stated that wages have increased by $589 per employee, in spite of the fact that the majority of employees received no wage increase in FY12.

Mrs. Mitchell stated that employees of the Fraternal Order of Police (FOP) received an increase as a result of arbitration and noted that, due to attrition, average wages earned were now being divided among fewer employees. The raise was received only by police officers; however, attrition was across the board and this would have impacted employee expenses.

Mr. Koenig explained that from FY12 to FY13, the General Fund personnel decreased from 279 to 266, the Electric Fund from 47 to 45, and the Water/Wastewater Fund staff has remained stable at 36 for both years. The total number of full-time and part-time personnel in FY12 was 397, the number proposed for FY13 was 383.

Mr. Koenig reviewed a table listing personnel changes that occurred over the past year and positions that were removed from the budget, including a number at the department head level. He stated that the Senior City Administrator, the Central Services Director, and Parks and Recreation Director positions were not budgeted, and a number of other higher-level position and labor-grade positions were eliminated as they became open. He indicated that as positions become open, they are being reviewed to determine if they meet the City's current needs; for example, Water Serviceman and Heavy Equipment Operator vacancies were downgraded to Equipment Operator positions so that staff could focus on the maintenance aspect of the Water and Sewer Utility.

Referring to the City of Dover Projected Personnel Budget, Fiscal Year 2013 - Total City by Fund, Mr. Koenig stated that the City would spend an estimated $28.95M on personnel-related expenses to accommodate full-time and part-time help and that the City is dependent upon its employees to deliver services. He reminded members that the past year has been difficult for employees. Positions have been consolidated or eliminated, a proposal was included in the draft budget to eliminate an entire office, difficult labor negotiations were being conducted, cost-sharing for health care has been proposed, and all of these factors have had varying effects on the labor force, some positive, some innocuous, and some very negative in the employees' eyes. A number of priorities were being balanced as the City moves forward; and Mr. Koenig expressed the need for all parties to "meet in the middle." He stated that if rate and fee increases are implemented, the City should demonstrate that attempts have been made to cut costs where appropriate and to manage the organization in areas where residents have criticized the level of salaries or number of employees. He stated that, while the proposed FY13 budget was not a perfect plan, it demonstrated that the employees were trying to do the best they could to meet the service levels that Council is requesting. Mr. Koenig stated that each decision made now has a face to it, and some employees have expressed hostility, anger, and frustration. Mr. Koenig stated his hope that there would be understanding, although possibly not agreement, from the employee groups about the City's position in going forward with the budget.

Responding to Mr. Hare, Mr. Koenig stated that disallowing overtime pay for those who work less than a 40-hour week (due to vacation or other leave taken during the course of the week) has been discussed during labor negotiations and this matter has yet to be determined. He stated that overtime costs in some areas are substantial; however, in many divisions there is not a great deal of overtime. He felt that the only true way to cut significant costs was to discontinue a service or reduce the number of employees, since the cost of the benefit load and hourly rate are significant. He noted that $50,000 in overtime savings barely covers the cost of one (1) Equipment Operator plus benefits.

Mr. Hare suggested that smaller savings of $10,000, $20,000, $30,000, etc., can add up to substantial savings and if $50,000 could be saved in actual hours worked over 40 hours, this would assist in reducing spending and saving citizens money. Mr. Koenig acknowledged that all potential savings were "on the table" and open for discussion. He advised members that an analysis of overtime was

included in the document titled City of Dover Overtime Trends - Fiscal Year 2010 Through 2013. He indicated that City-wide, approximately $917,000 was estimated for overtime costs, which he believed was included in the personnel costs of $29M. He concurred with Mr. Hare that ultimately managing time and schedules was necessary to control costs.

Responding to Mrs. Williams, Mr. Koenig stated that attrition has had an effect on overtime; however, this effect has not been quantified and varied by department.

Noting the variance reflected between actual and budgeted overtime in Systems Operations (176.7%), Transmission/Distribution (93.8%), and Construction and Maintenance (158.4%), Mrs. Williams questioned whether these variances were the result of new supervisors, rescheduling, or vacant positions. Mr. Koenig stated that some overtime was project-driven and created by the need to meet deadlines. However, he felt that these variances could be the result of a budgeting issue and that the City may not have budgeted according to historical averages, noting that only $4,500 was budgeted in FY12 for Construction and Maintenance; however, $19,362 was spent in 2010, $10,462 in 2011, and $7,128 thus far in FY12.

Mrs. Mitchell stated that she found that in previous budgets department heads were encouraged to reduce the overtime line item but would then come in over budget because of work demands. She indicated that, in the draft budget, she attempted to make the overtime match the trends; therefore, overtime was increased from prior years.

Mr. Koenig stated that in the past, departments that generate overtime were asked to reduce overtime expenses; however, they budgeted for being fully staffed or at 98%. Positions that became vacant were not filled until they were paid out (in the case of a retirement). This meant that the overtime expense was there, but when you looked at the salaries and benefits in total, the departments were within the budget. He explained that department managers consider the total summation of the salaries and benefits line item when they look at personnel expenses.

Mr. Hutchison stated that in the past the City participated in the Police Prosecution Program at the Justice of the Peace Court and suggested that strong consideration be given to becoming involved again as he felt this would reduce court overtime at the Police Department. Responding to Mrs. Williams, he explained that under this program, the Department could be represented by one (1) to two (2) officers who could plea bargain for 50-100 traffic offenses through J.P. Court 7, rather than handling these offenses through the Court of Common Pleas.

Responding to Mr. Hare, Mr. Koenig stated that staff had discussed the possibility of scheduling Electric crews to work Sunday through Thursday and Tuesday through Saturday rather than having two (2) crews working on the weekend, but the details of how this would work had not been determined. He noted that much of the weekend work was scheduled to reduce inconvenience to business customers to avoid having to cut their power during the weekdays.

Mr. Koenig stated that it was not his intent to review each department's budget by line item as was done previously, unless there were specific requests to do so. He stated that his intent for the following night was to review the financial models for the General Fund, Water/Sewer Fund, and

Electric Fund and then present an overview of the Capital Improvement Program (CIP) and provide members with some of the preliminary results of the cost-of-service analysis that would affect electric rates. He encouraged members to call or email any questions so that detailed answers could be provided.

Without objection, Council President Leary indicated that the Budget Review would continue on the following evening, May 23, 2012, at 6:00 p.m. with a consideration of the Financial Forecast by Fund.

Meeting recessed at 7:55.

WEDNESDAY, MAY 23, 2012 - 6:00 P.M.

The Special Council Meeting reconvened on Wednesday, May 23, 2012 at 6:00 p.m. with Council President Leary presiding. Council members present were Mr. Anderson, Mrs. Russell, Mr. Lynn, Mr. Perza, Mrs. Williams, Mr. Hare, and Mr. Hutchison. Mr. Bonar was absent.

Council staff members present were Mr. Koenig, Mrs. Mitchell, and Mrs. McDowell. Mayor Carey was also present.

MISCELLANEOUS INFORMATION

Based on the previous discussion and requests, staff provided members with additional documents, as follows: 1) Electric Fund Transfers ***(Exhibit #4)***; 2) Updated Fiscal 2013 DRAFT Capital Investment Plan - FY13 - FY17 Projects by Department and Funding Source Summary, dated Wednesday, May 23, 2012 ***(Exhibit #5)***; and 3) Updated Information Technology Fiscal Year 2013 Organization Chart and Departmental Budget ***(Exhibit #6)***.

FINANCIAL FORECAST BY FUND

Mrs. Mitchell reviewed a presentation entitled "City of Dover General Fund Updated Financial Projections - 2013-2017." She noted that the fixed amounts for General Fund Transfers were stated on Page 2 of the presentation as $8.5M; however, this amount should be corrected to $8M. In reviewing the City of Dover Financial Summary By Account on Page 3 of the Presentation, Mrs. Mitchell explained that expenditures exceeded revenues by more than $2M in the projections for FY14 - FY17 and subsequent years. The deficit for FY13 was projected at approximately $2.2M and Mrs. Mitchell stated that a tax increase of approximately a $.07 would be necessary to achieve a positive balance and this increase would carry the City through the next five (5) years, with the exception of a possible shortfall during a portion of the final year.

Mrs. Williams stated that, according to her calculations, since 2001, the City had transferred $77,906,000 from the Electric Fund into the General Fund, and she felt that this reflected an over-expenditure on the part of the City. Responding, Mr. Koenig stated that if the City did not have the Electric Utility, an additional $72M in revenue would have been required in the General Fund in order to provide the level of services that was enjoyed during the previous ten years. This could only have been accomplished through fee or tax increases, deferred purchases, or service cuts.

Mrs. Williams emphasized that when the outyears are considered, the General Fund should not be viewed as a fund that could be constantly remedied by the Electric Fund.

Mr. Leary stated that the purpose of establishing the Electric Department nearly a century ago was to augment property tax, and he felt that this goal was being accomplished.

Mr. Hare concurred that the Electric Utility was initiated to augment property tax revenues and to assist in balancing the budget. He felt that $800,000 from this fund could be used toward this effort and no taxes and fees would have to be raised.

Mr. Anderson questioned why Mr. Koenig recommended changing the percentage formula (currently 8%) used to calculate the annual Electric Fund transfer to the General Fund to a stagnant level of $8M regardless of inflation or cost. Responding, Mr. Koenig explained that as the City's hedge costs (cost of purchased power) were decreasing, income from customer sales was declining over the planning horizon. If the transfer were set at a percentage of that revenue, the transfer into the General Fund would decline, and the General Fund was the area where the City was experiencing instability. At 8% of total revenue, the $8M transfer would have amounted to approximately $7.1M, which would have "blown a $700,000 to $900,000 hole" in the General Fund; therefore, Council would be considering a deficit of approximately $1.5M rather than the current $800,000. He stated that Council would have to make a decision as to whether they agreed with the methodology or not, and make adjustments to the budget accordingly. He noted that, when making these decisions, Council must consider the City's bond counsel, bondholders, ratepayers, and taxpayers in balancing the budget. Mr. Koenig felt that all decisions were tied together and not one can be made in a vacuum because there are reactions in the financial system to every decision that must be made before the budget is adopted.

Mr. Anderson questioned whether property transfer taxes would remain level over the next five (5) years. Mrs. Mitchell stated that the projections were increased in FY13 based on one-time, non-recurring receipts that the City has been receiving each year but were kept level in the outyears. She noted that, based on the Tax Assessor's input, there has not been much growth or turnover in real estate.

Responding to Mrs. Williams, Mr. Koenig stated that discussions were held with the Governor's Office and the City's legislative contingent, who were informed that restoring Payment in Lieu of Taxes (PILOT) or Municipal Street Aid payments to FY08 or FY09 levels (approximately $150,000 for PILOT and $200,000 for Municipal Street Aid) would provide relief to the City's General Fund, and specific numbers were provided in this regard. He indicated that if any commitments were obtained, this would not occur until June 30, 2012 with the adoption of the State budget.

Mrs. Mitchell reviewed a presentation entitled "City of Dover Water and Wastewater Fund Updated Financial Projections 2013-2017." In reviewing Net Margins (Page 3), Mrs. Mitchell stated that cash flow from operations would be $3,992,800, which were funds that would be removed for projects, principal on the debt service, and reserve contributions needed. She noted that the bottom line on the chart showed a difference of $99,200, which was the cash that would remain after paying

those items. She stated that staff tries to keep a positive cash amount and ensures that the debt covenant is met.

Mrs. Mitchell explained that the Projected Debt Service listed on Page 7 included an additional $2M which was added to each fund for FY13 for infrastructure upgrades at the Garrison Tract associated with the Calpine project.

Mr. Anderson complimented staff on their work preparing the budget, noting that he had reviewed many budgets from the City over the past twenty years and this budget was very professional and easy to understand.

In response to Mr. Anderson, Mrs. Mitchell stated that current revenues for the Calpine project covered the debt service and a 2% increase was added to the projection for FY15 to cover increased costs. She explained that the models were slightly pessimistic because they include costs (which would not be incurred if the project does not occur) but no revenue assumptions (such as property taxes and water charges) since these would not be built into any of the models until these amounts could be forecasted.

For clarification, Mr. Koenig stated that Calpine would be seeking a building permit on approximately January 1, 2013, and the City would begin construction of these projects at around the same time in order to complete the projects and pay the contractors by June 2015, when energy would be produced to the grid. The City's sales to Calpine were not included as revenue at this point because the amounts were unknown; however, the figures for the debt were known. If construction were to be delayed, revenue may not be received until FY16.

Mrs. Mitchell stated that Calpine was waiting for their air permit (expected in July or August), which was the last foreseeable hurdle. She indicated that Calpine had "cleared" the PJM auction.

Mr. Anderson expressed his feeling that this project might affect the forecasted outyear shortfalls.

Responding to Mrs. Williams, Mr. Koenig indicated that revenue projections related to expected water use by Calpine were approximately $1.8M annualized.

Mrs. Mitchell reviewed a presentation entitled "City of Dover Electric Revenue Fund - Updated Financial Projections - 2013-2017." Referring to the Net Margins on Page 3, Mrs. Mitchell explained that the Power Cost Adjustment (PCA) credit was included at the top of each column. She noted that the City's current rates are set on the PJM cycle which is a three (3) year cycle, so the FY16 and FY17 were tentative figures only. Mrs. Mitchell explained that the rate consultant was asked to set a three (3) year rate, which would provide one (1) reduced rate for all three (3) years rather than -8.5%, -15.5%, and -17.5%, so the rate would not be adjusted year to year. Referring to the debt service ratio of 2.31 for FY13, she noted that staff tries to maintain a ratio of 2 to 2.5 for the bond rating agencies. She anticipated that the ratio would be close to 1.25 when the forecast was received from the consultant because the Rate Stabilization Reserve was being used to pay back customers due to the lower power supply cost. Mrs. Mitchell was confident that the ratio would increase to approximately 2% in the next year.

Referring to Page 6, Capital Investment Plan 2013-2017, Mrs. Mitchell stated that Mr. Jeremy Johnson, Interim Electric Director, and his crew did a good job of reducing these projects so that a $3.5M transfer could be maintained from the operating fund to lower the rates as much as possible.

Referring to Page 5, Mr. Anderson questioned why PJM credits were projected to decline from $1.285M to $427,000. Mrs. Mitchell stated that she was unsure what caused the decline but stated that should would email members with this information.

Responding to Mr. Anderson regarding the cost of power supply management, Mrs. Mitchell explained that the fees being paid to The Energy Authority (TEA) were less than those previously paid to PACE, and this change was reflected in the cost. The cost of power supply itself decreased from approximately $80 - $90 per MWH to approximately$50 per MWH or less; therefore, a significant amount could be returned to ratepayers. She stated that capacity credits were based on the PJM market, and the auction had cleared approximately $10 higher than projections provided by TEA.

In response to Mr. Leary, Mrs. Mitchell stated that typically, when she explains the rationale for decisions made by the City to rating agencies, she generally receives a positive response. She stated that these agencies do like to see stable policies that are adhered to; therefore, she suggested that if Council opted to adopt a flat $8M transfer policy, that this policy be maintained over the planning horizon.

Responding to Mrs. Williams, Mrs. Mitchell stated that she did not anticipate any change in the City's AA Moody bond rating.

In response to Mr. Perza, Mrs. Mitchell stated that the transfer to the General Fund has always come from the operating fund in her experience; however, if Council chose to take these funds from a reserve account rather than the operating fund, they could do so.

Referring to Page 5, Projected Purchased Power Expenses, Dover Sun Park, Mr. Anderson stated that the Purchased Power Expense for the Dover Sun Park was $1.618M (excluding the credit purchases required), was projected at $1.4M for next year, and would then increase over the next five (5) years. Mrs. Mitchell confirmed that the contract includes an escalator.

Responding to Mr. Hare, Mr. Koenig confirmed that it would cost the City approximately $1.6M in FY12 to purchase power generated in FY12 and the City would recover the kilowatt hours sold at the City's rate. He stated that the contract obligates the City to purchase the energy that the field generates over the next 20 years at a cost of $80,000 per month, and the more power that is produced, the more it will cost the City, unless that power cost drops below the cost to purchase from the grid or another source.

REVIEW OF CAPITAL INVESTMENT PLAN (CIP)

Members reviewed an updated Fiscal 2013 Draft Capital Investment Plan, FY13 - FY17 Projects by Department, dated Wednesday, May 23, 2012 (Exhibit #5). Mr. Koenig stated that Parks and

Recreation projects were the area of greatest change from the FY12 to the FY13 CIP due to their effect on the General Fund. He stated that projects that remained in the plan were basic service improvements. Mr. Koenig noted the Dover Park roof replacement was the only project slated for FY13. If closing of that facility were pursued, the $30,000 allocated would likely be used for demolition. He explained that several projects were allocated to outyears.

Responding to Mr. Leary, Mr. Koenig advised members that staff has a large backlog on pump station rehabilitations, had spent a great deal of time in the last few years advocating for the capital projects, and has structured rates to fund the CIP. He felt it important to continue the momentum on these projects. Mr. Koenig stated that staff had done an excellent job in maintaining the stations; however, they were reaching the end of their service lives, and failure would be expensive and "not pretty." He emphasized that continuous maintenance of the wastewater system would be necessary to keep the City's ratepayers and customers happy, as well as attract new businesses and residential units.

In reviewing water management projects, Mr. Koenig stated that all projects listed would either maintain current capacity at wells, expand capacity at new wells, or regenerate the piping system for the utility. He indicated that these were large projects that require design, permits for drilling, or additional capacity upgrades, so they are multi-year projects with long planning horizons, requiring a great deal of time for engineering and planning side and a great deal of money to construct. Mr. Koenig noted that the engineering and operational staff in the Electric, Water, and Sewer Divisions had done a great job in getting utilities to the current state and planning for future growth. He noted that the budget would not improve unless the City is growing because without new customers and businesses, revenue streams would remain static.

Responding to Mr. Anderson, Mr. Koenig stated that it would take approximately $1M per year for 20 years to resolve the City's brown water problem; however, he noted that operational changes made in regard to flushing and the replacement of approximately two (2) miles of pipe during the past year have assisted in that regard. He noted that the entire system is approximately 200 miles in length. Mr. Koenig stated that the recommended standard would be to replace 1% of a system each year, which would amount to two (2) miles per year at a cost of $1M per mile. Mr. Koenig indicated that the City does not have an aggressive soil, so soil and ground conditions do not "attack" and reduce the life of pipes. Old pipe that has been removed shows that the interior diameter has not been compromised with scale and sediment. The area of the system that has had difficulty is the unlined, cast iron portion of the system, which comprises approximately 50%. Based on pure mileage, it would require 50 years at two (2) miles per year to replace the system. Mr. Koenig emphasized that, from a public health standpoint, the system is better off than a decade ago, but not necessarily from a customer satisfaction standpoint

In regard to Electric Engineering, Mr. Koenig noted that it is expensive to own and maintain a utility, but there is an expected rate of return. The Electric Utility requires a lot of work, investment, and time, but the intent is that the return would be worth the effort. He felt that the City receives a very good return on this investment. He stated that staff does an excellent job of keeping the lights on and responding to outages, noting that the City's objective is to have power, because without it the City is not making money.

Mr. Koenig reviewed the Power Plant CIPs and informed members that all projects would be assessed by the operator at the facility, TEA, staff, and Mrs. Mitchell to determine if the CIP should be changed. He advised members that the plan was subject to change as projects are addressed.

Responding to Mrs. Williams, Mr. Koenig stated that Unit 1 was no longer in operation; however, all units were bid in through the 2015 auction and must be serviced through that horizon, because if called upon, the City must produce through these units. Staff was unsure how long the units would last. He noted that some of the projects included were related to the City's insurance company review, noting that the City was obligated to attend to issues pointed out by insurance company engineers.

In regard to vehicle replacement, Mr. Koenig noted that no replacements were proposed in the Code Enforcement, Facilities, Life Safety, Parks and Recreation, Permitting and Inspections, or Planning Divisions. Six (6) vehicles were proposed for replacement in the Police Department, which was a reduction from the nine (9) that were originally proposed. In the Public Works Department, two (2) vehicles were proposed for the Grounds Division and refurbishment of a truck was requested included in the Sanitation Division. This would involve requesting the vendor to use the original chassis and replace the lifting and capacity mechanisms at a cost of approximately $150,000 versus the cost of $250,000 to purchase a new truck. It would be expected that this would extend the life of the vehicle for five (5) or six (6) more years.

Responding to Mr. Anderson, Mr. Koenig noted that the reason for an increase in vehicle cost of $399,000 in FY 13 to approximately $2M in FY14 was due to deferred vehicle purchases, in some cases because vehicles were not ready for replacement, in others because the CIP did not support a vehicle purchase at this time. He explained that if the trash utility were taken to an enterprise fund, he would suggest targeting $300,000 for vehicles because it costs approximately $250,000 to replace a top-end vehicle. However, he felt that the budget could not accommodate this amount at this time.

Mr. Koenig noted that the purchase of a 2006 Vaccon Jet Vac Truck was allocated 50% to Wastewater Management and 50% to Water Management, with a purchase price of approximately $300,000. He stated that this piece of equipment was critical to the operation of the utility as it cleans sewer lines, vacuums out the excavation area around a water main in the event of a break, and gets to the repair quickly.

Responding to Mr. Perza, Mr. Koenig indicated that the existing truck could be used for jetting the storm sewer system and other operations. If the vehicle became irreparable or beyond use, it would be sold at the highest price possible.

Mr. Koenig noted that the Electric Utility capital purchases budgeted in FY13 for vehicles were relatively small due to previous vehicle purchases and their fleet was in good condition.

After completing the budget presentations, Mr. Koenig stated that he would like to revisit and highlight some of the issues. He again thanked staff who worked a considerable number of hours on the budget. He noted that citizens and ratepayers of the City enjoy a high level and outstanding quality of services, which he attributed to the investment of money, personnel, and time into

managing these systems. Mr. Koenig stated that the preparation of the budget involved difficult choices. He reminded members that revenues were fairly flat and that the proposed budget included a trash fee increase from $11.70 to $17.00, a modest tax increase of $0.01, and cutbacks in capital improvement projects and vehicle purchases, as well as a reduced staff (including a proposal to lay off three (3) employees). He explained that staff has been concerned and upset about reduced staffing (including the proposal to lay off three (3) current staff members, a proposal for 15% health care cost sharing, and no salary increases for non-bargaining employees for two (2) years. Mr. Koenig stated his feeling that these decisions were necessary in order to come to the Budget Review stating that employees and staff had done everything possible to reasonably cut the budget and maintain the current level of services in most areas. The workforce was reduced by 12 employees (in some cases these were department heads) and that work had to be distributed to other employees. He reminded Council that many staff members had taken on additional responsibilities quietly, without compensation, consideration, or accolades. He emphasized that it is the 300 plus workforce that accomplishes the goals of Council, the citizens, and ratepayers.

Mr. Leary expressed his appreciation to staff for the long, arduous process of developing the draft budget.

Responding to Mr. Hare regarding the number of employees who take City vehicles home and reside outside the City, Mrs. Mitchell stated that this list was being prepared; however, she estimated that if on-call employees were excepted, this number was fewer than 10.

In response to Mr. Anderson, Mr. Koenig stated that it would be difficult to quantify the potential loss to the City by the elimination of the Economic Development Office (EDO). He felt that there would be a potential loss of opportunity by no longer having an employee titled Economic Development Director, and that potential contacts would have to be picked up by the Mayor, City Manager, or another employee.

Mr. Anderson commented on the work performed by the EDO, noting that the Downtown Coordinator serves as a liaison to help small businesses, a United States Department of Agriculture (USDA) program has funded business start-up capital through the EDO, and the Economic Development Coordinator is helping to manage millions of dollars in projects. Mr. Anderson expressed his concern that the City could lose millions of dollars in the next phases of some of these programs if the EDO were eliminated.

During the Legislative, Finance, and Administration Committee Meeting held on February 27, 2012, Mr. Koenig presented a Recommendation for Economic Development Office/Downtown Dover Partnership. He stated that he was unable to obtain approval by the Committee for the "soft landing" approach he proposed at that time. For this reason, he felt that he needed to create a "hard line" in the budget to maintain the staff for three (3) months, transfer a portion of money to the Downtown Dover Partnership (DDP) to handle the partnership and Main Street activities, and leave a portion of money to pursue other economic development opportunities. He stated that it is not a perfect recommendation and affects three (3) existing staff members. The amount of money allocated in the budget was $60,000 prorated for the remaining three-quarters of the year or $80,000 for the year. The request he received from the DDP via email for funding was for approximately $235,000 and he felt that this was not a realistic figure.

Responding to Mr. Anderson, Mr. Koenig noted if the City were to adopt an economic development budget for FY13 that equated to the FY12 budget, the DDP's request would exceed that amount. This would require investment of an additional $100,000 and this would have to be paid through taxes and/or fees.

Mr. Anderson felt that if the EDO were eliminated and the DDP fully funded, there would be no guarantee that the same level of professionalism and success would be achieved, and the City would have no control over the employees hired.

Mr. Lynn noted that economic development was one of his primary concerns and that other jurisdictions (such as Kent County) were investing in economic development, whereas the City was contemplating eliminating its Economic Development Office. He questioned whether consideration had been given to contacting experts, such as academics or economists, on this matter.

Responding to Mr. Lynn, Mr. Koenig stated that staff had not contacted academic experts or economists regarding the importance of an economic development office or long-term ramifications of eliminating the office.

Mrs. Williams stated that one of the items included in the budget was the possibility of subsidizing the Kent Economic Partnership for regional development efforts. She felt that if a donation were made to the DDP, this would take care of the downtown area. She felt that if the EDO were eliminated, economic development would not be abandoned but would be reassigned and reallocated.

Mr. Hare believed that heading economic development was established as part of the Mayor' job description when that position became full time, and the Mayor worked in concert with the City Manager and Kent County economic development individual for many years prior to 2008 and he felt this arrangement worked very well. He felt that the DDP could hire their own staff member with BID tax funds. He concurred with staff's proposal.

Mr. Hutchson stated that he was currently serving on the Kent County Economic Development Board (representing the Council President), which consists of eight (8) members, including business leaders in Kent County, as well as Mr. Alan Levin, State of Delaware Economic Director. He felt that no economic development would come to the City or County without the State, County, and City working together. He felt the City had an opportunity and a responsibility to make an effort to become a part of the Kent County Partnership.

Responding to Mr. Anderson regarding the reduction of funding for the Fourth of July Celebration and the African American Festival, Mr. Koenig stated that the proposed budget included a 50% reduction in funding for these events ($5,000 and $7,500 respectively), Mr. Koenig indicated that he had spoken to Mr. Reuben Salters (former City Councilman and founder and organizer of the African American Festival) and Mr. Greg Patterson, President/Vice Chairman of the Fourth of July Celebration Committee on this subject.

In response to Mr. Anderson regarding the possibility of consolidating departments, Mr. Koenig stated that, over time, he would like to see consolidation of some operations where improvements could be made in the areas of operational efficiency or service delivery; however, he felt that the employee base was agitated and concerned, and until that level of concern started to die down, such changes should proceed slowly.

In response to Mr. Anderson regarding the avoidance of a tax increase, Mr. Koenig stated that, in his opinion, if tax or fee rates were not increased, the structural problem in the General Fund could not be addressed. He was unsure if a tax increase could be avoided in FY13 without creating a need for substantial increases in the future.

Noting that the proposed budget estimated that approximately $300,000 would be generated by the proposed tax increase, Mrs. Williams questioned if this relatively small amount (for a $100M budget) could be raised any other way.

Responding, Mr. Koenig stated that an additional $802,000 was needed, and there were pros and cons to putting all of that amount on the tax rate. He noted that covering the deficit would then apply only to those who pay property tax. Alternatively, the funds could have been obtained by increasing the trash fee to cover the entire deficit, which would have caused the trash fee to exceed operational expenses. He stated that he ultimately decided to propose a trash fee increase to approximately $17 and a tax rate increase of $0.01.

Noting the time, by unanimous consent, members agreed to recess until Wednesday, May 30, 2012 at 6:00 p.m.

Meeting recessed at 8:09 P.M.

WEDNESDAY, MAY 30, 2012 - 6:00 P.M.

The Special Council Meeting reconvened on Wednesday, May 30, 2012 at 6:00 p.m. with Council President Leary presiding. Council members present were Mr. Anderson (arrived at 6:18 p.m.), Mrs. Russell, Mr. Lynn, Mr. Perza (arrived at 6:05 p.m.), Mr. Bonar, and Mr. Hutchison. Mrs. Williams and Mr. Hare were absent.

Council staff members present were Mr. Koenig and Mrs. Mitchell. Mayor Carey was also present.

MISCELLANEOUS INFORMATION

Based on the previous evening's discussion and requests, staff provided members with additional documents, as follows: 1) Presentation - City of Dover FY2012-2013 Draft Budget - Budget Meeting - May 30, 2012 ***(Exhibit #7)***; 2) Correspondence from Mrs. Donna Mitchell, Controller/Treasurer dated May 30, 2012 regarding Health Benefits Committee Information ***(Exhibit #8)***; 3) Correspondence from Mrs. Donna Mitchell, Controller/Treasurer dated May 29, 2012 regarding Downtown Dover Partnership - Monthly Report - March 2012 and the History of Parking Permit Revenues ***(Exhibit #9)***; and 4) Correspondence from Mr. Greg Moore dated May 24, 2012 on behalf of the Downtown Dover Partnership (DDP) regarding the DDP Budget Request ***(Exhibit #10)***.

QUESTIONS AND ANSWERS

Mr. Koenig, City Manager, advised members that one (1) of the more extensive recommendations in the proposed budget related to the Economic Development Office (EDO). He reviewed his proposal to disband the EDO after three (3) months of operation in FY13, noting that draft budget included three (3) months of salary and operation expenses for current staff, with the expectation of laying off these staff members if they did not apply for other jobs in the City or find employment before October 1st. Additional recommendations were to transfer $60,000 to the Downtown Dover Partnership (DDP) after October 1, 2012 to offset operational costs for the DDP, which would then hire its own staff to address its objectives. The $60,000 amount was based on an annualized contribution of $80,000. The remaining amount in the budget of approximately $35,000 was reserved to pursue other economic development opportunities, possibly a more vertical alignment with the Kent County Economic Partnership. Reviewing the Economic Development budget, Mr. Koenig noted that the amount proposed for FY13 associated with his proposal reflected a difference of approximately $92,000 versus maintaining the status quo for the EDO.

With objection, Mr. Greg Moore, President of the DDP, reviewed correspondence dated May 24, 2012 on behalf of the Downtown Dover Partnership (DDP) regarding the DDP Budget Request (Exhibit #10). He explained that the request of $235,750 was to allow the DDP to continue their current efforts in the upcoming year. He stated that the total budget for the organization last year was close to $290,000 and the request was for a reduced amount. Mr. Moore explained that the DDP's cash account was at an all-time dangerously low level at approximately $150,000 as a result of decisions made over the past year and a half regarding properties purchased and projects undertaken.

Mr. Moore reminded members of the many contributions and accomplishments of the DDP in the downtown area, including the installation of security cameras, appropriations to the Police Department for night patrols, improved lighting, and work with the Safety Task Force.

Mr. Moore stated that safety downtown was of paramount importance to the DDP and they have been dealing with the Police Department on this issue. The DDP appropriated approximately $80,000 to purchase and install cameras and this has helped with safety downtown. It appropriated approximately $25,000 to work with the Police Department to address issues such as shootings at night and nightclubs that caused problems. He reminded members that the North Street Project will bring a significant amount of lighting to the area, which will also improve safety at night. Safety problems hurt the DDP's ability to rent stores and make property move.

Mr. Moore advised members that the DDP was well represented on the Safety Task Force and has been working with the Mayor, the City planners, and the Police Department to solve the problems in the downtown area, including issues relating to policing, housing stock, rental properties, and youth. He felt that the organization has great participation and momentum Mr. Moore noted that homelessness is a big issue in the City and that the DDP rented a facility for $6,000 per year for 10 years to the Interfaith Mission to serve the homeless. He stated that the DDP supports that mission in every way possible and obtained $1M from the Department of Natural Resources and Environmental Control (DNREC) for reclamation of that brownfield property.

Mr. Moore noted that the DDP received $3M in grants from the State of Delaware, and $1M of these funds would be contributed to the complete improvement of North Street, including repaving, new sidewalks, curbing, lighting, and hiding unsightly utilities. He noted that this amounted to a $1M investment in the City's public works infrastructure. He expressed his appreciation for Mrs. Mitchell's oversight of these grant funds, noting that this was very important to the State and to the DDP and requested that this stewardship continue.

Mr. Moore stated that the return on the City's investment in the DDP has amounted to $4.5M that had been secured in grant funding over the past few years. Mr. Moore felt that the City would not be able to secure these funds on its own, and the DDP could not obtain them without the City's partnership.

Mr. Moore advised members that the requested budget allocation was similar to the amount budgeted in FY12 because decisions were made over the past few years to invest nearly $500,000 of cash into projects, including the Acme site (which is now under contract and the City has co-signed on that loan). The DDP will invest $500,000 in 220-222 Loockerman Street (former C. Moore's property), which is being renovated inside and outside. This would provide the opportunity to sell the property or use the funds from leasing to help sustain the DDP.

Mr. Moore reminded members that the three (3) North Street projects are at their inception. Verizon will begin $500,000 of utility work on June 11, 2012 on North Street on the parking lot and Loockerman Way; projects which have been let to a contractor. He felt it was essential that they are finished and executed effectively and that staff and resources were needed to do that. Continued work was needed for the reclamation of the 680-684 Forrest Avenue property, where the Interfaith Housing Mission is housed, and remaining funds from the $1M received from DNREC for that project that must be spent.

Mr. Moore emphasized that this would not be a good time to completely change DDP status, due to the many projects underway, money invested, and depletion of cash. He felt that momentum and a vision had been created for downtown and that it was being executed for the first time in a positive way. Mr. Moore felt that after this year, the DDP (when the C. Moore project would be finished had occupied by renters who could pay cash) the DDP would have an opportunity to prepare and to use rental income to sustain itself and reduce dependence on the City's budget. He stated that this could not be accomplished this year because the planning occurred before the organization was aware of the current budget problem. Mr. Moore indicated that he came to realize the problem in the past three (3) months after reviewing the books, evaluating expenditures, the amount of funds remaining, and the many projects occurring in sequence, and hoped that these projects would be implemented under his watch and would be viewed favorably in the future.

Responding to Mr. Perza, Mr. Moore stated that land values have plummeted since the DDP purchased the Acme site; therefore, the funds realized from the sale could be 30% - 40% less than the purchase price. The DDP received a nearly full-price contract from a strong buyer, and if the property were sold to the buyer, the DDP would have to contribute a significant amount of cash to offset the difference in the land value. If the DDP must contribute $50,000 to $70,000 and their existing funds are only $150,000, the DDP would seriously deplete available cash and would be

close to extinction. Mr. Moore felt that the chances of the DDP returning to the City to request additional funds were not high since the organization could use rental income from the C. Moore building to sustain itself in the following year.

In response to Mr. Lynn, Mr. Moore stated that two (2) staff members were required to keep the projects going, and these individuals must have the ability to operate the land and knowledge of handling construction projects (three (3) of which were underway). If the projects were not successful, the organization would become extinct or the DDP would return to the City requesting a great deal more money because conditions facing the organization caused them to run out of money. It was his belief that when the DDP returned to the City for funding requests in the future, they would have more flexibility because: 1) they will have had an opportunity to prepare from actions taken by Council in regard to the budget; and 2) the properties that are either under contract or almost finished and ready for lease, will be better producing properties. He indicated that time was required to sell properties on the west side of the downtown area at the highest rate possible, and time would be required to accomplish this.

Mr. Bonar felt that economic development was exceptionally important to the City of Dover and that a down time is the time to pump money into this effort to bring a return. He stated that the City must work to attract new business, whether this meant allocating funding to the DDP, the Kent Economic Partnership, the DDP, or the Mayor's Office. He did not think that the amount of money requested was unreasonable; however, given the City's economic situation, he did not see how it was possible to grant this amount in FY13. He suggested an amount of approximately $150,000 to $160,000.

Mr. Moore stated that the current BID tax on the downtown area produces $50,000 to $60,000 which is targeted to the DDP. He indicated that his request could be said to be approximately $180,000 in addition to the BID tax.

Mr. Hutchison stated that there was no question that the DDP is the single force behind the changes that are needed downtown and he was a firm believer in the DDP and the work done. He felt that the downtown was moving in the right direction and felt that next year the DDP would hopefully be better prepared to handle matters better than today.

Responding to Mr. Perza, Mr. Moore stated that the only DDP asset that is encumbered by a mortgage is the Acme site. The mortgage was approximately $1.3M and was co-signed by the City. Regarding future projects, Mr. Moore indicated that the DDP has applied for two (2) $1M transportation enhancement grants, one (1) for Bradford Street and one (1) for another block on North Street, and is actively pursuing funding for a riverfront walk along the St. Jones River in concert with the Department of Natural Resources and Environmental Control (DNREC) and the Delaware Department of Transportation (DelDOT). He advised members that the vision is to create a City park in that area that would allow access and beautification to the riverfront and hopefully clean-up the former treatment plant in that area. He was unsure of the time frame regarding these projects (due to the pending status of the State Bond Bill), but estimated two (2) to three (3) years.

Mr. Bonar suggested consideration of expanding the BID tax to a City-wide temporary business development tax to accomplish a revenue stream that would aid in economic development and support the DDP for a two (2) year period or a one-half cent tax on properties in the City strictly for economic development.

Mr. Gerry Street, member of the Downtown Dover Partnership, stated that if the DDP does not receive the funding requested, some of the events that the DDP sponsored during FY12 (First Fridays, Home for the Holidays, Festival of Lights) in the amount of $20,000 would likely be discontinued. The cost of paying two (2) staff people at the current salary and benefits ($125,000) would deplete cash reserves to $25,000. He requested flexibility in hiring staff, noting that an attempt would be made to hire individuals who do not need benefits in order to conserve funds. In regard to mortgages, Mr. Street noted that the organization had collateral but not cash flow. The organization's cash flow last year, apart from City financing, was approximately $20,000 in parking permits that comes into the Parking Authority, approximately $20,000 cash flow from the Acme site (an interest only payment that would cease if the property were sold and would then become an expense). Mr. Street stated that income is expected when the front one-third of the C. Moore property is completed, as this project is expected to generate approximately$20,000 - $25,000 per year, which will support approximately $100,000 in borrowing, which is needed to finish the rear two-thirds of the building so that it can be rented as well.

Responding to Mr. Anderson, Mr. Moore stated that the benefit of a healthy economic development strategy is a vibrant downtown that looks good, is safe, has businesses and is a calling card for the rest of the world to say that Dover is a good place to be and a desirable place to locate. It can become the engine to help sustain a larger economic development approach. The downtown is the heart, where people congregate and remember their experiences from Dover, and when the heart is healthy, the body is healthy.

Mr. Street noted that when the North Street project is complete, there will be approximately 50 new parking spaces that did not exist. He felt that people would be drawn downtown if they knew there would be convenient, well-lit parking with greater safety due to five (5) security cameras.

Mr. Anderson felt that the DDP had experienced tremendous success in the last three (3) years with the new strategy being pursued by the City and questioned why the City was in discussion about which way to completely disrupt it. He understood the possibility of transitioning over a year to a different strategy; however, the numbers being requested seemed reasonable to him. He felt the current strategy should be continued and might save money.

Mr. Hutchison felt that the City of Newark had committed to revitalization in the downtown area and done a wonderful job, and that the City of Dover had the same opportunity, in view of Dover's four (4) college campuses and Dover Air Force Base.

Mr. Moore stated that the DDP is modeled after Newark; however, Newark created its partnership approximately 12-15 years ago, whereas the DDP was established two (2) to three (3) years ago. He felt that this was not enough time to make the same imprint; however, felt this could be achieved with a continuation of the current operation.

Mr. Street stated that the State was very clear that it wanted the City government to administer State grant funds, and the DDP supported this. The State reviewed the Downtown Dover Charrette, approved of the DDP's plans and progress, granted funds, and encouraged the DDP to return for additional funding. He expressed his fear of having to inform the State that the budget had been halved and staffing has changed and felt this was "not a good sales technique." He felt that if proposed projects, such as expanding the North Street project one block further were stopped abruptly, this would not send a positive message to the State in terms of future funding.

Concurring, Mr. Anderson felt that the City could be risking the loss of millions of State dollars in order to save thousands.

Mr. Street advised members that Senator Brian Bushweller and Representative Darryl Scott were in favor of the City overseeing DDP funds and that Sen. Bushweller had made it clear that there would be no future money without the Controller/Treasurer and her staff administering money.

Responding to Mr. Perza, Mr. Moore stated that currently the three (3) EDO staff members share City economic development and DDP responsibilities and that it has been problematic for staff to answer to two (2) different entities. In the long-term, he felt it would be better for the DDP to have two (2) staff members (an administrative person and a leader) who did not share responsibilities with economic development.

Mr. Street explained that the DDP's certificate of authority limits the DDP to a ten-block geographic area (which would exclude Calpine, the Garrison Tract, etc.); therefore, wrapping the entire scope of economic development in the City into the DDP's mission or vice versa would be problematic. He noted that there was no space or time on the DDP's current agenda to tackle expanding to the whole City; however, he stated that this might be a matter for discussion during the budget talks next year.

Mayor Carey felt it was important to maintain the EDO in downtown Dover as well as the DDP. He stated that the DDP has done more for downtown in the last five (5) years than has been done in the last 15 years and it was essential to maintain this movement.

Noting the evolution of the DDP and the improvements that have occurred downtown, Mr. Bonar stated it would be unwise to remove the "knitting needle" that has "knit the area together" halfway through the project. He stated that he would be willing to sponsor measures that would either place BID tax on all commercial development in the City or increase property taxes by one (1) cent geared specifically toward economic development with a portion to DDP.

Mr. Lynn was concerned about the proposed allocation of $38,000 to Kent County for economic development. He felt it was in the best interest of the City to maintain the EDO rather than subcontracting this function to another local government that is in direct competition with the City (noting that the Wal-Mart Distribution Center was not located in Dover, and the former Wal-Mart relocated the Cheswold). He felt that the EDO is the only office whose job it is to increase the City's tax base and electric, water, and wastewater customer base. In reviewing the funding, Mr. Lynn determined that the EDO is funded 56% through the General Fund, 13% from

Water/Wastewater Fund, and 31% from the Electric Fund and, therefore, did not impose a large impact on the General Fund. To resolve the economic development issue, Mr. Lynn proposed two (2) options, as follows:

1) Option A - reduce the cost to General Fund by taking the City-wide economic development function, including a full-time economic development professional, and assigning this function to the Mayor's Office, with an allocation of funding as follows: 20% General Fund, 14% Water/Wastewater Fund, and 66% from the Electric Fund. This would cut the current cost of the EDO to the General Fund by one-half.

2) Option B - reduce the cost to the General Fund by taking the City-wide economic development function, including a full-time economic development professional, and assign this function to the City Manager's Office, with an allocation of funding as follows: 36% General Fund, 14% Water/Wastewater, and 50% from the Electric Fund. This would cut the current cost of the Economic Development Office to the General Fund by over 40%.

Mr. Lynn stated that either of these solutions would address the concerns raised by Mr. Koenig in the draft budget. He suggested that $38,000 not be given to the County and those funds be retained to fund the City's Economic Development Office rather than funding competitors.

Mr. Lynn moved to significantly reduce the cost to the General Fund by taking the City-wide Economic Development Office (including the three (3) current staff members), assigning that function to the Mayor's Office, and funding that office with 20% from the General Fund, 14% from the Water/Wastewater Fund, and 66% from the Electric Fund, cutting the current cost of the Economic Development Office to the General Fund by one-half. The motion was seconded by Mr. Anderson.

Mr. Anderson stated that, per the City's charter and the current necessity for restructuring in the City, the EDO should be in the Mayor's Office, as this was part of the logic behind a full-time Mayor. He noted that the City was on the verge of significant growth, with several large projects, including Calpine, downtown projects, redevelopment of Wal-Mart, and a new manufacturer coming into the City on a corner of Route 13. He felt that the City must reinvest in economic development and agreed that the funds should not be allocated to the County.

Mr. Hutchison reminded members that he served as the first full-time Mayor in the City and expressed his feeling that economic development was a two (2) phase operation that included both the downtown area and the larger picture. In the past, the larger picture included projects such as Wilmington Unversity, Dover Downs Hotel, maintaining Playtex in Dover, Sunroc, Dover Air Force Base, Kraft Foods, and now this includes projects such as the Kent County Sports Complex being examined, the Dover Air Force Base Air Cargo Terminal, and Calpine. As a representative on the Kent County Economic Development Board, he felt that the Board speaks with one (1) voice.

On call for the question, the motion to significantly reduce the cost to the General Fund by taking the City-wide Economic Development Office (including the three (3) current staff members), assigning that function to the Mayor's Office, and funding that office with 20% from the General Fund, 14% from the Water/Wastewater Fund, and 66% from the Electric Fund, cutting the current cost of the Economic Development Office to the General Fund by one-half, carried by a roll call vote of six (1) yes, one (1) no (Mr. Hutchison), and two (2) absent (Mr. Hare and Mrs. Williams).

At the request of Mr. Koenig, Mr. Lynn clarified that the intent of the motion was to move the entire Economic Development Office (including three (3) staff members) under the Mayor's Office.

Mr. Bonar noted that the motion did not address the matter of funding for the DDP.

Mr. Koenig advised members that, in the long term, he would like to create a sanitation fund that would operate similar to an enterprise fund; however, there were additional accounting requirements that would be necessary; therefore, he did not feel that this was an appropriate time to do so.

There being no objections, Council President Leary declared a brief recess.

Meeting recessed at 7:06 and reconvened at 7:13 p.m.

Mr. Koenig reviewed a presentation entitled "City of Dover FY2012-2013 Draft Budget - Budget Meeting - May 30, 2012" (Exhibit #7). Referring to Page 2 of the Presentation titled "City of Dover Sanitation Fund - Estimated Impact on General Fund," he advised members that center column, labeled Sanitation Fund (ver 1), was the proposal in the draft budget to increase rates from $11.70 per month to $17.00 per month for the typical 90-gallon service, which would result in an increase of roughly 45% in the trash rate, but that this would not cover the full cost of the trash collection operation. The third column was an estimate of the total cost that would have to be recovered if it were viewed as a cost recovery for the service, which would increase the rate from $11.70 to $19.00 per month. He noted that Mrs. Mitchell indicated that this proposal would cover the costs of trash collection and the associated personnel and other expenses for that service for the five (5) years of the model. This increase would include complete cost recovery and would create an enterprise fund.

Referring to Page 3, Mr. Koenig stated that the draft budget presented to Council included a shortfall in the General Fund of $801,700 and staff proposed a balancing plan that included a $0.01 tax increase and a 45% trash rate increase. Both approaches were included because Mr. Koenig felt that the City should attempt to recover the cost of trash service and there were a number of tax-exempt properties in the City that would not be affected by the tax rate increase. He stated that members had expressed concern about several items that were removed from the budget, mainly the Fourth of July Celebration, which was cut from $10,000 to $5,000, and the African American Festival, which was cut from $15,000 to $7,500. He indicated that the discussion of the Economic Development Office (involving $92,000 currently accounted for in the General Fund) was another matter of concern.

Mr. Koenig stated that if Council were to express interest in restoring all of those items back into the budget, the shortfall would be increased from $801,700 to $906,200. Mr. Koenig stated that another way to address that deficit would be to increase property taxes by $0.02, which would raise $629,100, along with a smaller trash fee increase that would raise $288,000. The rate of that increase for trash would be approximately 15.4% for in-City customers and 12.9% for out-of-City customers. He presented this as one option to cover the shortfall.

Mr. Lynn advised members that, historically, street lights were paid out of the Electric Fund; however, in the middle of the last decade, this expense was moved from the Electric Fund into the General Fund, thus incurring $985,000 of expenses to that fund. Mr. Lynn suggested moving the street lights back into the Electric Fund, which would save the General Fund approximately $985,000, which would cover the General Fund shortfall, address the adjustment issues described above by Mr. Koenig, and allow funding of the DDP at the requested level as well. Mr. Lynn stated the bond agencies may not be happy with this; however, for decades the street lights were paid for out of the Electric Fund and the bond agencies did not question this and bond ratings were not negatively affected. He felt that this should be considered prior to discussions on tax increases or trash fees.

In response to Mr. Leary regarding the practical effects of this approach, Mrs. Mitchell stated that between 2002 to 2003, a Government Accounting Standards Board (GASB) 34 accounting standard was implemented that created a massive change to financial statements and reporting procedures. A consultant was brought in to help with the implementation of that accounting standard, and it was discovered that the Electric Fund was billing itself for street lights. The City was billing itself and showing the amounts as being collected by crediting a Street Light Fund within the Electric Fund. The consultant inquired about the Street Light Fund and it was discovered that there was no Street Light Fund, it was simply a way to show the billing, and it was offset by a credit to this fund. This was not proper accounting and was against the City's debt covenant because revenue indicated that the City was billing itself but the General Fund was not being billed. The Street Lights were moved to the General Fund at that time, and the General Fund now pays the Electric Fund for those street lights.

In response to Mr. Anderson's inquiry as to whether a transparent, legitimate street light surcharge (similar to the 911 fee and trash surcharges) could be included on the customer bills and would comply with debt covenant requirements, Mrs. Mitchell stated that such a charge could be attached to the electric bill as a surcharge; however, the money would have to be recorded as a transfer to the General Fund.

Mr. Anderson stated that this would accomplish the goal of legitimate, transparent, and real accounting.

For clarification, Mrs. Mitchell explained that the City must adhere to the debt covenant for bondholders, not for the bond rating agencies.

Responding to Mr. Lynn, Mrs. Mitchell stated that she would explore this concept and provide further information to Council.

For clarification, Mr. Koenig stated that if the Electric Fund were to transfer $985,000 to the General Fund, the City would have to either: 1) develop a new charge that goes on the electric bill, or 2) reduce the decrease in electric rates by $985,000 going forward.

Mr. Anderson concurred that these were the only two (2) options and stated he did not necessarily "buy into" either of those options but that both should be explored. Mr. Koenig stated that the "flip side" to doing that methodology was that the cash for the operation would somehow be coming out of the Electric as either a new fee or a reduction in the decrease in electric rates.

Mr. Bonar stated that establishing a charge on the electric bill would provide transparency to ratepayers and made common sense.

Mr. Anderson stated his appreciation for the tremendous job that staff had done in preparing the budget, particularly Mr. Koenig and Mrs. Mitchell. He questioned why a 45% trash fee increase was proposed rather than the amount needed to achieve a level that breaks even at a cost of approximately $0.50 more. He noted that the electric rates would be reduced enough to make up for the trash fee increase and questioned the idea of eliminating the EDO when these measures could fund the Office.

Mr. Koenig felt that this was an issue that Council could consider; however, noted that the proposed trash fee increase was significant.

In reviewing Page 4 of the Presentation, FY12 Review of YTD Expenses, Mr. Koenig noted that that current expenses had been reviewed and believed there would be some savings; however, those savings were committed to the unfunded Other Post- Employment Benefit (OPEB) liabilities earlier in the year, and while staff believed the savings might be as much as $500,000, there was potential for that number to erode rapidly before the end of the fiscal year if additional retirements come forward.

Mr. Lynn requested that staff seek an opinion from bond counsel regarding the street light suggestion.

Mr. Lynn stated his concern about the possible abandonment of Dover Park because that facility serves a population that does not have access to the Pitts Center. He noted his concern with putting a $30,000 roof on the property. He suggested that the property be leased as-is to a third-party entity without charging rent, on the condition that they replace the roof and offer either summer programs or programs for youth out of that facility. This would take that $30,000 line item out and maintain the facility to service a vulnerable population on that side of town that may not have access to City resources.

Mr. Koenig stated that the budget proposal was not meant to rule out such a possibility. No operational savings were included in the budget because staff was unsure of what the decision regarding the facility would be; however, if Council were to desire, an RFP could be prepared to solicit interest from qualified non-profit agencies for such use. He felt this was an excellent idea that could easily be pursued.

Mr. Leary noted that abandonment of the building was being considered, rather than abandonment of the park. He noted that $30,000 was included in the budget to either replace the roof or demolish the building.

In response to Mr. Lynn regarding the possibility of increasing rental license fees, Mrs. Ann Marie Townshend, Director of Planning and Community Development, stated that in 2007 staff proposed an increase in the rental permit fee. This was met with opposition, and staff was directed to develop an entire fee package for all Planning and Inspections fees for the following fiscal year, which was also met with opposition and was rejected. Mrs. Townshend stated that whenever this has been brought up, the real estate community has come out in full force stating that the fee increase would be passed on to the renters. When the market was high and housing prices were high, a fee increase was unpopular because it was believed that it would hurt affordable housing, when the market was strong, it was felt that people could barely stay in their properties, and again it was felt that this would hurt affordable housing. She stated that staff was not opposed to this change and research had determined that the City's fee is low in comparison to other areas, but there had not been support for an increase.

Mr. Koenig stated that part of that discussion was a proposal that the fee would escalate every year based on the Consumer Price Index (CPI), and that was soundly objected to.

Mr. Lynn stated he had in mind a simple 20% increase in the rental license fee, noting that he personally paid approximately $50 per year for a single-family dwelling for a rental license. In the aggregate, this would amount to a substantial dollar amount and small pieces put together could help the City. He asked that this be examined by staff.

Mr. Lynn noted that there were two (2) proposed hires in the Public Utilities Department, a Public Works Director and an Electric Director. He stated that, historically there was a unified Public Utilities Department under one director and that subsequently the City Manager received approval from Council to unify the Public Utilities. It was his understanding that when Mr. Koenig became the City Manager, he split the Department into two (2) separate utilities. Mr. Lynn felt that since Council approved the unification, there should be a vote from Council to separate them. He believed that this would allow for the elimination of a very expensive management position and create greater synergy and efficiency.

Responding, Mr. Koenig stated that, prior to 2006, the historical model of those two (2) entities was a traditional Public Works Department and an Electric Department that were accounted for separately. The Electric Fund solely addressed the operations of the Electric Department and the Power Plant. The Water and Sewer Fund was a separate accounting fund that addressed the operation of the Water and Sewer Utility, and the Water and Sewer Utility was attached to a more traditional Public Works Department that included engineering, sanitation, streets, vehicle maintenance, and grounds. There was a vote by Council to create positions called Public Utilities Manager and Public Services Manager (previously Mr. Koenig) and the departments were always accounted for separately. The Public Services Department incorporated the traditional Public Works operations of streets, sanitation, grounds, building construction, the Fire Marshal's Office, and Economic Development Office.

Mr. Koenig explained that since he became the Interim City Manager and subsequently the City Manager, the Central Services Director position has remained unfilled (duties were split between the Finance Office and Public Works), the Senior City Administrator position remained unfilled (some of these duties were sent to the Finance Department and some of that personnel was sent to the Human Resources Department). Mr. Koenig noted that the budget proposal does not include the Recreation Director position and that those services would be sorted out as part of the budget process. He felt that a vote of City Council was not necessarily needed to make these changes since all of those functions are under the domain of the City Manager within the Charter. He stated that he had signaled his intent to Council to make these changes. He stated he would like to return to a more traditional Public Works structure, with the Electric Department as a separate department, while keeping in mind there has been a significant amount of pressure to reduce electric rates and value the electric system to determine whether it would be in the City's economic advantage in the long term to remain in that business. He felt that reconsolidation would run counter to discussions that have happened at the Council level.

Mr. Lynn stated he would like to explore the possibility of unifying the Public Utilities Department under one (1) central head rather than hiring two (2) people to administer Public Works and Electric separately.

Responding to Mr. Leary regarding the practical effect of this proposal on the General Fund, Mr. Koenig stated that the only savings would be one (1) less administrator; however, the administrator of that department would be overseeing approximately 130 positions over a very wide range of services, which would be difficult to manage under one (1) department head.

Mrs. Mitchell advised members that one (1) of the two (2) positions being discussed was budgeted in the Water Fund and the other in the Electric Fund; therefore she was unsure how the General Fund would be impacted and said she would have to put the numbers together.

Mr. Bonar suggested that, due to the complexity of electricity and the funds involved, and the simplicity of water by comparison, a very large salary would be required to attract a candidate that was qualified to administer both, estimated at $250,000 on the open market.

Mrs. Mitchell stated that Mr. Ted Kelly, Principal, Business & Technology Services, Burns & McDonnell, performed the electric rate analysis which reflected a 12% reduction for street lights. She was unsure if street lights receive the advantage of a Power Cost Adjustment (PCA) credit (noting that they are not metered), or if this was 12% straight true credit. She noted that if the 12% was truly against the budget and City's street light budget is $985,000, this would remove $118,000 from that cost.

Mr. Koenig reminded members that they had approved the retention of the EDO fully staffed at three (3) people and moving the Office under the Mayor's Office. He noted that the DDP funding still needed to be addressed. He stated that the DDP's request was for $235,000, which was not included in the proposed budget. The DDP's request assumed that the EDO would solely focus on economic development and a payment would be made to the DDP for its operations.

For clarification, Mr. Lynn stated that his suggestion was not to physically move the EDO into the Mayor's Office but to put them under the Mayor's purview.

Mr. Anderson stated that the Mayor could loan one (1) or two staffers (2) to help the DDP if he believed that this was part of the economic development strategy and the Mayor was conducive to this. He felt that the entire $235,000 would not be necessary because the goal was to transition for one (1) year and keep the expertise of people who are familiar with the operation. He stated it might be helpful to transfer some money so the DDP could hire a new director. He felt the amount and source of funds should be a matter of discussion.

Mr. Leary advised members that FY12 would end on June 30, 2012; therefore, the second and final reading of the budget ordinance would be scheduled for June 25, 2012 and the first reading for June 11, 2012. To meet these goals, he indicated that the budget must be prepared by June 6, 2012.

By unanimous consent, members agreed to continue the Special Council Meeting (Budget Review) on June 4, June 5, and June 6, 2012, as necessary, from 6:00 to 9:00 p.m.

Mr. Lynn moved to amend the budget to fully fund the Downtown Dover Partnership (DDP) to the level of the request made this evening ($235,750), seconded by Mr. Bonar.

Mr. Anderson moved to lay the amendment on the table, seconded by Mr. Perza. The motion failed by a roll call vote of five (5) no and two (2) yes (Mr. Anderson and Mr. Perza).

On a call for the question, the original motion to amend the budget to fully fund the DDP failed by a roll call vote of three (3) no, three (3) yes (Mrs. Russell, Mr. Lynn, and Mr. Leary). *(Clerk's Office Note: During the roll call, Mr. Anderson abstained from voting; however, following the roll call, he changed his vote to a no.)*

Mr. Bonar moved to fund the Downtown Dover Partnership (DDP) in the amount of $180,000 for FY13, seconded by Mr. Lynn. The motion passed by a roll call vote of five (5) yes, two (2) no (Mr. Anderson and Mr. Perza), and two (2) absent (Mr. Hare and Mrs. Williams).

Without objection, Council President Leary indicated that the Special Council Meeting (Budget Review) would reconvene on Monday, June 4, 2012, at 6:00 p.m.

Meeting recessed at 8:06 P.M.

MONDAY, JUNE 4, 2012 - 6:00 P.M.

The Special Council Meeting reconvened on Monday, June 4, 2012 at 6:00 p.m. with Council President Leary presiding. Council members present were Mr. Anderson (arrived at 6:52 p.m.), Mrs. Russell, Mr. Perza, Mr. Bonar, Mr. Hare, and Mr. Hutchison. Mr. Lynn and Mrs. Williams were absent.

Council staff members present were Mr. Koenig and Mrs. Mitchell. Mayor Carey was also present.

QUESTIONS AND ANSWERS

Mr. Koenig reviewed a presentation entitled "City of Dover FY2012-2013 Draft Budget - Budget Meeting - June 4, 2012 ***(Exhibit #11)***, which he stated reflected the current status of the budget with the motions that were carried on May 30, 2012 and open items before Council. He explained that during the May 30, 2012 session, members approved the reinstatement of the EDO into the budget. The estimated cost of this was $92,000, since the recommendation in the FY13 budget was to disband the EDO and entirely allocate economic development to the General Fund. The motion was to put the full amount back into the budget for economic development and fund it at roughly $230,000. Subsequent to that, the motion indicated that the funding allocation of the Mayor's Office should be followed, which would be19.6% General Fund, 14.2% Water/Sewer Fund, and 66% Electric Fund (as shown at the bottom of Page 2). Mr. Koenig advised members that the change in funding allocation from FY12 to FY13 would realize some savings over what was anticipated in the General Fund.

Mr. Koenig noted that staff had reviewed the Public Services Administration and noted that moving this area back into the Public Works Department would change allocation percentages back to previous levels. In reviewing the model on Page 3, Mr. Koenig stated that both the Public Services Administration budget and the Economic Development budget were charged to the General Fund in the draft FY13 budget. The current proposal for the reallocation of the EDO and a proposal to reallocate the Public Services Administration would yield a net savings in the General Fund of $277,900, an increase to the Water/Sewer Fund of $217,300, and an increase to the Electric Fund of $152,600; however, it would more appropriately allocate each of those divisions as as they have been allocated in the past or consistent with the recommendation of the motion from Council on May 30, 2012.

Mr. Koenig advised members that Mrs. Mitchell was waiting to hear from bond counsel regarding the payment of street lights entirely from the Electric Fund. In addition, he stated that the General Fund was due a credit for the street lighting expense based on the rate study that was presented to Council during their Regular Meeting of May 29, 2012. If the City Council adopted the rates proposed by Mr. Ted Kelly, Principal, Business & Technology Services, Burns & McDonnell, the General Fund would realize a savings of $116,000 for street lighting over FY12 charges.

Mr. Koenig explained that no action had been taken regarding the discussions relating to the restoration of full funding for the Fourth of July Celebration and the African American Festival.

In reviewing Page 5 of the Presentation (Exhibit #11), Mr. Koenig stated that the budget shortfall that was projected at $801,700 on May 15, 2012, was now projected at $600,300 if motions were made this evening to account for those considerations.

Responding to Mr. Leary, Mr. Koenig stated that, in accordance with his previous recommendations, the gap could be closed solely by a trash rate increase of nearly 35%, which would increase the residential rate from $11.70 to $15.75, yielding approximately $600,000. If it was closed solely based on a tax increase, a $0.02 tax increase would yield approximately $629,000 in revenue. If a combination of these approaches were used, a $0.01 tax increase would yield $314,600 and a trash

rate increase of approximately 15.4% would yield $288,000 and the combined revenue would yield approximately $603,000.

Responding to Mr. Perza, Mr. Koenig stated the City has made a $15,000 contribution in recent history to the African American Festival and that conversations with Mr. Reuben Salters (former City Councilman and Founder/Organizer of the African American Festival) revealed that he would consider it a significant blow to his efforts if the contribution were to be reduced. Mr. Koenig stated that a reduction in funding for the Fourth of July Celebration would diminish the quality of the fireworks program.

Mrs. Mitchell stated that the Dover Fourth of July Celebration Committee monitors its fund to ensure a balance of $5,000 or greater; however, she was unaware of the status of this account for 2013.

Responding to Mr. Hare, Mrs. Mitchell stated that invoices are not submitted in connection with the African American Festival due to the extra demands that would be imposed on staff in the City's Finance Department in accounting for $15,000. In addition, she noted that these contributions do not necessarily have to come out of the General Fund.

Responding to Mr. Bonar, Mrs. Mitchell stated that the Fourth of July Celebration fund is an agency fund that the Finance Department staff reviews; however, auditors do not audit agency funds. Funds allocated to the African American Festival are considered a donation and are not reviewed.

Mrs. Russell felt that an audit should not be required of the African American Festival funding since this has not been required in past years. She felt that this was a worthwhile effort that brings people to the City and if an audit were required, a policy should have been in place previously.

Mr. Hare stated that since funds are reviewed for the Fourth of July Celebration, this should also be performed for the African American Festival.

Mr. Koenig explained that the Fourth of July Celebration is a City-sponsored event, similar to Old Dover Days, and staff is actively involved in planning for the event, whereas the African American Festival is not City sponsored.

Mr. Bonar felt that both the African American Festival and the Fourth of July Celebration should be funded to the greatest extent possible; however, they should conform to generally accepted principles of accounting and the City should be accountable for ensuring that the funds are expended properly.

In response to Mr. Leary, Mr. Koenig indicated that he was proposing that the in-City trash rate for a 90-gallon containerbe increased from $11.70 to $15.75, an approximate 34.62% increase. There would be a proration of that rate for the business classifications that use larger containers and an increase in the out-of-City rates of just under 17%, which would bring this rate up to $50.00 per month. He confirmed that the amount of the increase would be lower than the original proposal and there would be no proposed property tax increase at this time.

Mr. Hare expressed reservations regarding the proposal to move the three (3) members of the EDO staff, place them under the Mayor, eliminate their responsibilities connected with the DDP, continue to pay these members full-time salaries, and also provide the DDP $180,000 to hire two (2) staff members to handle DDP responsibilities.

Mr. Leary felt that the $180,000 was to be used as seed money for DDP properties.

Mr. Bonar stated that the intent of the motions were to help the DDP transition from having its staff spend half of their time working for the City of Dover, to allow the DDP to hire their its director so that the organization could fund itself, and to provide the City with an EDO within the City of Dover. He felt the EDO they would be required to spend 100% of their time working for the City of Dover, not just one entity within the City.

Responding to Mrs. Russell, Mr. Koenig stated that trash fees for in-City businesses with 300-gallon trash containers currently pay $39.00 per month, which would be increased to $52.40 per month under the proposal. The City has only one (1) out-of-City commercial customer, whose rates would increase from $142.50 to $166.00 per month.

Responding to Mr. Perza, Mrs. Mitchell stated that there would be no changes to the electric rate reductions based on the current budget presentation.

In response to Mr. Bonar, Mr. Koenig noted that the goals could be accomplished with a $0.01 increase in property taxes and a $15.4% increase in the overall trash fees and still provide for an electric rate reduction for City electric customers. He stated that the proposed rate reduction was 3.38% overall to residential customers and the rate for business customers varied by classification to a maximum of 16%.

In response to Mr. Leary, Mr. Koenig confirmed that the electric rate reduction proposal was independent of the tax rate or trash fee proposals.

In reference to the EDO, Mr. Hutchison suggested that if the EDO were kept, that it be left as is; however, if the EDO were eliminated, he preferred to partner with Kent County for economic development.

Mr. Koenig stated his understanding that the intent of the motion made regarding the EDO was that the EDO would maintain their office at the CenDel Building, but the three (3) staff members would report to the Mayor's Office, the budget for City-wide economic development would be $230,000; those three (3) people would work on City-wide economic development and whatever other tasks are assigned to them to make sure their 40 hours per week are expended to the maximum extent possible. The funding for these positions would be reallocated the Mayor's Office. The subsequent motion related to the DDP was to authorize payment to the DDP in the amount of $180,000 for FY13.

Mr. Hare felt that the City could not fund both the EDO and the DDP. He stated that in 1997 the City went to a full-time Mayor with one of the responsibilities of the Mayor being economic

development in concert with the City Manager and Kent County. This arrangement worked well from 1997 to 2008 when the three (3) economic development staff members were hired. He felt that if the function were restored to the Mayor's Office, the Mayor should perform this function and the three (3) positions eliminated. If the staff were retained, he felt the City should not fund the DDP.

Responding to Mr. Hare, Mrs. Mitchell stated that the budget shortfall could be balanced with funds from the Depreciation Reserve; however, she indicated that she would need to confirm this with the bond counsel. She stated that this reserve is identified in the City's bond covenants for replacing assets.

Mr. Bonar stated that whether funds are transferred from one account to another, all funds come from taxpayers' pockets. He indicated that if taxes were raised by $0.02, taxpayers would be able to write this off their income taxes if this is needed to balance the budget; however, if they were raised by $0.01 and trash fees increased by 15.4%, this could not be written off. He noted that an increase of $0.02 would provide approximately $629,000, which would provide a surplus of approximately $29,000.

Mrs. Russell felt that the DDP and the EDO were both doing a good job and brought growth to the City. She felt that both of these organizations were needed and believed that results would be seen in the next few years.

Responding to Mr. Perza, Mrs. Mitchell stated that all of the City's reserve funds were forecasted to be fully funded at the end of the seven (7) year horizon, and the Depreciation Reserve had $10M and was projected to be fully funded in 2017. She explained that the City would pull from these reserves in three (3) of those upcoming years and then replenish the funds with accrued interest. The policies mandate that if funds are pulled from those reserves for funding assets, they must be replenished over a seven (7) year time frame. She stated that this policy applies to the Future Capacity Reserve as well. The Rate Stabilization Reserve was being used to fund the rate decrease over three (3) years. Burns and McDonnell gave the City a three (3) year rate and the City would use that reserve for operating income to attain margins over the next three (3) years.

In response to Mr. Bonar, Mrs. Mitchell stated that she did not believe that the City was overcharging for electricity. She stated that when she prepares the net margins and forecast model, she achieves a positive cash level, giving everything back to the ratepayers each year, and making sure that the City meets its debt covenants. She stated her goal was not to keep accounts flush; decisions are based on policy and levels that should be attained for replacement of assets; for example, when the Cartanza Substation was put in, half of the reserves were used to help build this asset and funds were then replenished. She explained that this was the purpose of the reserves. She stated that the City has approximately $20M in the Depreciation and Future Capacity Reserves, $5M in the Rate Stabilization Reserve, and $750,000 in the Insurance Reserve.

Mr. Leary advised members that a motion was needed on the floor in regard to the budget in order to allow for a First Reading on June 11, 2012 and Final Reading and action on June 25, 2012. At that point, amendments could be offered. He explained that to change motions approved previously by rescinding or amending, a two-thirds vote of all members (six (6)), would be required.

Reconsideration would require a simple majority (five (5)) and two (2) motions: a motion to reconsider (made by a member who voted in the affirmative on the item) and a subsequent motion to amend the earlier motion.

Mr. Bonar expressed his appreciation to Mr. Koenig and Mrs. Mitchell for bringing the budget to a manageable level. He stated that Council should be very proud of what staff had accomplished. He felt that the City administration had done a complete turnaround and become a cohesive group.

There being no objections, Council President Leary declared a brief recess.

Meeting recessed at 6:55 p.m. and reconvened at 7:09 p.m.

Mr. Bonar moved for acceptance of budget, as presented by staff, with a First Reading to be held on June 11, 2012 and Final Reading on June 25, 2012, seconded by Mr. Hutchison.

Mr. Anderson moved to amend the motion to include the addition of $7,500 to the City's contribution for the African American Festival and $5,000 to the City's contribution for the Fourth of July Celebration, to restore these amounts to previous levels, seconded by Mrs. Russell.

Mr. Hare requested that the City track the finances dedicated to the African American Festival, as is done for the Fourth of July Celebration, so that there would be accountability for the City's contribution.

After further discussion, Mr. Anderson and Mrs. Russell agreed to include a provision in the motion to state that the City's $15,000 contribution for FY13 would be accounted for by the City of Dover Finance Department subject to the same standards as the Fourth of July Celebration and Old Dover Days beginning in FY13.

On a call for the question, the motion, as amended, to amend the draft budget to include the addition of $7,500 for the African American Festival and $5,000 for the Fourth of July Celebration, with the understanding that the $15,000 contribution for the African American Festival would be accounted for by the City of Dover Finance Department subject to the same standards as the Fourth of July Celebration and Old Dover Days beginning in FY13, passed by a roll call vote of six (6) yes, one (1) no (Mr. Perza), and two (2) absent (Mr. Lynn and Mrs. Williams).

Mr. Hutchison moved to reconsider the reassignment of the EDO staff, indicating he favored having the EDO report to the City Planner or City Manager and forgoing the $180,000 donation to the DDP.

Noting that Mr. Hutchison did not vote in the affirmative on the original motion regarding the reassignment of the EDO staff, Mr. Leary advised him that he was ineligible to move for reconsideration of this matter; however, he could make a motion regarding the $180,000 allocation to the DDP.

Mr. Hutchison withdrew his motion.

In response to Mr. Anderson, Mr. Koenig indicated that three (3) positions were proposed for funding in the Human Resources (HR) Department for FY13, the HR Director, an Administrative Assistant, and a HR Coordinator. He explained that there were currently two (2) active employees in the office (the HR Director and Administrative Assistant); however, it was his assessment that three (3) were needed since the office was being closed when those employees were engaged in matters outside the office.

Mr. Anderson questioned if it would be possible to relieve the burden in the HR Department by sharing the Administrative Assistant from the EDO. Responding, Mr. Koenig indicated that the open HR Coordinator position required more HR experience than an Administrative Assistant would offer. He expressed his feeling that, currently, there was a gap in the service level and that HR was a critical function that was vital in order for the City to have an integrated, dynamic workforce. Mr. Koenig noted that currently a number of hiring processes typically undertaken by the HR Coordinator were being handled by the HR Director at the present time. He noted that orientations, benefits administration, coordination with the Finance Department, harassment training, and other workplace training were HR functions critical to providing a workplace that has low turnover and few lawsuits.

In response to Mr. Anderson, Mr. Koeng stated that the estimated shortfall of $600,300 could be covered by a trash increase of just under 35%, which would take the base rate from $11.70 to $15.75 and prorate other fees over the different classifications which would be made up with electric rate cuts. He indicated that for a residential bill, the homeowner would see an increase of just under $4.00 in their trash fee but a 3% decrease in their electric bill. Depending on how much electric the customer uses, the total bill may actually go down.

Mr. Anderson felt this approach would offer more honest accounting so that customers would know exactly where their money was going, as opposed to overcharging on electric bills and transferring funds elsewhere.

Responding to Mr. Hare, Mr. Koenig stated that he would consider outsourcing many other functions before considering the HR Department. He noted that the workforce was in a highly agitated state with proposals related to health care and union contracts, and he felt that outsourcing would do more harm than good in the long run.

Concurring with Mr. Koenig, Mrs. Russell felt that the morale of the workplace was essential and the HR Department should bond and connect with workers.

Noting that a 35% or 40% trash fee increase was significant, Mr. Anderson questioned if using funds from the Electric Depreciation Fund would help to bridge the trash fee over a couple of years and if a two (2) step increase could be implemented. Responding, Mr. Koenig noted that Council adopts a budget for a one (1) year period, so there would be no guarantee that the rate increase could be accounted for. He expressed concern about using the Electric Depreciation Fund, noting that the five (5) year forecast for FY14 to FY19 presented some challenges. He felt that some of the

baseline revenue should be adjusted to meet expenses in the trash area. He felt that the proposals were not extravagant but were cost recovery issues related to taking trash to the landfill, personnel, and equipment. Without addressing the baseline budget, he anticipated that the same issues would be reviewed in the next budget.

Mr. Anderson moved to amend the draft budget to allocate $4,000 for an economic development study in conjunction with Delaware State University's economic development grant (a $20,000 grant proposal for which a matching contribution of $4,000 is being requested from the City), for a study to build data regarding economic conclusions, as well as business and demographic problems being encountered. The motion failed for lack of a second.

Mr. Bonar moved to reconsider the allocation of funding for the DDP and the reassignment of the Economic Development Office to the Mayor's Office, seconded by Mrs. Russell. On a roll call vote of four (4) yes and three (3) no (Mr. Anderson, Mr. Perza, and Mr. Leary), the motion failed for lack of a majority vote of members.

Mr. Leary explained that a majority of Council was needed to pass the motion.

Mr. Bonar moved to amend the draft budget to reinstate $33,000 for the installation of cameras in the downtown area, requested by Mayor Carey for security purposes, seconded by Mr. Anderson, and carried by a roll call vote of four (4) yes, three no (3) (Mr. Perza, Mr. Hare, and Mr. Hutchison), and two (2) absent (Mr. Lynn and Mrs. Williams).

Mrs. Mitchell stated that this item was removed from the budget due to the inclusion of additional maintenance costs. A maintenance contract was recently taken out for cameras currently owned by the City at a cost of $20,000 and she wanted members to be aware that there would be an additional cost for the cameras.

In response to Mr. Hare, Mr. Leary stated that Mr. Hare could move to rescind previous motions; however, six (6) votes would be needed.

Mr. Hare confirmed that the current plan was to retain the EDO as well as the $180,000 budget line item for the DDP.

Mr. Hare moved to rescind the motion to significantly reduce the cost to the General Fund by taking the City-wide Economic Development Office (including the three (3) current staff members), assigning that function to the Mayor's Office, and funding that office with 20% from the General Fund, 14% from the Water/Wastewater Fund, and 66% from the Electric Fund, cutting the current cost of the Economic Development Office to the General Fund by one-half, seconded by Mr. Hutchison. By a roll call vote of four (4) yes and three (3) no (Mr. Anderson, Mrs. Russell, and Mr. Leary), the motion failed for lack of a majority vote of members.

Mr. Hare moved to rescind the motion to fund the Downtown Dover Partnership (DDP) in the amount of $180,00 for FY13, seconded by Mr. Anderson. By a roll call vote of four (4) no and three (3) yes (Anderson, Perza, and Hare), the motion failed.

Responding to Mr. Anderson, Mr. Leary confirmed that the budget being voted on contained an increase in trash fee but no tax increase.

In response to Mr. Anderson, Mr. Koenig confirmed that if Council accepted the proposal to increase trash fees from $11.70 to $15.75 and prorate that rate among the different categories, there would be no shortfall, but the rate would have to be adopted.

Mr. Hare moved to amend the draft budget, as presented, by transferring funds from the from the Electric Depreciation Fund to balance the budget and to forego any tax rate or fee increases, seconded by Mr. Anderson.

Without objection, members agreed to amend the motion to allocate the funds from the Future Capacity Reserve rather than the Electric Depreciation Fund, as suggested by staff.

In response to Mr. Bonar, Mr. Koenig stated that the total amount needed to cover the budget shortfall and purchase the security cameras that were discussed previously would be $633,300.

Without objection, members agreed to amend the motion to specify that $633,300 would be transferred from the Future Capacity Reserve Fund to balance the budget.

Mr. Anderson expressed concern regarding the escalating cost of the City's trash operation due to the doubling of gas prices, increases in tipping fees, and additional yard waste charges. He was concerned that this action would not be sustainable and wondered if there was a plan to deal with this matter in the future.

The motion, as amended, to amend the draft budget, as presented, by transferring $633,300 from the Future Capacity Reserve Fund to balance the budget and forego any tax rate or fee increases carried, by a roll call vote of five (5) yes, one (1) no (Mr. Leary), one (1) abstention (Mr. Anderson), and two (2) absent (Mr. Lynn and Mrs. Williams).

On a call for the question, the motion for acceptance of the draft budget, as presented by staff and amended by Council, with a First Reading to be held on June 11, 2012 and a Final Reading on June 25, 2012, carried by a unanimous roll call vote (Mr. Lynn and Mrs. Williams absent).

Mr. Leary complimented staff on the long hard work done on the budget.

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

Meeting adjourned at 7:48 P.M.

TRACI A. McDOWELL
CITY CLERK

All orders, ordinances, and resolutions adopted by City Council during their Special Meeting of May 22, 2012, are hereby approved.

CARLETON E. CAREY, SR.
MAYOR

/TM
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Exhibits Attached to Original

Exhibit #1 - City of Dover Potential Savings for FY 2012 (as of May 22, 2012)
Exhibit #2 - Correspondence from Mrs. Donna Mitchell dated May 21, 2012 - Assessment Project Memo and Reassessment Estimate Figures
Exhibit #3 - Presentation - City of Dover General Fund - Recap of Last Year
Exhibit #4 - Electric Fund Transfers
Exhibit #5 - Updated Fiscal 2013 DRAFT Capital Investment Plan - FY13 - FY17 Projects by Department and Funding Source Summary, dated Wednesday, May 23, 2012
Exhibit #6 - Updated Information Technology Fiscal Year 2013 Organization Chart and Departmental Budget
Exhibit #7 - Presentation - City of Dover FY2012-2013 Draft Budget - Budget Meeting - May 30, 2012
Exhibit #8 - Correspondence from Mrs. Donna Mitchell dated May 30, 2012 - Health Benefits Committee Information
Exhibit #9 - Correspondence from Mrs. Donna Mitchell - dated May 29, 2012 - Downtown Dover Partnership - Monthly Report - March 2012, and the History of Parking Permit Revenues
Exhibit #10 - Correspondence from Mr. Greg Moore dated May 24, 2012 On Behalf of the Downtown Dover Partnership (DDP) - DDP Budget Request
Exhibit #11 - Presentation - City of Dover FY2012-2013 Draft Budget - Budget Meeting - June 4, 2012

EXHIBIT #1
2012 Budget Review
Special Council Meeting of 05/22/2012

City of Dover
Potential Savings for FY2012

Line Item	Department/Division	Budget	YTD	Est YTG	Balance
110-1100-511-10-11	City Clerk	214,700	126,600	30,300	$57,800
110-1100-511-30-34	City Clerk	10,000	3,500	1,800	4,700
110-1200-512-10-13	Council	84,300	63,700	10,000	10,600
110-1200-512-20-37	Council	6,500	-	-	6,500
110-1400-514-10-11	Fire Department	251,200	188,100	46,500	16,600
110-1500-523-10-11	Library	724,900	562,300	112,400	50,200
110-1500-523-10-20	Library	49,100	31,500	6,800	10,800
110-1500-525-10-11	Recreation	353,000	294,100	60,800	(1,900)
110-1500-525-10-11	Projected retirement payouts	-	-	50,100	(50,100)
110-1500-525-10-20	Recreation	23,900	15,500	3,300	5,100
110-1600-531-10-11	Life Safety	148,200	126,900	25,700	(4,400)
110-1600-532-10-11	Code Enforcement	180,000	144,500	24,200	11,300
110-1600-533-10-11	Planning	289,100	226,800	50,000	12,300
110-1600-534-10-11	Inspections	301,500	245,100	52,200	4,200
110-1700-542-10-11	Police - Civilian	1,331,600	1,095,600	230,500	5,500
110-1700-542-10-11	Projected retirement payouts	-	-	10,300	(10,300)
110-1700-542-10-20	Police - Civilian	93,100	65,400	13,900	13,800
110-1700-543-10-11	Police - Law Enforcement	6,625,200	5,514,000	1,125,000	(13,800)
110-1700-543-10-11	Projected retirement payouts	-	-	139,900	(139,900)
110-1700-543-10-12	Police - Law Enforcement	450,000	416,600	77,900	(44,500)
110-1700-543-10-18	Police - Law Enforcement	40,000	3,900	3,000	33,100
110-1700-543-10-19	Police - Law Enforcement	959,400	752,300	156,500	50,600
110-1700-543-10-20	Police - Law Enforcement	458,000	328,100	72,500	57,400
110-1800-554-10-11	Streets	407,200	347,300	67,600	(7,700)
110-1800-555-10-11	Sanitation	511,700	344,600	66,500	100,600
110-2100-515-10-11	City Manager	349,900	298,700	42,800	8,400
110-2200-516-10-11	Information Technology	275,200	241,800	45,900	(12,500)
110-2300-517-10-11	Finance/Treasurer	490,800	376,800	78,300	35,700
110-2400-551-10-11	P W Administration	305,100	205,700	38,300	61,100
110-2500-552-10-11	Facilities Management	564,400	468,900	64,200	31,300
110-2700-571-10-11	Central Services	277,600	210,400	41,700	25,500
110-2700-571-10-11	Projected retirement payouts	-	-	4,100	(4,100)
110-2700-571-10-20	Central Services	18,300	11,900	2,300	4,100
110-2900-529-10-11	Customer Service	551,300	454,400	86,000	10,900
110-3100-518-10-11	Human Resources	217,400	111,500	22,100	83,800
110-3100-518-10-11	Projected retirement payouts	-	-	14,000	(14,000)
	Subtotal				$408,700
Adjmt Allocations	Electric Fund				(145,300)
	Water/Wastewater Fund				(27,700)
	Net Reduction to General Fund				$235,700

From: Mitchell, Donna
To: City Clerks Office
Subject: FW: Assessment Projection Memo & Re-assessment Estimate Figures
Date: Monday, May 21, 2012 4:19:32 PM
Attachments: Memo & Projection Assessment FY 13 - FY 17.pdf
Re-Assessment Memo.pdf

Blind copied to Council and Mayor

Members of City Council & Mayor,

Attached are a couple of Memo's requested from Cheryl Russell to determine projected growth in assessed values for the forecast model. I am forwarding this to you for additional information to the financial forecast.

Thank you,

Donna S. Mitchell, CPA
Controller/Treasurer
(Not in public practice)
City of Dover
5 E. Reed Street
Weyandt Hall, Suite 300
Dover, DE 19901
Office (302) 736-7018
Fax (302) 760-4930

From: Russell, Cheryl
Sent: Monday, May 14, 2012 9:23 AM
To: Mitchell, Donna
Cc: Koenig, Scott
Subject: Assessment Projection Memo & Re-assessment Estimate Figures

Please see attached memos for the assessment projection and reassessment.

Thank you. ☺

Cheryl A. Russell, AAS
City Assessor
(302) 736-7022

MEMO

TO: Donna Mitchell, CPA

FROM: Cheryl Russell, AAS

DATE: May 14, 2012

RE: Assessment Projection

The below information corresponds directly to the immediate following pages with the calculations. If you have any questions, please feel free to contact me.

General

The Taxable Assessed Value amount does not included the senior citizen and disability exemptions. It does, however, include the abatements of taxes.

The figures should be updated each year as needed based on accurate information as it is completed.

FY 12

The taxable assessed value includes all of the supplemental figures. We are still adding some figures in for basic permits and any new properties that did not fall within a supplemental billing period. We are phasing in Capitol Green Apartments. 25% of value each year. They will be at 50% for FY13 July billing. The appeals that are noted are worst case scenario. This is the difference between the Assessor's Office value based on the 2010 Revaluation and the amount that the appellants are requesting. I can update this figure once the Formal Appeals are complete (May 25th)

FY13

We will be adding the additional 25% for Capitol Green. They will be at 75% of Value for FY 14 billing. We are also adding the Zimmerhaus Value; they will be coming off of the abatement program for FY 14 billing. I have used the $5,000,000 assessment appeal figure as an estimate. This amount is hard to determine.

FY14

We will be adding the additional 25% for Capitol Green. They will be at 100% of value for FY 15 billing. We are also adding the Duncan Center; they will be coming off the abatement program for FY 15 billing.

FY15

We will be adding the Becker Morgan building.; they will be coming off the abatement program for FY 16 billing. The most recent article that was reviewed by Forbes indicates that the market should stabilize by this summer and that an annualized increase in value of 3.9% should be expected. We have looked at the past 3 months of sales in the office and our median is approximately 1.13. If we conclude that at this time our values are approximately 13% over the present market, at the time of the revaluation; using 2012; 2013 and 2014 sales, we should be about 1.3% below are values based on 2010. This is a gross estimate. There are no indications of increase/decrease in the Income for the Commercial Properties. For estimation purposes I have applied the 1.3 % decrease to the total taxable value. Since our revaluations are revenue neutral, this should not impact our property taxes. A roll-back tax will have to be calculated. During a revaluation year, we expect to see an increase in our appeal process.

FY 16 & FY 17

Normal Assessment Years based on Building Permits and Appeals.

CITY OF DOVER
PROPERTY ASSESSMENT PROJECTION
FY 12 July 1, 2011 - June 30, 2012

TAXABLE ASSESSED VALUE AS OF MAY 10 2012		$	3,152,425,660.00
Filed Tax Exemption Requests (scheduled for Annual Appeals)		$	(708,600.00)
Capitol Green Abatement to be added for FY13 Billing		$	2,822,500.00
Estimated added Assessment New Construction not complete by April 1		$	1,547,100.00
April Appeals (WORST CASE SCENERIO)		$	(18,297,700.00)
TOTAL ASSESSED VALUE		$	3,137,788,960.00

CITY OF DOVER
PROPERTY ASSESSMENT PROJECTION
FY 13 July 1, 2012 - June 30, 2013

TAXABLE ASSESSED VALUE		$	3,137,788,960.00
Estimated Supplemental Valuation/Building Permits		$	6,000,000.00
Capitol Green Abatement to be added for FY14 Billing		$	2,822,700.00
Zimmerhaus Abatement to be added for FY14 Billing		$	403,300.00
Estimated April Appeals	**Estimate Only**	$	(5,000,000.00)
TOTAL ASSESSED VALUE		$	3,142,014,960.00

CITY OF DOVER
PROPERTY ASSESSMENT PROJECTION
FY 14 July 1, 2013 - June 30, 2014

TAXABLE ASSESSED VALUE		$	3,142,014,960.00
Estimated Supplemental Valuation/Building Permits		$	6,000,000.00
Capitol Green Abatement to be added for FY15 Billing		$	2,822,100.00
Duncan Center Abatement to be added for FY15 Billing		$	7,781,800.00
Estimated April Appeals	**Estimate Only**	$	(5,000,000.00)
TOTAL ASSESSED VALUE		$	3,153,618,860.00

CITY OF DOVER
PROPERTY ASSESSMENT PROJECTION
FY 15 July 1, 2014 - June 30, 2015

TAXABLE ASSESSED VALUE		$	3,153,618,860.00
Estimated Supplemental Valuation/Building Permits		$	6,000,000.00
Becker Morgan Abatement to be added for FY16 Billing		$	1,118,200.00
Estimated Valuation decrease per re-valuation		$	(41,089,581.78)
Estimated April Appeals	**Estimate Only**	$	(10,000,000.00)
TOTAL ASSESSED VALUE		$	3,109,647,478.22

CITY OF DOVER
PROPERTY ASSESSMENT PROJECTION
FY 16 July 1, 2015 - June 30, 2016

TAXABLE ASSESSED VALUE		$	3,109,647,478.22
Estimated Supplemental Valuation/Building Permits		$	6,000,000.00
Estimated April Appeals	**Estimate Only**	$	5,000,000.00
TOTAL ASSESSED VALUE		$	3,120,647,478.22

CITY OF DOVER
PROPERTY ASSESSMENT PROJECTION
FY 17 July 1, 2016 - June 30, 2017

TAXABLE ASSESSED VALUE		$	3,120,647,478.22
Estimated Supplemental Valuation/Building Permits		$	6,000,000.00
Estimated April Appeals	**Estimate Only**	$	(5,000,000.00)
TOTAL ASSESSED VALUE		$	3,121,647,478.22

MEMO

TO: Donna Mitchell, CPA

FROM: Cheryl Russell, AAS

DATE: May 14, 2012

RE: Re-Assessment Cost Estimate

I had requested an estimate from Tyler Technologies in October 2011 for a re-assessment of the properties within the City of Dover.

The Assessor Staff will visit all the properties within the City limits before the Re-assessment project begins. Tyler Technologies gave us an estimate based upon this premise. Their price to help with an update would range from $60,000 (if they do not conduct informal hearings) to about $130,000 (if they do conduct formal hearings)

An RFP would still need to be done, but this is a least a good estimate of what we will need to budget.

I have also contacted Tyler Technologies to determine a timeline for an update of our records. They indicated that they would need to begin in the summer of 2014. The re-assessment must be budgeted for FY 15.

Thank you.

City of Dover

Fiscal Year 2013 Draft Budget

General Fund - Recap of Past Year

May 22, 2012

EXHIBIT #3
2012 Budget Review
Special Council Meeting of 05/22/2012

Recap of General Fund Budget Balance Adjustments

- FY12 Draft Budget before adjustments May 2011 – ($980,022)
  - Adjustments of $3.8 million incorporated to align budget with policy
  - Included $1.4 million increase in Electric Transfer and the remaining difference through operating and capital cost reductions
- FY13 Forecast November 2011 – ($3.4 million) included
  - Medical insurance premium increases
  - OPEB & Pension annual cost increases
  - Worker's Compensation
  - Additional operating and debt service for library
  - Additional debt service for streets
  - Additional capital cost
  - No increases in revenues or other operating expenses
- FY13 Preliminary March 2012 – $974,200; Below policy by $1.76 million
  - Library expenses didn't increase at the rate originally projected
  - Reduction in personnel
  - Reduced capital outlay
  - Included Health Insurance cost sharing
- FY13 Draft Budget May 2012 – $2.0 million without revenue increases
  - Tax and sanitation fee increases $801,700
  - Reduced personnel
  - Reduced capital outlay
  - No premium increases for medical insurance
  - Limited program reductions
  - Budget Balance with Revenue increases $2,839,400 = 8% of Revenue

Summary of General Fund adjustments FY12 Draft Budget June 2011

	Amount
Proposed Budget – Ending Budget Balance	($980,022)
Adjustments:	
Revenue Adjustments	$1,438,888
General Fund Cost Reductions	996,580
Strategic Adjustments	168,020
Capital Outlay Adjustments	1,326,052
Transfer to Capital Project Fund	(147,191)
Total Adjustments	$3,782,349
Ending Budget Balance as presented	$2,802,327

General Fund Updated Financial Projections November 2011

	2012B	2013F	2014F	2015F	2016F	2017F
FUND BALANCE-BEGINNING	**3,431,805**	**2,912,307**	**(521,900)**	**(4,307,413)**	**(7,934,754)**	**(14,684,972)**
REVENUES AND SOURCES						
01-PROPERTY TAXES	11,185,188	11,185,188	11,185,188	11,185,188	11,185,188	11,185,188
02-TRANSFER TAXES	-	-	-	-	-	-
03-LICENSES AND PERMITS	2,577,675	2,577,675	2,577,675	2,577,675	2,577,675	2,577,675
04-GRANTS RECEIVED	1,206,814	1,206,814	1,206,814	1,206,814	1,206,814	1,206,814
05-COURT OF CHANCERY FEES	690,000	690,000	690,000	690,000	690,000	690,000
06-SANITATION FEES AND REBATES	2,050,000	2,050,000	2,050,000	2,050,000	2,050,000	2,050,000
07-LIBRARY REVENUE - GENERAL	435,000	435,000	435,000	435,000	435,000	435,000
08-FINES	1,012,500	1,012,500	1,012,500	1,012,500	1,012,500	1,012,500
09-INVESTMENT INCOME (LOSS)	215,900	215,900	215,900	215,900	215,900	215,900
10-MISCELLANEOUS SERVICES	804,750	804,750	804,750	804,750	804,750	804,750
11-INDIRECT SERVICES BILLING	4,359,171	4,359,171	4,359,171	4,359,171	4,359,171	4,359,171
12-TRANSFERS IN	10,200,796	10,220,796	10,220,796	10,220,796	10,220,796	10,220,796
TOTAL REVENUES AND SOURCES	**34,737,794**	**34,757,794**	**34,757,794**	**34,757,794**	**34,757,794**	**34,757,794**
EXPENDITURES AND USES						
01-SALARIES AND WAGES	16,648,550	16,648,550	16,648,550	16,648,550	16,648,550	16,648,550
02-FICA	1,264,746	1,264,746	1,264,746	1,264,746	1,264,746	1,264,746
03-HEALTH INSURANCE	2,687,681	2,848,942	3,028,425	3,216,188	3,415,591	3,627,358
04-OTHER-BENEFITS	121,525	123,956	126,435	128,963	131,543	134,173
05-PENSION	1,387,765	1,415,520	1,443,831	1,472,707	1,502,161	1,532,205
06-OPEB	1,053,541	1,145,199	1,267,735	1,426,202	1,625,871	1,873,003
07-MATERIALS & SUPPLIES	1,419,740	1,419,740	1,419,740	1,419,740	1,419,740	1,419,740
08-ADMIN EXPENDITURES	4,462,918	4,462,918	4,462,918	4,462,918	4,462,918	4,462,918
09-FUND EXPENSE	5,259,709	5,259,709	5,259,709	5,259,709	5,259,709	5,259,709
10-OTHER-CHARGES	-	-	-	-	-	-
11-TRANSFER-TO-DEBT	327,270	327,738	327,440	242,950	244,285	249,900
12-TRANSFER-TO-CIP	623,847	3,274,983	3,293,778	2,842,462	5,532,898	-
13-CIP EXPENDITURES	-	-	-	-	-	-
TOTAL REVENUES AND SOURCES	**35,257,292**	**38,192,001**	**38,543,307**	**38,385,135**	**41,508,012**	**36,472,302**
SURPLUS/(DEFICIT)	**(519,498)**	**(3,434,207)**	**(3,785,513)**	**(3,627,341)**	**(6,750,218)**	**(1,714,508)**
% REVENUE	*-1%*	*-10%*	*-11%*	*-10%*	*-19%*	*-5%*
FUND BALANCE-ENDING	**2,912,307**	**(521,900)**	**(4,307,413)**	**(7,934,754)**	**(14,684,972)**	**(16,399,480)**

Electric Fund Transfers

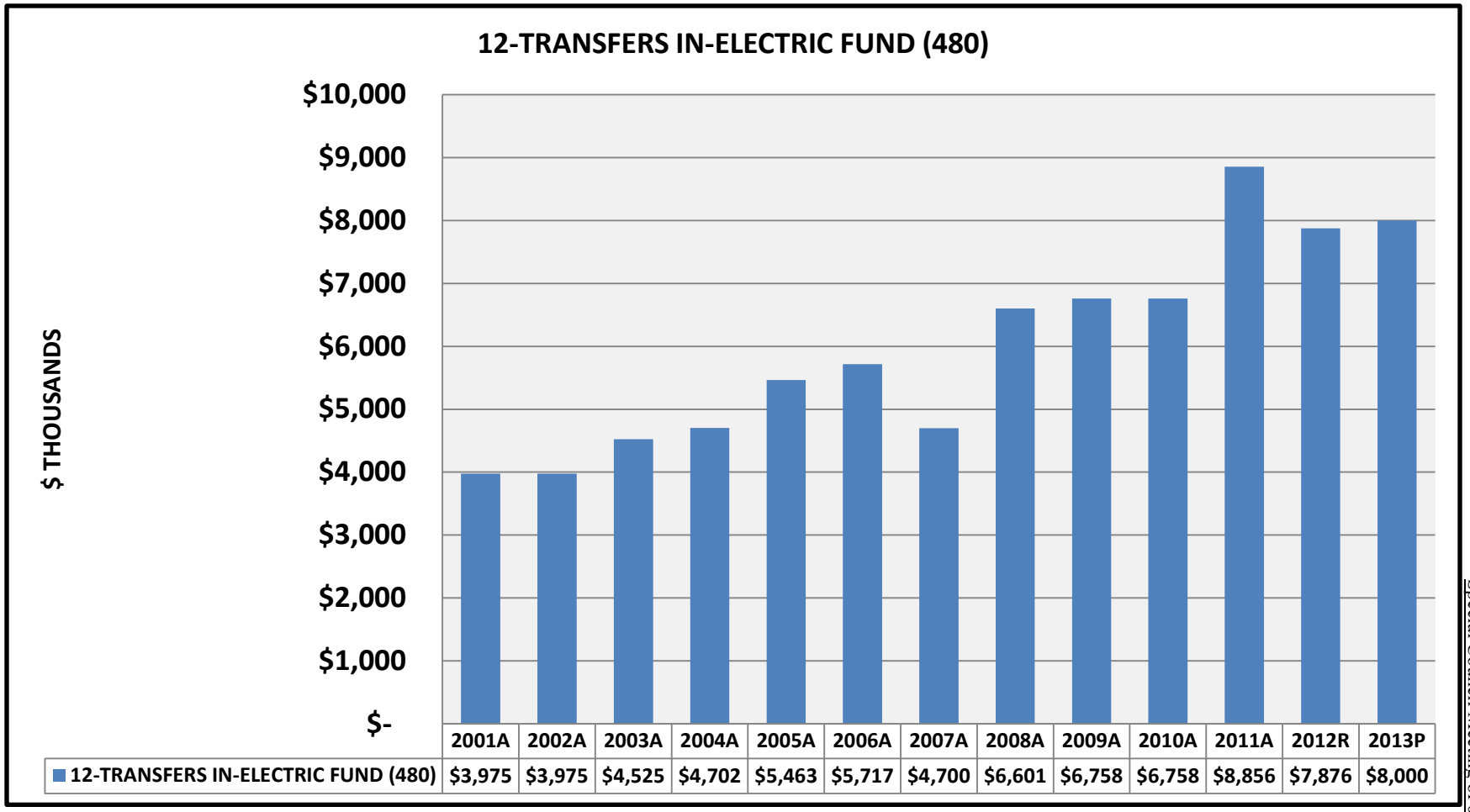


EXHIBIT #4
2012 Budget Review
Special Council Meeting of 05/22/2012

City of Dover, Delaware

Fiscal 2013 DRAFT Capital Investment Plan

FY 13 thru FY 17

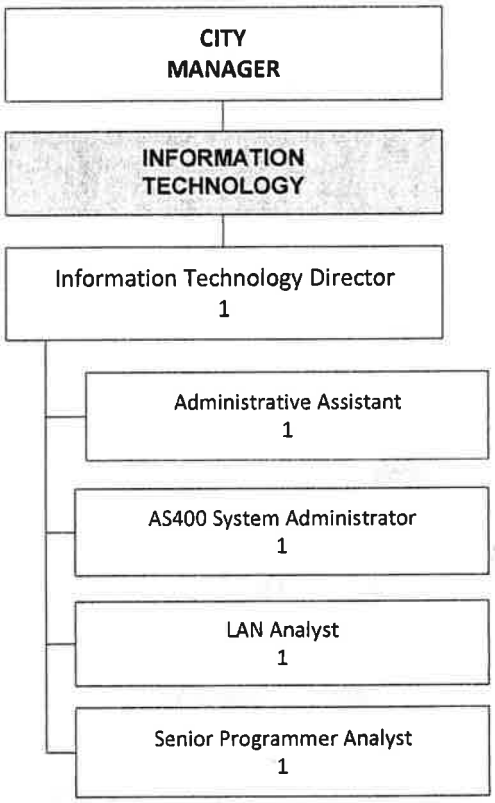
PROJECTS BY DEPARTMENT

Department	Project#	Priority	FY 13	FY 14	FY 15	FY 16	FY 17	Total
Customer Services								
Customer Notification by E-IVR Automated Dialing	*CU1301*	2		30,000				*30,000*
Customer Services Total				**30,000**				***30,000***
Facilities Management								
City Hall - Fire Suppression System	*FC1302*	1	288,000					*288,000*
City Hall Emergeny Generator	*FC1303*	n/a	93,000					*93,000*
Facilities Management Total			**381,000**					***381,000***
Fire/Robbins Hose								
Annual Contribution to Robbins Hose	*FR1201*	1	238,500	238,500	324,200	319,200	319,200	*1,439,600*
Fire/Robbins Hose Total			**238,500**	**238,500**	**324,200**	**319,200**	**319,200**	***1,439,600***
Information Technology								
Server and Backup Solution Replacement	*IT1301*	1	57,000	7,000	21,000			*85,000*
Information Technology Total			**57,000**	**7,000**	**21,000**			***85,000***
Library								
New Dover Public Library	*LB0901*	1	2,535,000					*2,535,000*
Library Total			**2,535,000**					***2,535,000***
Parks and Recreation								
Dover Park - Roof Replacement	*PR1301*	1	30,000					*30,000*
Schutte Park Land Improvements	*PR1402*	5		100,000				*100,000*
Pathway at Schutte Park	*PR1403*	6		120,000				*120,000*
Splash Pad at Schutte Park	*PR1501*	3			150,000	150,000		*300,000*
Skate Parks	*PR1601*	4				10,000	300,000	*310,000*
Tennis Courts at Schutte Park	*PR1701*	7					160,000	*160,000*
Parks and Recreation Total			**30,000**	**220,000**	**150,000**	**160,000**	**460,000**	***1,020,000***
Police								
Police Station Main Electric Breaker Replacement	*PD1301*	1	33,800					*33,800*
Repair/Micro Seal Police Station Parking Lots	*PD1302*	2	25,300					*25,300*
Police Total			**59,100**					***59,100***
Public Works - Streets								
Street and Alley Program	*ST1201*	1	856,000	1,300,000	1,300,000	1,300,000		*4,756,000*
Concrete Construction and Replacement Program	*ST1202*	2	60,000	70,000	75,000	80,000		*285,000*
Salt Storage Facility - Schutte Park	*ST1301*	3	50,000					*50,000*
Garrison Farm Improvements	*ST1302*	1	2,000,000					*2,000,000*

Department	Project#	Priority	FY 13	FY 14	FY 15	FY 16	FY 17	Total
Silver Lake Revitalization Project	*ST1401*	5		50,000	250,000	100,000	100,000	*500,000*
Brine Manufacturing System	*ST1501*	4			27,800			*27,800*
Public Works - Streets Total			**2,966,000**	**1,420,000**	**1,652,800**	**1,480,000**	**100,000**	***7,618,800***
Public Works Admin								
GIS Infrastructure and Mobile Solutions	*PA1301*	4		18,000	18,000	18,000		*54,000*
Public Works Admin Total				**18,000**	**18,000**	**18,000**		***54,000***
GRAND TOTAL			**6,266,600**	**1,933,500**	**2,166,000**	**1,977,200**	**879,200**	***13,222,500***

Information Technology

Fiscal Year 2013 Organization Chart



INFORMATION TECHNOLOGY
110-2200-516

ACCT	DESCRIPTION	2010-2011 ACTUAL	2011-2012 BUDGET	2011-2012 REVISED	2012-2013 BUDGET
10-11	SALARIES	295,926	275,247	275,247	265,400
10-14	FICA TAXES	22,337	20,355	20,355	20,300
10-15	HEALTH INSURANCE	55,398	49,868	49,868	46,100
10-16	L I D INSURANCE	2,124	2,050	2,050	1,900
10-17	WORKERS COMPENSATION	1,516	-	-	1,400
10-19	PENSION	13,408	13,514	13,514	13,000
10-20	OPEB	-	18,167	18,167	23,100
	PERSONNEL COSTS	**390,709**	**379,201**	**379,201**	**371,200**
20-21	FURNITURE/FIXTURES	238	200	200	-
20-22	OFFICE SUPPLIES	1,081	1,125	320	1,100
20-31	BOOKS	-	50	-	-
20-34	DATA PROCESSING SUPPLIES	954	1,600	1,198	1,500
20-37	COMPUTER SOFTWARE	64,405	64,406	67,502	67,100
20-38	COMPUTER HARDWARE	22,238	25,856	21,244	26,700
	MATERIALS & SUPPLIES	**88,916**	**93,237**	**90,464**	**96,400**
30-21	TELEPHONE/FAX	4,066	2,100	2,100	2,900
30-27	SUBSCRIPTIONS AND DUES	195	105	105	200
30-28	TRAINING/CONF/FOOD/TRAVEL	-	685	685	1,400
30-31	CONTRACTUAL SERVICES	29,723	61,155	82,704	35,300
30-39	IN-HOUSE TRAINING	9,839	9,050	9,050	6,100
30-61	OFF EQUIP/REPAIRS & MAINT	150,775	140,238	127,462	129,100
30-62	GASOLINE	92	100	100	100
	ADMINISTRATIVE EXPENDITURES	**194,690**	**213,433**	**222,206**	**175,100**
40-25	OTHER EQUIP - PURCHASE	6,680	-	-	-
40-28	COMPUTER HARDWARE/CAPITAL	-	6,400	5,400	57,000
	CAPITAL OUTLAY	**6,680**	**6,400**	**5,400**	**57,000**
	TOTAL EXPENDITURES	**680,995**	**692,271**	**697,271**	**699,700**
	REVENUES				
	GENERAL FUND	674,315	685,871	691,871	642,700
	GOVERNMENTAL CAPITAL PROJECTS FUNC	6,680	6,400	5,400	42,000
	DEMA GRANT	-	-	-	15,000
	PERSONNEL				
	FULL-TIME EQUIVALENTS	7.0	5.0	5.0	5.0

City of Dover FY2012-2013 Draft Budget

Budget Meeting

May 30, 2012

City of Dover Sanitation Fund Estimated Impact on General Fund			
	General Fund (ver 1)	Sanitation Fund (ver 1)	Sanitation Fund (ver 2)
Revenues			
Charges for Services	($2,537,100)	$2,537,100	$2,792,600
Internal Service Allocations	330,200	-	-
Total Revenues	(2,206,900)	2,537,100	2,792,600
Expenses			
Personnel Costs	(627,900)	627,900	627,900
Materials & Supplies	(31,400)	31,400	31,400
Administrative Expenditures	(181,400)	181,400	181,400
Contractual Services	(1,300,000)	1,300,000	1,300,000
Internal Service Allocations	-	330,200	377,000
Total Operating Expenses	(2,140,700)	2,470,900	2,517,700
Cash from Operations (1)	($66,200)	$66,200	$274,900
Depreciation Expense	(194,600)	194,600	185,700
Net Margin	($260,800)	($128,400)	$89,200
Transfer to Capital Project Fund	($150,000)	($150,000)	($150,000)
Net Cash - Positive/(Negative)	($216,200)	($83,800)	$124,900
(1) Cash from Operations would be needed to purchase new vehicles & equipment;			
Proposed Rates versus Rate to Cover Cost of Service for Forecasted Years	**Current**	**Proposed Rates 5/22**	**Rates to Cover Cost of Service**
In City Rates	$11.70	$17.00	$19.00
Rates vary depending on size of can	$15.20	$19.00	$21.00
and number of pickups/cans	$23.40	$34.00	$36.00
	$39.00	$57.00	$59.00
	$46.80	$68.00	$70.00
	$78.00	$114.00	$116.00
Out of City Rates	$42.75	$42.75	$43.75
	$142.50	$142.50	$142.50
Average % Increase - Overall		39.5%	53.5%
Average % Increase - In City @ $11.70		45.3%	62.4%
Annual Residential Cost @ $11.70	$140.40	$204.00	$228.00

FY13 Proposed Budget Alternatives

			Budget Balance
General Fund Budget Balance Shortfall			($801,700)
Adjustments:			
Fourth of July Celebration Committee	(5,000)		
African American Festival	(7,500)		
Economic Development Division	(92,000)		
Subtotal Adjustments	($104,500)		($906,200)
Revenue Increases			
Property Taxes	629,100		
Trash Fees	288,000		
Subtotal Revenue Increases	$917,100		
General Fund Budget Balance Change			$ 10,900

FY12 Review of YTD Expenses

- Reviewed FY12 Year to Date division expenses
  - Preliminary estimates result in a *net savings* of $507,300
  - Considers additional retirement lump sum payouts for those who have given notice as of May 29
  - Police Department earlier in the year indicated sufficient funds to cover the arbitrator's decision of 2% increase; currently the wage and benefit line items are now estimated at ($57,100) with increased retirement payouts
  - Carry Forward balance needed for radio equipment purchases unknown

City of Dover, Delaware Health Benefits Committee

April 18, 2012

Scott Porter, FSA



EXHIBIT #8
2012 Budget Review
Special Council Meeting of 05/22/2012

Milliman

Agenda

A. OPEB Funding Basics
   - Benefit Obligations
   - Contributions

B. Impact of Alternate Premium Sharing Arrangements
   1. Option 1 – City caps costs at HMO plan
   2. Alternative 1 - HB 81: Retiree contribution varies by option elected (6.5% HMO; 13.25% PPO)
   3. Alternative 2 – 15% pre-65; 10% post-65
   4. Alternative 3 – 10% for all ages

OPEB Funding Basics - Total Benefit Obligation

- Present value of expected benefits to be paid by the plan for current retirees and future retirees as well as their dependents

- Based on three key elements:
  - Plan provisions
  - Actuarial Assumptions
  - Plan demographics

OPEB Funding Basics - Plan Provisions

- Underlying health plan design
  - City has little control due to participating in State plan
- Access or eligibility conditions to the benefits
- Premium Cost Sharing
  - Reduction in percentages paid by City shifts costs to all members, including Medicare-eligible members
  - 4 alternatives being discussed today

OPEB Funding Basics - Actuarial Assumptions

- Demographic assumptions – when members are expected to retire and how long are expected to receive benefits
- Healthcare Trend – expected percentage increase in plan costs in future years
  - Reflects expectation of 40% excise beginning in 2018 due to healthcare reform
- Discount Rate – rate future payments should be discounted to determine present value in today's dollars
  - Funding expectation 7%; for financial statements 5.2%

OPEB Funding Basics - Actuarial Liabilities

- Total benefit obligation allocated into 3 components
- Actuarial Accrued Liability
  - Total liability for current retirees
  - Liability attributable to past service for future retirees
- Present Value of Future Normal Cost
  - Portion of liability attributable to future service and future contributions
- Normal Cost
  - Portion of liability attributable to current service

OPEB Funding Basics - Contributions

- 2 components that comprise the City's contribution
- Amortization
  - Portion of Unfunded Accrued Liability (UAL) allocated to current year
  - UAL equals actuarial accrued liability less assets in trust
  - Unfunded liability amortized over 30 years
- Normal Cost
  - Portion of liability attributable to current service

OPEB Funding Basics - Contribution Terminology

- Full Funding Contribution
  - Prefunding retiree OPEB obligation
- Cash Flow – expected payments made on behalf of current retirees
- Funding Policy Contribution
  - Reflects 10-year phase-in of full funding contribution
- GASB 45 Annual Required Contribution
  - Amount recognized in City's financial statements

OPEB Funding Basics - Full Funding Contribution

- Assumes City is completely prefunding retiree OPEBs
  - City (and retirees) contributes money to the trust and the trust pays the State premiums
  - Expected to occur at end of 10-year phase-in
- Based on long-term return that trust assets are expected to earn
  - Currently 7% (although continued low interest rates may reduce this expectation)
- Represents long-term contribution savings to the City

OPEB Funding Basics - Cash Flow

- If the City had not started prefunding the retiree OPEB obligation, this would represent 100% of the City's costs
- Since the City is phasing into full prefunding, changes in the cash flow continue to directly impact the City's short term cash costs
- The discounted value of the expected benefit payments equals the plan's liability
  - Reductions in expected City cash flows result in reductions in liabilities and City's prefunding contributions

OPEB Funding Basics - Funding Policy Contribution

- City has implemented a 10-year phase-in schedule to 100% prefunding of Full Funding Contribution
- Funding Policy contribution reflects weighted average of Full Funding Contribution and expected benefit payments
- In this analysis, fourth year of phase-in assumed
- Changes in Funding Policy Contribution reflect 40% change in Full Funding Contribution and 60% change in expected benefit payments
- Represents short-term contribution savings to the City

OPEB Funding Basics - Funding Policy Contribution Example

- Reduction in Full Funding Contribution is $125,000
- Reduction in expected benefit payments in first year is $75,000
- Reduction in Funding Policy Contribution is $95,000
  - 40% x $125,000 = $50,000
  - 60% x $75,000 = $45,000

OPEB Funding Basics - GASB 45 Annual Required Contribution

- Based on Governmental Accounting Standards
- Does not dictate funding, but how benefits are accounted for in City's financial statements
- Calculation is consistent with City's Full Funding Contribution, except it uses a different discount rate
- Discount rate reflects 10-year phase-in policy
  - If fully phased-in, ARC would be based on 7% discount rate
  - If there would be no prefunding, discount rate would be 4%
  - Fourth year of phase-in is 5.2%

Alternative Premium Sharing Arrangements - Key Plan Provisions and Assumptions

- Retirees contribute 0% for single coverage
- Retirees contribute 25% of additional cost for dependent coverage (if retired after 1991)
- All options assumed to apply to all current and future retirees
- Other than option 1, other alternatives result in increase in City's cost for dependent coverage if retired after 1991
- No change in health plan election is assumed in analysis which may impact the savings estimated
- Actual savings/costs will be based on actual experience

Alternative Premium Sharing Arrangements - Option 1 – City's contribution capped at HMO

- No change in 25% dependent contribution
- Savings limited to pre-65 liabilities
- Approximately 2% reduction in liability
- Estimated financial impact:

Actuarial Accrued Liability		($1,048,000)
Full Funding Contribution		($117,000)
Funding Policy Contribution		($93,000)
Projected Cash Flow - Year 1		($76,000)
Projected Cash Flow - Year 2		($74,000)
Projected Cash Flow - Year 3		($74,000)
Projected Cash Flow - Year 4		($78,000)
Projected Cash Flow - Year 5		($84,000)

Alternative Premium Sharing Arrangements - Alternative 1 – HB 81

- 13.25% retiree contribution (6.5% for pre-65 HMO)
- Reduction in 25% dependent contribution increasing City's costs for coverage to pre-1992 spouses
- Approximately 6% reduction in liability
- Estimated financial impact:

Actuarial Accrued Liability	($2,939,000)
Full Funding Contribution	($329,000)
Funding Policy Contribution	($193,000)
Projected Cash Flow - Year 1	($103,000)
Projected Cash Flow - Year 2	($104,000)
Projected Cash Flow - Year 3	($110,000)
Projected Cash Flow - Year 4	($121,000)
Projected Cash Flow - Year 5	($132,000)

Milliman

Alternative Premium Sharing Arrangements - Alternative 2 – 15% < 65, 10% >=65

- Separate contribution rates for those eligible or not eligible for Medicare
- Reduction in 25% dependent contribution increasing City's costs for coverage to pre-1992 spouses
- Approximately 5% reduction in liability
- Estimated financial impact:

Actuarial Accrued Liability		($2,342,000)
Full Funding Contribution		($263,000)
Funding Policy Contribution		($184,000)
Projected Cash Flow - Year 1		($132,000)
Projected Cash Flow - Year 2		($128,000)
Projected Cash Flow - Year 3		($129,000)
Projected Cash Flow - Year 4		($139,000)
Projected Cash Flow - Year 5		($149,000)

Milliman

Alternative Premium Sharing Arrangements - Alternative 3 – 10%

- Equal contribution percentage for all retirees
- Reduction in 25% dependent contribution increasing City's costs for coverage to pre-1992 spouses
- Approximately 3% reduction in liability
- Estimated financial impact:

Actuarial Accrued Liability	($1,382,000)
Full Funding Contribution	($156,000)
Funding Policy Contribution	($97,000)
Projected Cash Flow - Year 1	($58,000)
Projected Cash Flow - Year 2	($58,000)
Projected Cash Flow - Year 3	($59,000)
Projected Cash Flow - Year 4	($65,000)
Projected Cash Flow - Year 5	($70,000)

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MEMORANDUM

To: Health Benefits Committee

From: Donna Mitchell, Controller/Treasurer

Copy: Scott Koenig, Kim Hawkins, & Traci McDowell

Date: October 11, 2011

Subject: Analysis of Alternative Cost Sharing Ideas

Attached for your review are the actuaries comments on thirteen of the suggestions discussed with the Health Benefits Committee Meeting on January 19, 2011. Also included are a series of schedules quantifying as many of these suggestions that we could do in-house. Following is a brief summary of each set of schedules in the order in which they are included. We look forward to discussing these in detail during our next Health Benefits Committee Meeting.

Current – (Schedule page 1)
The first schedule reflects a summary of the July 2011 monthly invoice paid for Health Care premiums. Please note, that the total line indicates the plan participants currently contribute 7.61% of the total premium. Any efforts to reduce the liability and annual budget will require the plan participants to contribute a higher overall percentage while maintaining the same health care plan. Therefore, each of these schedules was prepared with that comparison in mind.

Suggestions for Options 1 through 3 – (Schedule pages 2 – 9)
Page 2 explains and provides an example of how the employee contributions are calculated. Page 3 compares the current employee contribution to the Options 1 through 3. Note Option 3 has three columns since the calculation is based on years of service with different percentages of contribution. You will need to compare the column that would apply to your years of service to determine the amount of change in your current contribution. Please note, that the overall employee contribution percentage is not calculated for Option 3 because of the amount of work involved. Option 4 would only affect the future cost (unfunded liability) and therefore would have to be calculated by the actuary.

Alternatives 1 through 4 (ideas not included in the thirteen suggestions) – (Schedule pages 10 -14)
Page 10 compares the alternatives (pages 11 – 14) to the current employee contribution. These schedules include an Alternative (#1) that replicates HB#81 for the State of Delaware employees to take effect July 1, 2012, alternatives with flat percentages of total premiums to simplify the calculations (#2 - #3), and one calculation based on income level (#4). The income level alternative is the most extreme in this section. The other alternatives in this section are, for the most part, less costly to the employees than Options 1 through 3 as discussed in the above paragraph.

Health Benefit Committee Meeting
Prioritizing Suggestions Presented at January 19, 2011

Need to determine proper type of account, HRA or HSA.

For some suggestions, the longevity of the employees needs to be considered. For example, if retirement health insurance is no longer made available however a contribution to an HRA/HSA is being made, an employee with only a few years until retirement will not have sufficient funding in their HRA/HSA.

More than one recommendation may be implemented. As a result, some recommendations may need to be modified depending on its relationship with other recommendations.

HSA can only be established with high deductible health plan, which would only be available if the State offered that option or the City offered the option separately.

HRAs are employer bookkeeping accounts. Employee contributions are not eligible.

1. City contribution rates are based upon Blue Cross Blue Shield (BCBS) HMO. The BCBS PPO plan is the only plan available to Medicare eligible retirees. As a result, this suggestion would not apply to them. Another alternative would need to be considered for this group.

Fairly easy option to price out. Will force members to HMO plan.

Example:

Coverage Level	Total Monthly Cost	City Contribution	Total Employee's Responsibility	FY12 Cost to Employees for PPO	Add't Cost to Employee/Savings to City
	BCBS – PPO	BCBC - HMO			
Employee	619.53	567.24	$52.29	$0.00	$52.29
Employee and Child (ren)	953.35	791.65	$161.70	$83.46	$78.24
Employee and Spouse	1,282.69	1,038.61	$244.08	$165.80	$78.28
Family	1,602.88	1,260.20	$342.68	$245.84	$96.84

My Docs/Health Benefit Committee/HMO vs. PPO

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2. Employee/retiree responsible for a percentage of "employee only" premium. The value of the percentage paid could be deposited into a HRA/HSA. Thus, the total benefit to the employee is not being reduced it is just being provided in a modified form. Please realize that the "employee only" premium is the key factor in determining premiums for all levels of coverage.

Examples to consider: 10% and 15%

The example below represents a contribution of 10% of the monthly premium for employee only coverage. The employee premium effects the employee/city distribution of the dependent premium. The additional monthly expense the employee would incur would be deposited into a HRA/HSA account each month.

Not sure I understand this option. First, not sure why the increase in the employee contribution is different for those who have dependent coverage than employee coverage (please provide numerical example) and second, if the 10% is being contributed to a side account to use by the employee how this would reduce the City's cost.

Health Insurance Rates for Fiscal Year 11/12

			Current Premium Breakdown			0.10			
			Employee Pays	City Pays	Total Monthly Cost	Employee Pays	City Pays	Total Monthly Cost	Increase to Employee
First State Basic	Employee		$0.00	$542.99	$542.99	$54.30	$488.69	$542.99	$54.30
	Employee & Children		$70.26	$753.75	$824.01	$138.13	$685.88	$824.01	$67.87
	Employee & Spouse		$144.40	$976.19	$1,120.59	$212.27	$908.32	$1,120.59	$67.87
	Family		$214.28	$1,185.82	$1,400.10	$282.15	$1,117.95	$1,400.10	$67.87
Comprehensive PPO	Employee		$0.00	$619.53	$619.53	$61.95	$557.58	$619.53	$61.95
	Employee & Children		$83.46	$869.89	$953.35	$160.90	$792.45	$953.35	$77.44
	Employee & Spouse		$165.80	$1,116.89	$1,282.69	$243.23	$1,039.46	$1,282.69	$77.43
	Family		$245.84	$1,357.04	$1,602.88	$323.28	$1,279.60	$1,602.88	$77.44
	Special Medicfill		$0.00	$437.67	$437.67	$43.77	$393.90	$437.67	$43.77
	Special Medicfill without Prescription		$0.00	$204.05	$204.05	$20.41	$183.65	$204.05	$20.41
Blue Care HMO	Employee		$0.00	$567.24	$567.24	$56.72	$510.52	$567.24	$56.72
	Employee & Children		$74.80	$791.65	$866.45	$145.71	$720.74	$866.45	$70.91
	Employee & Spouse		$157.12	$1,038.61	$1,195.73	$228.03	$981.89	$1,195.73	$70.91
	Family		$231.00	$1,260.20	$1,491.20	$301.90	$1,203.48	$1,491.20	$70.90
Aetna	Employee		$0.00	$566.78	$566.78	$56.68	$510.10	$566.78	$56.68
	Employee & Children		$74.70	$790.89	$865.59	$145.55	$734.21	$865.59	$70.85
	Employee & Spouse		$156.30	$1,035.67	$1,191.97	$227.15	$978.99	$1,191.97	$70.85
	Family		$229.98	$1,256.69	$1,486.67	$300.82	$1,200.01	$1,486.67	$70.84

Please continue to Page 3 for a 15% example.

The example below represents a contribution of 15% of the monthly premium for employee only coverage. The employee premium effects the employee/city distribution of the dependent premium. The additional monthly expense the employee would incur would be deposited into a HRA/HSA account each month.

Health Insurance Rates for Fiscal Year 11/12

		Current Premium Breakdown			0.15			
		Employee Pays	City Pays	Total Monthly Cost	Employee Pays	City Pays	Total Monthly Cost	Increase to Employee
First State Basic	Employee	$0.00	$542.99	$542.99	$81.45	$461.54	$542.99	$81.45
	Employee & Children	$70.26	$753.75	$824.01	$172.07	$651.94	$824.01	$101.81
	Employee & Spouse	$144.40	$976.19	$1,120.59	$246.21	$874.38	$1,120.59	$101.81
	Family	$214.28	$1,185.82	$1,400.10	$316.09	$1,084.01	$1,400.10	$101.81
Comprehensive PPO	Employee	$0.00	$619.53	$619.53	$92.93	$526.60	$619.53	$92.93
	Employee & Children	$83.46	$869.89	$953.35	$199.62	$753.73	$953.35	$116.16
	Employee & Spouse	$165.80	$1,116.89	$1,282.69	$281.95	$1,000.74	$1,282.69	$116.15
	Family	$245.84	$1,357.04	$1,602.88	$362.00	$1,240.88	$1,602.88	$116.16
	Special Medicfill	$0.00	$437.67	$437.67	$65.65	$372.02	$437.67	$65.65
	Special Medicfill without Prescription	$0.00	$204.05	$204.05	$30.61	$173.44	$204.05	$30.61
Blue Care HMO	Employee	$0.00	$567.24	$567.24	$85.09	$482.15	$567.24	$85.09
	Employee & Children	$74.80	$791.65	$866.45	$181.16	$685.29	$866.45	$106.36
	Employee & Spouse	$157.12	$1,038.61	$1,195.73	$263.48	$953.52	$1,195.73	$106.36
	Family	$231.00	$1,260.20	$1,491.20	$337.35	$1,175.11	$1,491.20	$106.35
Aetna	Employee	$0.00	$566.78	$566.78	$85.02	$481.76	$566.78	$85.02
	Employee & Children	$74.70	$790.89	$865.59	$180.97	$705.87	$865.59	$106.27
	Employee & Spouse	$156.30	$1,035.67	$1,191.97	$262.57	$950.65	$1,191.97	$106.27
	Family	$229.98	$1,256.69	$1,486.67	$336.24	$1,171.67	$1,486.67	$106.26

3. Create a vesting schedule. In the example below, the city share would be determined by years of service to the City. For example, an employee with 25 years of service would be responsible for 15% of the employee premium. The chart in #2, page 3 represents the costs.

   Not difficult to program. Little more work would be involved in breaking the liability down to each service criteria to provide you a model to allow you to adjust the percentages on the fly.

Example to consider:

Years of Service with the City of Dover	Percentage of City Share
Less than 20 years	45%
20 years less than 25 years	60%
25 years less than 30	85%
30 years or more	100%

4. City contribution based upon years of service. Employees would receive a percentage for each year of service. For example, 3%. Therefore, an employee with 25 years of service would receive a 75% benefit in retirement. This suggestion is similar to #3 however provides a different method for calculating the benefit.

   Same comment as 3.

5. Lock in City contributions based upon premiums at retirement.
   This could become cost-prohibitive to the retiree if rates continue to increase 8-10% per year. Establish HRA/HSA.

   Common mechanism used to curb costs for retirees. Cap could increase at flat % or trend less a percentage to mitigate the effect somewhat on the out years for retirees. For example, cap increases by CPI or Cap increases at trend less 4%, but no less than 0%. Therefore the City covers the increase up to 4%. Effectively, city sets increase in costs to 4%. Issues arise long-term when unintended plan changes occur and cap becomes disconnected with premium. Need to establish separate rates for pre and post 65. These can be somewhat complicated to establish, review and communicate.

6. No supplemental coverage at Medicare eligible.
   It should be noted that this option would eliminate prescription drug coverage as Medicare Part A and B only provides medical expenses. Option could be supplemented with a Health Retirement Account or Health Savings Account. Provide a monthly contribution during active employment. Contribution amount needs to be determined. Implement a vesting requirement of 10 years of service to the City. A minimum of 10 years of service is required to be eligible for retirement health care. This is related to vesting in the pension plans. The police are not subject to this requirement.

   If provide HRA at 65, then member will have that money to purchase plan from State or their own Medicare supplemental plan. Again, HRA is a fictitious account set up by the employer. The amount provided by the employer can be based on years of service.

   Another option is to set up a deferred 457 plan with City contributions. But there are limits that we would have to review. Do not believe a stand-alone plan exists where employer and employee can contribute to retiree health costs only without high-deductible health plan.

7. Eliminate all retirement health care coverage. Option could be supplemented with a Health Retirement Account or Health Savings Account. Provide a monthly contribution during active employment. Contribution amount needs to be determined.

   HRA system can be established to provide employees with an annual amount to spend or a one-time amount to be used for lifetime. Additional amounts can be provided for spouses. We could set up a model that will allow the user to modify the amounts on the fly.

8. Eliminate dependent health care coverage.
   At retirement??? Should employees be permitted to purchase at group rates?

   I think dependent contribution would just increase from 25% to 100%. Easy to estimate.

9. Please a cap on City contribution toward health care.
   Cap amount needs to be determined. This could become cost-prohibitive to the retiree if rates continue to increase 8-10% per year. Establish HRA/HSA.

   See question 5. Could also be used for active employees.

10. Incentive for declining health care coverage (active employee and retiree).
    Either a cash payment or a deposit into the HRA/HSA account. Perhaps the full value of single coverage. In speaking with Donna, we need to make guidelines because of the employee's potential to re-enter the plan. This will cause a liability that was not financially planned.

    See question 6 for HRA options.

11. Change retirement eligibility for new employees.

    The eligibility for retirement for police officers is not at the City's discretion. For others, the pension ordinance would need to be changed. This is going off in another direction and could muddy the task at hand. However, the guidelines to be eligible for retirement health care can be changed. The vesting scheduled mentioned in #3 could be utilized. There are implications to encouraging employees to work longer. For example, risk of injury for physical jobs, a larger payroll budget and perhaps a less productive workforce.

    I think for all groups, you could establish separate criteria for retiree health benefits or establish a contribution structure like option 3 above.

12. Offer a cafeteria plan, thus the employees with single insurance coverage could potentially take advantage of the health insurance dependent benefit value.

    The cafeteria plan value would need to be determined. The value of the dollars would be eroded it as the premiums increase for all benefits. As a result, the value would probably need to be adjusted based upon such possible factors as inflation or increase in premiums.

    Can the unused dollars be placed in an HRA/HSA? If so, the balance accumulated over the years could be utilized for retirement health care. An active employee with dependent coverage would have a smaller balance then the employee who only had single coverage as the employee with dependent coverage used their benefit during active employment while the other employee will use it in retirement.

    Not sure I fully understand this option. Please explain in more detail.

13. Create new health guidelines for new hire benefits.
    This option does not reduce the current liability. Keep in sight for contract negotiations however not for health benefit committee as new hires do not affect the current OPEB actuarial liability.

City of Dover
Health Insurance Premiums for July 2011

CURRENT

	Carrier Monthly Premium	State Risk Fee	State Admin Fee	Total Monthly Rate	City Pays	Participant Contributions	Participant Percentages	Number of Contracts	Total Participant Paid	Total City Paid
First State Basic Plan - Blue Cross Blue Shield of Delaware (includes perscription drug coverage at the same level as all other plans)										
Employee	$514.56	$25.73	$2.70	$542.99	$542.99	$0.00	0.00%	0	$0.00	$0.00
Employee & Spouse	$1,064.66	$53.23	$2.70	$1,120.59	$976.19	$144.40	12.89%	0	$0.00	$0.00
Employee & Child(ren)	$782.20	$39.11	$2.70	$824.01	$753.75	$70.26	8.53%	0	$0.00	$0.00
Family	$1,330.86	$66.54	$2.70	$1,400.10	$1,185.82	$214.28	15.30%	0	$0.00	$0.00
Aetna HMO										
Employee	$537.22	$26.86	$2.70	$566.78	$566.78	$0.00	0.00%	4	$0.00	$2,267.12
Employee & Spouse	$1,132.64	$56.63	$2.70	$1,191.97	$1,035.67	$156.30	13.11%	1	$156.30	$1,035.67
Employee & Child(ren)	$821.80	$41.09	$2.70	$865.59	$790.89	$74.70	8.63%	0	$0.00	$0.00
Family	$1,413.30	$70.67	$2.70	$1,486.67	$1,256.69	$229.98	15.47%	0	$0.00	$0.00
BlueCARE HMO - Blue Cross Blue Shield of Delaware										
Employee	$537.66	$26.88	$2.70	$567.24	$567.24	$0.00	0.00%	64	$0.00	$36,303.36
Employee & Spouse	$1,136.22	$56.81	$2.70	$1,195.73	$1,038.61	$157.12	13.14%	9	$1,414.08	$9,347.49
Employee & Child(ren)	$822.62	$41.13	$2.70	$866.45	$791.65	$74.80	8.63%	10	$748.00	$7,916.50
Family	$1,417.62	$70.88	$2.70	$1,491.20	$1,260.20	$231.00	15.49%	17	$3,927.00	$21,423.40
Comprehensive PPO Plan - Blue Cross Blue Shield of Delaware										
Employee	$587.46	$29.37	$2.70	$619.53	$619.53	$0.00	0.00%	227	$0.00	$140,633.31
Employee & Spouse	$1,219.04	$60.95	$2.70	$1,282.69	$1,116.89	$165.80	12.93%	47	$7,792.60	$52,493.83
Employee & Child(ren)	$905.38	$45.27	$2.70	$953.35	$869.89	$83.46	8.75%	61	$5,091.06	$53,063.29
Family	$1,523.98	$76.20	$2.70	$1,602.88	$1,357.04	$245.84	15.34%	57	$14,012.88	$77,351.28
Medicfill w/o Perscription	$191.76	$9.59	$2.70	$204.05	$153.04	$51.01	25.00%	3	$153.03	$459.12
Medicfill - Retiree	$414.26	$20.71	$2.70	$437.67	$437.67	$0.00	0.00%	89	$0.00	$38,952.63
Medicfill - Retiree Spouse	$414.26	$20.71	$2.70	$437.67	$328.25	$109.42	25.00%	37	$4,048.54	$12,145.25
Total Monthly Payment							7.61%	626	$37,343.49	$453,392.25

Health Benefits Committee
Employee Contribution Comparisons
Suggestion Options 1 through 3

Formula Used for Options 2 & 3

Individual Premium is the only rate that the cost sharing percentage/dollar change applies to; After calculating the City's and employee's contribution to the individual premium then the 25%/75% split will be calculated for the dependent coverage. The 25%/75% split will then be calculated for the dependent coverage, however will change since the amount reduced for the individual premium adjustment will be a different amount when different percentages are being used.

Examples are as follows:

	Current	Option 2 B	Option 3
Comp PPO Family	1,602.88	1,602.88	1,602.88
Comp PPO Individual (A)	619.53	619.53	619.53
			< 20 years
Percentage of PPO Individual	0.0%	15.0%	55.0%
Employee Contribution (B)	-	92.93	340.74
Comp PPO premium	1,602.88	1,602.88	1,602.88
Less {Comp PPO (A) minus Emp Cont. (B)}	(619.53)	(526.60)	(278.79)
Balance of dependent care	983.35	1,076.28	1,324.09
City Contribution %	25.0%	25.0%	25.0%
Employee Dependent Contribution {C}	245.84	269.07	331.02
Total Employee Contribution {B} plus {C}	245.84	362.00	671.76
Percent of Pay	15.3%	22.6%	41.9%

Health Benefits Committee
Employee Contribution Comparisons
Suggestion Options 1 through 3

Same as 2B

	Current Contributions	Option 1 PPO $ = BCBS HMO $	Option 2A 10% of Ind. Prem.	Option 2B 15% of Ind. Prem.	Option 3 < 20 Yrs of Service	Option 3 > 20 < 25 Yrs of Service	Option 3 > 25 < 30 Yrs of Service
First State Basic Plan - BCBS					55%	40%	15%
Employee	$0.00	$0.00	$54.30	$81.45	$298.64	$217.20	$81.45
Employee & Spouse	$144.40	$144.40	$212.28	$246.21	$517.70	$415.90	$246.21
Employee & Child(ren)	$70.26	$70.26	$138.13	$172.07	$443.56	$341.76	$172.07
Family	$214.28	$214.28	$282.15	$316.09	$587.58	$485.78	$316.09
Aetna HMO							
Employee	$0.00	$0.00	$56.68	$85.02	$311.73	$226.71	$85.02
Employee & Spouse	$156.30	$156.30	$227.15	$262.57	$545.96	$439.69	$262.57
Employee & Child(ren)	$74.70	$74.70	$145.55	$180.98	$464.37	$358.09	$180.98
Family	$229.98	$229.98	$300.82	$336.25	$619.64	$513.36	$336.25
BlueCARE HMO - BCBS							
Employee	$0.00	$0.00	$56.72	$85.09	$311.98	$226.90	$85.09
Employee & Spouse	$157.12	$157.12	$228.02	$263.49	$547.10	$440.75	$263.49
Employee & Child(ren)	$74.80	$74.80	$145.70	$181.17	$464.78	$358.43	$181.17
Family	$231.00	$231.00	$301.89	$337.35	$620.97	$514.62	$337.35
Comprehensive PPO Plan - BCBS							
Employee	$0.00	$52.29	$61.95	$92.93	$340.74	$247.81	$92.93
Employee & Spouse	$165.80	$244.08	$243.23	$281.95	$591.72	$475.55	$281.95
Employee & Child(ren)	$83.46	$161.70	$160.89	$199.62	$509.38	$393.22	$199.62
Family	$245.84	$342.68	$323.28	$362.00	$671.76	$555.60	$362.00
Medicfill w/o Perscription	$51.01	$51.01	$20.41	$30.61	$30.61	$30.61	$30.61
Medicfill - Retiree	$0.00	$0.00	$43.77	$65.65	$65.65	$65.65	$65.65
Medicfill - Retiree Spouse	$109.42	$109.42	$43.77	$65.65	$65.65	$65.65	$65.65
					Over 65 = 15%	Over 65 = 15%	Over 65 = 15%

City of Dover
Health Insurance Premiums for July 2011

OPTION 1

City Contribution for PPO will equal the amount City contributes for BCBS HMO

PPO$ = BCBS HMO$

	Carrier Monthly Premium	State Risk Fee	State Admin Fee	Total Monthly Rate	City Pays	Participant Contributions	Participant Percentages	Number of Contracts	Total Participant Paid	Total City Paid
First State Basic Plan - Blue Cross Blue Shield of Delaware										
Employee	$514.56	$25.73	$2.70	$542.99	$542.99	$0.00	0.00%	0	$0.00	$0.00
Employee & Spouse	$1,064.66	$53.23	$2.70	$1,120.59	$1,038.61	$81.98	7.32%	0	$0.00	$0.00
Employee & Child(ren)	$782.20	$39.11	$2.70	$824.01	$791.65	$32.36	3.93%	0	$0.00	$0.00
Family	$1,330.86	$66.54	$2.70	$1,400.10	$1,260.20	$139.90	9.99%	0	$0.00	$0.00
Aetna HMO										
Employee	$537.22	$26.86	$2.70	$566.78	$566.78	$0.00	0.00%	4	$0.00	$2,267.12
Employee & Spouse	$1,132.64	$56.63	$2.70	$1,191.97	$1,038.61	$153.36	12.87%	1	$153.36	$1,038.61
Employee & Child(ren)	$821.80	$41.09	$2.70	$865.59	$791.65	$73.94	8.54%	0	$0.00	$0.00
Family	$1,413.30	$70.67	$2.70	$1,486.67	$1,260.20	$226.47	15.23%	0	$0.00	$0.00
BlueCARE HMO - Blue Cross Blue Shield of Delaware										
Employee	$537.66	$26.88	$2.70	$567.24	$567.24	$0.00	0.00%	64	$0.00	$36,303.36
Employee & Spouse	$1,136.22	$56.81	$2.70	$1,195.73	$1,038.61	$157.12	13.14%	9	$1,414.08	$9,347.49
Employee & Child(ren)	$822.62	$41.13	$2.70	$866.45	$791.65	$74.80	8.63%	10	$748.00	$7,916.50
Family	$1,417.62	$70.88	$2.70	$1,491.20	$1,260.20	$231.00	15.49%	17	$3,927.00	$21,423.40
Comprehensive PPO Plan - Blue Cross Blue Shield of Delaware										
Employee	$587.46	$29.37	$2.70	$619.53	$567.24	$52.29	8.44%	227	$11,869.83	$128,763.48
Employee & Spouse	$1,219.04	$60.95	$2.70	$1,282.69	$1,038.61	$244.08	19.03%	47	$11,471.76	$48,814.67
Employee & Child(ren)	$905.38	$45.27	$2.70	$953.35	$791.65	$161.70	16.96%	61	$9,863.70	$48,290.65
Family	$1,523.98	$76.20	$2.70	$1,602.88	$1,260.20	$342.68	21.38%	57	$19,532.76	$71,831.40
Medicfill w/o Perscription	$191.76	$9.59	$2.70	$204.05	$153.04	$51.01	25.00%	3	$153.03	$459.12
Medicfill - Retiree	$414.26	$20.71	$2.70	$437.67	$437.67	$0.00	0.00%	89	$0.00	$38,952.63
Medicfill - Retiree Spouse	$414.26	$20.71	$2.70	$437.67	$328.25	$109.42	25.00%	37	$4,048.54	$12,145.25
Total Monthly Payment							12.87%	626	$63,182.06	$427,553.68
Current July 2011							7.61%		$ 37,343.49	$ 453,392.25

City of Dover

Health Insurance Premiums for July 2011

Option 2A

City of Dover with 10% Employee Contribution for Individual Coverage in addition to current contribution

Employee 10%

	Carrier Monthly Premium	State Risk Fee	State Admin Fee	Total Monthly Rate	City Pays	Participant Contributions	Participant Percentages	Number of Contracts	Total Participant Paid	Total City Paid
First State Basic Plan - Blue Cross Blue Shield of Delaware										
Employee	$514.56	$25.73	$2.70	$542.99	$488.69	$54.30	10.00%	0	$0.00	$0.00
Employee & Spouse	$1,064.66	$53.23	$2.70	$1,120.59	$908.32	$212.28	18.94%	0	$0.00	$0.00
Employee & Child(ren)	$782.20	$39.11	$2.70	$824.01	$685.88	$138.13	16.76%	0	$0.00	$0.00
Family	$1,330.86	$66.54	$2.70	$1,400.10	$1,117.95	$282.15	20.15%	0	$0.00	$0.00
Aetna HMO										
Employee	$537.22	$26.86	$2.70	$566.78	$510.10	$56.68	10.00%	4	$226.71	$2,040.41
Employee & Spouse	$1,132.64	$56.63	$2.70	$1,191.97	$964.82	$227.15	19.06%	1	$227.15	$964.82
Employee & Child(ren)	$821.80	$41.09	$2.70	$865.59	$720.04	$145.55	16.82%	0	$0.00	$0.00
Family	$1,413.30	$70.67	$2.70	$1,486.67	$1,185.84	$300.82	20.23%	0	$0.00	$0.00
BlueCARE HMO - Blue Cross Blue Shield of Delaware										
Employee	$537.66	$26.88	$2.70	$567.24	$510.52	$56.72	10.00%	64	$3,630.34	$32,673.02
Employee & Spouse	$1,136.22	$56.81	$2.70	$1,195.73	$967.71	$228.02	19.07%	9	$2,052.20	$8,709.37
Employee & Child(ren)	$822.62	$41.13	$2.70	$866.45	$720.75	$145.70	16.82%	10	$1,457.03	$7,207.48
Family	$1,417.62	$70.88	$2.70	$1,491.20	$1,189.31	$301.89	20.24%	17	$5,132.13	$20,218.27
Comprehensive PPO Plan - Blue Cross Blue Shield of Delaware										
Employee	$587.46	$29.37	$2.70	$619.53	$557.58	$61.95	10.00%	227	$14,063.33	$126,569.98
Employee & Spouse	$1,219.04	$60.95	$2.70	$1,282.69	$1,039.46	$243.23	18.96%	47	$11,431.69	$48,854.74
Employee & Child(ren)	$905.38	$45.27	$2.70	$953.35	$792.46	$160.89	16.88%	61	$9,814.44	$48,339.91
Family	$1,523.98	$76.20	$2.70	$1,602.88	$1,279.61	$323.28	20.17%	57	$18,426.68	$72,937.49
Medicfill w/o Perscription	$191.76	$9.59	$2.70	$204.05	$183.65	$20.41	10.00%	3	$61.22	$550.94
Medicfill - Retiree	$414.26	$20.71	$2.70	$437.67	$393.90	$43.77	10.00%	89	$3,895.26	$35,057.37
Medicfill - Retiree Spouse	$414.26	$20.71	$2.70	$437.67	$393.90	$43.77	10.00%	37	$1,619.38	$14,574.41
Total Monthly Payment							14.68%	626	$72,037.55	$418,698.19
Current July 2011							7.61%		$ 37,343.49	$ 453,392.25

City of Dover
Health Insurance Premiums for July 2011

Option 2B

City of Dover with 15% Employee Contribution for Individual Coverage in addition to current contribution ratio

Employee 15%

	Carrier Monthly Premium	State Risk Fee	State Admin Fee	Total Monthly Rate	City Pays	Participant Contributions	Participant Percentages	Number of Contracts	Total Participant Paid	Total City Paid
First State Basic Plan - Blue Cross Blue Shield of Delaware										
Employee	$514.56	$25.73	$2.70	$542.99	$461.54	$81.45	15.00%	0	$0.00	$0.00
Employee & Spouse	$1,064.66	$53.23	$2.70	$1,120.59	$874.38	$246.21	21.97%	0	$0.00	$0.00
Employee & Child(ren)	$782.20	$39.11	$2.70	$824.01	$651.94	$172.07	20.88%	0	$0.00	$0.00
Family	$1,330.86	$66.54	$2.70	$1,400.10	$1,084.01	$316.09	22.58%	0	$0.00	$0.00
Aetna HMO										
Employee	$537.22	$26.86	$2.70	$566.78	$481.76	$85.02	15.00%	4	$340.07	$1,927.05
Employee & Spouse	$1,132.64	$56.63	$2.70	$1,191.97	$929.40	$262.57	22.03%	1	$262.57	$929.40
Employee & Child(ren)	$821.80	$41.09	$2.70	$865.59	$684.61	$180.98	20.91%	0	$0.00	$0.00
Family	$1,413.30	$70.67	$2.70	$1,486.67	$1,150.42	$336.25	22.62%	0	$0.00	$0.00
BlueCARE HMO - Blue Cross Blue Shield of Delaware										
Employee	$537.66	$26.88	$2.70	$567.24	$482.15	$85.09	15.00%	64	$5,445.50	$30,857.86
Employee & Spouse	$1,136.22	$56.81	$2.70	$1,195.73	$932.25	$263.49	22.04%	9	$2,371.37	$8,390.21
Employee & Child(ren)	$822.62	$41.13	$2.70	$866.45	$685.29	$181.17	20.91%	10	$1,811.65	$6,852.85
Family	$1,417.62	$70.88	$2.70	$1,491.20	$1,153.85	$337.35	22.62%	17	$5,734.99	$19,615.41
Comprehensive PPO Plan - Blue Cross Blue Shield of Delaware										
Employee	$587.46	$29.37	$2.70	$619.53	$526.60	$92.93	15.00%	227	$21,095.00	$119,538.31
Employee & Spouse	$1,219.04	$60.95	$2.70	$1,282.69	$1,000.74	$281.95	21.98%	47	$13,251.77	$47,034.66
Employee & Child(ren)	$905.38	$45.27	$2.70	$953.35	$753.73	$199.62	20.94%	61	$12,176.67	$45,977.68
Family	$1,523.98	$76.20	$2.70	$1,602.88	$1,240.88	$362.00	22.58%	57	$20,634.00	$70,730.16
Medicfill w/o Perscription	$191.76	$9.59	$2.70	$204.05	$173.44	$30.61	15.00%	3	$91.82	$520.33
Medicfill - Retiree	$414.26	$20.71	$2.70	$437.67	$372.02	$65.65	15.00%	89	$5,842.89	$33,109.74
Medicfill - Retiree Spouse	$414.26	$20.71	$2.70	$437.67	$372.02	$65.65	15.00%	37	$2,429.07	$13,764.72
Total Monthly Payment							18.64%	626	$91,487.37	$399,248.37
Current July 2011							7.61%		$ 37,343.49	$ 453,392.25

City of Dover
Health Insurance Premiums for July 2011

Option 3 (55%)

City of Dover with 55% Employee Contribution for Individual Coverage in addition to current contribution ratio

45.0% 55.0% < 20 Years

	Carrier Monthly Premium	State Risk Fee	State Admin Fee	Total Monthly Rate	City Pays	Participant Contributions	Participant Percentages	Number of Contracts	Total Participant Paid	Total City Paid
First State Basic Plan - Blue Cross Blue Shield of Delaware										
Employee	$514.56	$25.73	$2.70	$542.99	$244.34	$298.64	55.00%			
Employee & Spouse	$1,064.66	$53.23	$2.70	$1,120.59	$602.89	$517.70	46.20%			
Employee & Child(ren)	$782.20	$39.11	$2.70	$824.01	$380.45	$443.56	53.83%			
Family	$1,330.86	$66.54	$2.70	$1,400.10	$812.52	$587.58	41.97%			
Aetna HMO										
Employee	$537.22	$26.86	$2.70	$566.78	$255.05	$311.73	55.00%			
Employee & Spouse	$1,132.64	$56.63	$2.70	$1,191.97	$646.01	$545.96	45.80%			
Employee & Child(ren)	$821.80	$41.09	$2.70	$865.59	$401.23	$464.37	53.65%			
Family	$1,413.30	$70.67	$2.70	$1,486.67	$867.03	$619.64	41.68%			
BlueCARE HMO - Blue Cross Blue Shield of Delaware										
Employee	$537.66	$26.88	$2.70	$567.24	$255.26	$311.98	55.00%			
Employee & Spouse	$1,136.22	$56.81	$2.70	$1,195.73	$648.63	$547.10	45.75%			
Employee & Child(ren)	$822.62	$41.13	$2.70	$866.45	$401.67	$464.78	53.64%			
Family	$1,417.62	$70.88	$2.70	$1,491.20	$870.24	$620.97	41.64%			
Comprehensive PPO Plan - Blue Cross Blue Shield of Delaware										
Employee	$587.46	$29.37	$2.70	$619.53	$278.79	$340.74	55.00%			
Employee & Spouse	$1,219.04	$60.95	$2.70	$1,282.69	$690.98	$591.72	46.13%			
Employee & Child(ren)	$905.38	$45.27	$2.70	$953.35	$443.97	$509.38	53.43%			
Family	$1,523.98	$76.20	$2.70	$1,602.88	$931.12	$671.76	41.91%			
Medicfill w/o Perscription	$191.76	$9.59	$2.70	$204.05	$173.44	$30.61	15.00%			
Medicfill - Retiree	$414.26	$20.71	$2.70	$437.67	$372.02	$65.65	15.00%			
Medicfill - Retiree Spouse	$414.26	$20.71	$2.70	$437.67	$372.02	$65.65	15.00%			
Total Monthly Payment										

City of Dover
Health Insurance Premiums for July 2011

Option 3 (40%)

City of Dover with 40% Employee Contribution for Individual Coverage in addition to current contribution ratio

> 20 - < 25 Years

	Carrier Monthly Premium	State Risk Fee	State Admin Fee	Total Monthly Rate	City Pays 60.0%	Participant Contributions 40.0%	Participant Percentages	Number of Contracts	Total Participant Paid	Total City Paid
First State Basic Plan - Blue Cross Blue Shield of Delaware										
Employee	$514.56	$25.73	$2.70	$542.99	$325.79	$217.20	40.00%			
Employee & Spouse	$1,064.66	$53.23	$2.70	$1,120.59	$704.69	$415.90	37.11%			
Employee & Child(ren)	$782.20	$39.11	$2.70	$824.01	$482.26	$341.76	41.47%			
Family	$1,330.86	$66.54	$2.70	$1,400.10	$914.33	$485.78	34.70%			
Aetna HMO										
Employee	$537.22	$26.86	$2.70	$566.78	$340.07	$226.71	40.00%			
Employee & Spouse	$1,132.64	$56.63	$2.70	$1,191.97	$752.29	$439.69	36.89%			
Employee & Child(ren)	$821.80	$41.09	$2.70	$865.59	$507.50	$358.09	41.37%			
Family	$1,413.30	$70.67	$2.70	$1,486.67	$973.31	$513.36	34.53%			
BlueCARE HMO - Blue Cross Blue Shield of Delaware										
Employee	$537.66	$26.88	$2.70	$567.24	$340.34	$226.90	40.00%			
Employee & Spouse	$1,136.22	$56.81	$2.70	$1,195.73	$754.98	$440.75	36.86%			
Employee & Child(ren)	$822.62	$41.13	$2.70	$866.45	$508.02	$358.43	41.37%			
Family	$1,417.62	$70.88	$2.70	$1,491.20	$976.59	$514.62	34.51%			
Comprehensive PPO Plan - Blue Cross Blue Shield of Delaware										
Employee	$587.46	$29.37	$2.70	$619.53	$371.72	$247.81	40.00%			
Employee & Spouse	$1,219.04	$60.95	$2.70	$1,282.69	$807.14	$475.55	37.07%			
Employee & Child(ren)	$905.38	$45.27	$2.70	$953.35	$560.13	$393.22	41.25%			
Family	$1,523.98	$76.20	$2.70	$1,602.88	$1,047.28	$555.60	34.66%			
Medicfill w/o Perscription	$191.76	$9.59	$2.70	$204.05	$173.44	$30.61	15.00%			
Medicfill - Retiree	$414.26	$20.71	$2.70	$437.67	$372.02	$65.65	15.00%			
Medicfill - Retiree Spouse	$414.26	$20.71	$2.70	$437.67	$372.02	$65.65	15.00%			
Total Monthly Payment										

City of Dover

Health Insurance Premiums for July 2011

Option 3 (55%)

City of Dover with 55% Employee Contribution for Individual Coverage in addition to current contribution ratio

< 20 Years

	Carrier Monthly Premium	State Risk Fee	State Admin Fee	Total Monthly Rate	45.0% City Pays	55.0% Participant Contributions	Participant Percentages	Number of Contracts	Total Participant Paid	Total City Paid
First State Basic Plan - Blue Cross Blue Shield of Delaware										
Employee	$514.56	$25.73	$2.70	$542.99	$244.34	$298.64	55.00%			
Employee & Spouse	$1,064.66	$53.23	$2.70	$1,120.59	$602.89	$517.70	46.20%			
Employee & Child(ren)	$782.20	$39.11	$2.70	$824.01	$380.45	$443.56	53.83%			
Family	$1,330.86	$66.54	$2.70	$1,400.10	$812.52	$587.58	41.97%			
Aetna HMO										
Employee	$537.22	$26.86	$2.70	$566.78	$255.05	$311.73	55.00%			
Employee & Spouse	$1,132.64	$56.63	$2.70	$1,191.97	$646.01	$545.96	45.80%			
Employee & Child(ren)	$821.80	$41.09	$2.70	$865.59	$401.23	$464.37	53.65%			
Family	$1,413.30	$70.67	$2.70	$1,486.67	$867.03	$619.64	41.68%			
BlueCARE HMO - Blue Cross Blue Shield of Delaware										
Employee	$537.66	$26.88	$2.70	$567.24	$255.26	$311.98	55.00%			
Employee & Spouse	$1,136.22	$56.81	$2.70	$1,195.73	$648.63	$547.10	45.75%			
Employee & Child(ren)	$822.62	$41.13	$2.70	$866.45	$401.67	$464.78	53.64%			
Family	$1,417.62	$70.88	$2.70	$1,491.20	$870.24	$620.97	41.64%			
Comprehensive PPO Plan - Blue Cross Blue Shield of Delaware										
Employee	$587.46	$29.37	$2.70	$619.53	$278.79	$340.74	55.00%			
Employee & Spouse	$1,219.04	$60.95	$2.70	$1,282.69	$690.98	$591.72	46.13%			
Employee & Child(ren)	$905.38	$45.27	$2.70	$953.35	$443.97	$509.38	53.43%			
Family	$1,523.98	$76.20	$2.70	$1,602.88	$931.12	$671.76	41.91%			
Medicfill w/o Perscription	$191.76	$9.59	$2.70	$204.05	$173.44	$30.61	15.00%			
Medicfill - Retiree	$414.26	$20.71	$2.70	$437.67	$372.02	$65.65	15.00%			
Medicfill - Retiree Spouse	$414.26	$20.71	$2.70	$437.67	$372.02	$65.65	15.00%			
Total Monthly Payment										

Health Benefits Committee
Employee Contribution Comparisons
Alternative Suggestions 1 through 4

	Current Contributions	Alternative 1 Mirror State 7/1/2012	Alternative 2 Fixed 15% & 10% of Total	Alternative 3 Fixed 10% of Total Premium
First State Basic Plan - BCBS				
Employee	$0.00	$21.72	$81.45	$54.30
Employee & Spouse	$144.40	$44.82	$168.09	$112.06
Employee & Child(ren)	$70.26	$32.96	$123.60	$82.40
Family	$214.28	$56.00	$210.02	$140.01
Aetna HMO				
Employee	$0.00	$36.84	$85.02	$56.68
Employee & Spouse	$156.30	$77.48	$178.80	$119.20
Employee & Child(ren)	$74.70	$56.26	$129.84	$86.56
Family	$229.98	$96.63	$223.00	$148.67
BlueCARE HMO - BCBS				
Employee	$0.00	$36.87	$85.09	$56.72
Employee & Spouse	$157.12	$77.72	$179.36	$119.57
Employee & Child(ren)	$74.80	$56.32	$129.97	$86.65
Family	$231.00	$96.93	$223.68	$149.12
Comprehensive PPO Plan - BCBS				
Employee	$0.00	$82.09	$92.93	$61.95
Employee & Spouse	$165.80	$169.96	$192.40	$128.27
Employee & Child(ren)	$83.46	$126.32	$143.00	$95.34
Family	$245.84	$212.38	$240.43	$160.29
Medicfill w/o Perscription	$51.01	$27.04	$20.41	$20.41
Medicfill - Retiree	$0.00	$57.99	$43.77	$43.77
Medicfill - Retiree Spouse	$109.42	$57.99	$43.77	$43.77

See separate schedule for Alternative 4 - Page 14

City of Dover

Health Insurance Premiums for July 2011

Alternative 1

State Plan w/ Changes to Mirror State of Delaware - House Bill 81 Effective July 1, 2012

State 7/1/12

	Carrier Monthly Premium	State Risk Fee	State Admin Fee	Total Monthly Rate	City Pays	Participant Contributions	Participant Percentages	Number of Contracts	Total Participant Paid	Total City Paid
First State Basic Plan - Blue Cross Blue Shield of Delaware										
Employee	$514.56	$25.73	$2.70	$542.99	$521.27	$21.72	4.00%	0	$0.00	$0.00
Employee & Spouse	$1,064.66	$53.23	$2.70	$1,120.59	$1,075.77	$44.82	4.00%	0	$0.00	$0.00
Employee & Child(ren)	$782.20	$39.11	$2.70	$824.01	$791.05	$32.96	4.00%	0	$0.00	$0.00
Family	$1,330.86	$66.54	$2.70	$1,400.10	$1,344.10	$56.00	4.00%	0	$0.00	$0.00
Aetna HMO										
Employee	$537.22	$26.86	$2.70	$566.78	$529.94	$36.84	6.50%	4	$147.36	$2,119.76
Employee & Spouse	$1,132.64	$56.63	$2.70	$1,191.97	$1,114.49	$77.48	6.50%	1	$77.48	$1,114.49
Employee & Child(ren)	$821.80	$41.09	$2.70	$865.59	$809.33	$56.26	6.50%	0	$0.00	$0.00
Family	$1,413.30	$70.67	$2.70	$1,486.67	$1,390.03	$96.63	6.50%	0	$0.00	$0.00
BlueCARE HMO - Blue Cross Blue Shield of Delaware										
Employee	$537.66	$26.88	$2.70	$567.24	$530.37	$36.87	6.50%	64	$2,359.72	$33,943.64
Employee & Spouse	$1,136.22	$56.81	$2.70	$1,195.73	$1,118.01	$77.72	6.50%	9	$699.50	$10,062.07
Employee & Child(ren)	$822.62	$41.13	$2.70	$866.45	$810.13	$56.32	6.50%	10	$563.19	$8,101.31
Family	$1,417.62	$70.88	$2.70	$1,491.20	$1,394.27	$96.93	6.50%	17	$1,647.78	$23,702.62
Comprehensive PPO Plan - Blue Cross Blue Shield of Delaware										
Employee	$587.46	$29.37	$2.70	$619.53	$537.44	$82.09	13.25%	227	$18,633.91	$121,999.40
Employee & Spouse	$1,219.04	$60.95	$2.70	$1,282.69	$1,112.73	$169.96	13.25%	47	$7,987.95	$52,298.48
Employee & Child(ren)	$905.38	$45.27	$2.70	$953.35	$827.03	$126.32	13.25%	61	$7,705.45	$50,448.90
Family	$1,523.98	$76.20	$2.70	$1,602.88	$1,390.50	$212.38	13.25%	57	$12,105.75	$79,258.41
Medicfill w/o Perscription	$191.76	$9.59	$2.70	$204.05	$177.01	$27.04	13.25%	3	$81.11	$531.04
Medicfill - Retiree	$414.26	$20.71	$2.70	$437.67	$379.68	$57.99	13.25%	89	$5,161.22	$33,791.41
Medicfill - Retiree Spouse	$414.26	$20.71	$2.70	$437.67	$379.68	$57.99	13.25%	37	$2,145.68	$14,048.11
Total Monthly Payment							12.09%	626	$59,316.11	$431,419.63
Current July 2011							7.61%		$ 37,343.49	$ 453,392.25

City of Dover
Health Insurance Premiums for July 2011

Alternative 2

City of Dover with Flat Percentage @ 15% for Under 65 and 10% for Over 65 of Total Premium

FIXED 15% & 10%

	Carrier Monthly Premium	State Risk Fee	State Admin Fee	Total Monthly Rate	City Pays	Participant Contributions	Participant Percentages	Number of Contracts	Total Participant Paid	Total City Paid
First State Basic Plan - Blue Cross Blue Shield of Delaware										
Employee	$514.56	$25.73	$2.70	$542.99	$461.54	$81.45	15.00%	0	$0.00	$0.00
Employee & Spouse	$1,064.66	$53.23	$2.70	$1,120.59	$952.50	$168.09	15.00%	0	$0.00	$0.00
Employee & Child(ren)	$782.20	$39.11	$2.70	$824.01	$700.41	$123.60	15.00%	0	$0.00	$0.00
Family	$1,330.86	$66.54	$2.70	$1,400.10	$1,190.09	$210.02	15.00%	0	$0.00	$0.00
Aetna HMO										
Employee	$537.22	$26.86	$2.70	$566.78	$481.76	$85.02	15.00%	4	$340.07	$1,927.05
Employee & Spouse	$1,132.64	$56.63	$2.70	$1,191.97	$1,013.17	$178.80	15.00%	1	$178.80	$1,013.17
Employee & Child(ren)	$821.80	$41.09	$2.70	$865.59	$735.75	$129.84	15.00%	0	$0.00	$0.00
Family	$1,413.30	$70.67	$2.70	$1,486.67	$1,263.67	$223.00	15.00%	0	$0.00	$0.00
BlueCARE HMO - Blue Cross Blue Shield of Delaware										
Employee	$537.66	$26.88	$2.70	$567.24	$482.15	$85.09	15.00%	64	$5,445.50	$30,857.86
Employee & Spouse	$1,136.22	$56.81	$2.70	$1,195.73	$1,016.37	$179.36	15.00%	9	$1,614.24	$9,147.33
Employee & Child(ren)	$822.62	$41.13	$2.70	$866.45	$736.48	$129.97	15.00%	10	$1,299.68	$7,364.83
Family	$1,417.62	$70.88	$2.70	$1,491.20	$1,267.52	$223.68	15.00%	17	$3,802.56	$21,547.84
Comprehensive PPO Plan - Blue Cross Blue Shield of Delaware										
Employee	$587.46	$29.37	$2.70	$619.53	$526.60	$92.93	15.00%	227	$21,095.00	$119,538.31
Employee & Spouse	$1,219.04	$60.95	$2.70	$1,282.69	$1,090.29	$192.40	15.00%	47	$9,042.96	$51,243.47
Employee & Child(ren)	$905.38	$45.27	$2.70	$953.35	$810.35	$143.00	15.00%	61	$8,723.15	$49,431.20
Family	$1,523.98	$76.20	$2.70	$1,602.88	$1,362.45	$240.43	15.00%	57	$13,704.62	$77,659.54
Medicfill w/o Perscription	$191.76	$9.59	$2.70	$204.05	$183.65	$20.41	10.00%	3	$61.22	$550.94
Medicfill - Retiree	$414.26	$20.71	$2.70	$437.67	$393.90	$43.77	10.00%	89	$3,895.26	$35,057.37
Medicfill - Retiree Spouse	$414.26	$20.71	$2.70	$437.67	$393.90	$43.77	10.00%	37	$1,619.38	$14,574.41
Total Monthly Payment							14.43%	626	$70,822.43	$419,913.31
Current July 2011							7.61%		$ 37,343.49	$ 453,392.25

City of Dover

Health Insurance Premiums for July 2011

Alternative 3

City of Dover with Flat Percentage @ 10% for Under 65 and 10% for Over 65 of Total Premium

FIXED 10%

	Carrier Monthly Premium	State Risk Fee	State Admin Fee	Total Monthly Rate	City Pays	Participant Contributions	Participant Percentages	Number of Contracts	Total Participant Paid	Total City Paid
First State Basic Plan - Blue Cross Blue Shield of Delaware										
Employee	$514.56	$25.73	$2.70	$542.99	$488.69	$54.30	10.00%	0	$0.00	$0.00
Employee & Spouse	$1,064.66	$53.23	$2.70	$1,120.59	$1,008.53	$112.06	10.00%	0	$0.00	$0.00
Employee & Child(ren)	$782.20	$39.11	$2.70	$824.01	$741.61	$82.40	10.00%	0	$0.00	$0.00
Family	$1,330.86	$66.54	$2.70	$1,400.10	$1,260.09	$140.01	10.00%	0	$0.00	$0.00
Aetna HMO										
Employee	$537.22	$26.86	$2.70	$566.78	$510.10	$56.68	10.00%	4	$226.71	$2,040.41
Employee & Spouse	$1,132.64	$56.63	$2.70	$1,191.97	$1,072.77	$119.20	10.00%	1	$119.20	$1,072.77
Employee & Child(ren)	$821.80	$41.09	$2.70	$865.59	$779.03	$86.56	10.00%	0	$0.00	$0.00
Family	$1,413.30	$70.67	$2.70	$1,486.67	$1,338.00	$148.67	10.00%	0	$0.00	$0.00
BlueCARE HMO - Blue Cross Blue Shield of Delaware										
Employee	$537.66	$26.88	$2.70	$567.24	$510.52	$56.72	10.00%	64	$3,630.34	$32,673.02
Employee & Spouse	$1,136.22	$56.81	$2.70	$1,195.73	$1,076.16	$119.57	10.00%	9	$1,076.16	$9,685.41
Employee & Child(ren)	$822.62	$41.13	$2.70	$866.45	$779.81	$86.65	10.00%	10	$866.45	$7,798.05
Family	$1,417.62	$70.88	$2.70	$1,491.20	$1,342.08	$149.12	10.00%	17	$2,535.04	$22,815.36
Comprehensive PPO Plan - Blue Cross Blue Shield of Delaware										
Employee	$587.46	$29.37	$2.70	$619.53	$557.58	$61.95	10.00%	227	$14,063.33	$126,569.98
Employee & Spouse	$1,219.04	$60.95	$2.70	$1,282.69	$1,154.42	$128.27	10.00%	47	$6,028.64	$54,257.79
Employee & Child(ren)	$905.38	$45.27	$2.70	$953.35	$858.02	$95.34	10.00%	61	$5,815.44	$52,338.92
Family	$1,523.98	$76.20	$2.70	$1,602.88	$1,442.59	$160.29	10.00%	57	$9,136.42	$82,227.74
Medicfill w/o Perscription	$191.76	$9.59	$2.70	$204.05	$183.65	$20.41	10.00%	3	$61.22	$550.94
Medicfill - Retiree	$414.26	$20.71	$2.70	$437.67	$393.90	$43.77	10.00%	89	$3,895.26	$35,057.37
Medicfill - Retiree Spouse	$414.26	$20.71	$2.70	$437.67	$393.90	$43.77	10.00%	37	$1,619.38	$14,574.41
Total Monthly Payment							10.00%	626	$49,073.57	$441,662.17
Current July 2011							7.61%		$ 37,343.49	$ 453,392.25

City of Dover

Health Insurance Premiums for July

Alternative 4

Contribution as Percentage of Income - Higher Income = Higher Contribution - Active Employees

Contributons based on the following income		
$ 100,001.00	$ 130,000.00	25.00%
$ 95,001.00	$ 100,000.00	23.00%
$ 90,001.00	$ 95,000.00	21.00%
$ 85,001.00	$ 90,000.00	20.00%
$ 80,001.00	$ 85,000.00	19.00%
$ 75,001.00	$ 80,000.00	18.00%
$ 70,001.00	$ 75,000.00	17.00%
$ 65,001.00	$ 70,000.00	16.00%
$ 60,001.00	$ 65,000.00	15.00%
$ 55,001.00	$ 60,000.00	13.00%
$ 50,001.00	$ 55,000.00	11.00%
$ 45,001.00	$ 50,000.00	10.50%
$ 40,001.00	$ 45,000.00	10.00%
$ 35,001.00	$ 40,000.00	9.50%
$ 30,001.00	$ 35,000.00	8.50%
$ 25,001.00	$ 30,000.00	7.50%
$ -	$ 25,000.00	5.00%

		Current Allocation			Percentage of Income Allocation		
	Monthly Rate	Total Participant Pays	Total City Pays	Total Premium	Total Participant Pays	Total City Pays	Total Premium
First State Basic Plan - Blue Cross Blue Shield of Delaware							
Employee	$542.99	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Employee & Spouse	$1,120.59	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Employee & Child(ren)	$824.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Family	$1,400.10	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna HMO							
Employee	$566.78	$0.00	$1,133.56	$1,133.56	$107.69	$1,025.87	$1,133.56
Employee & Spouse	$1,191.97	$674.14	$517.83	$1,191.97	$89.40	$1,102.57	$1,191.97
Employee & Child(ren)	$865.59	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Family	$1,486.67	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
BlueCARE HMO - Blue Cross Blue Shield of Delaware							
Employee	$567.24	$0.00	$20,420.64	$20,420.64	$2,424.95	$17,995.69	$20,420.64
Employee & Spouse	$1,195.73	$314.24	$2,077.22	$2,391.46	$292.95	$2,098.51	$2,391.46
Employee & Child(ren)	$866.45	$598.40	$6,333.20	$6,931.60	$688.83	$6,242.77	$6,931.60
Family	$1,491.20	$3,465.00	$18,903.00	$22,368.00	$3,079.33	$19,288.67	$22,368.00
Comprehensive PPO Plan - Blue Cross Blue Shield of Delaware							
Employee	$619.53	$309.76	$100,673.63	$100,983.39	$11,972.41	$89,010.98	$100,983.39
Employee & Spouse	$1,282.69	$4,310.80	$29,039.14	$33,349.94	$3,931.44	$29,418.50	$33,349.94
Employee & Child(ren)	$953.35	$4,339.92	$45,234.28	$49,574.20	$6,282.58	$43,291.62	$49,574.20
Family	$1,602.88	$13,029.52	$71,923.12	$84,952.64	$11,404.49	$73,548.15	$84,952.64
Medicfill w/o Perscription	$204.05	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Medicfill - Retiree	$437.67	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Medicfill - Retiree Spouse	$437.67	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Monthly Payment		$27,041.78	$296,255.62	$323,297.40	$40,274.07	$283,023.33	$323,297.40
		8.4%	91.6%	100.0%	12.5%	87.5%	100.0%

Contribution Rates:		Current	Using %	Highest Decr.	Highest Incr.
Aetna HMO					
Employee		$0.00	$48.18 - $59.51	$0.00	$59.51
Employee & Spouse	* PP Emp.	n/a	n/a	$674.14	$674.14
BlueCARE HMO					
Employee		$0.00	$42.54 - $107.78	$0.00	$107.78
Employee & Spouse		$157.12	$113.59 - $179.36	-$43.53	$22.24
Employee & Child(ren)		$74.80	$73.65 - $112.64	-$1.15	$37.84
Family		$231.00	$111.84 - $283.33	-$119.16	$52.33
Comprehensive PPO					
Employee		$0.00	$46.46 - $154.88	$0.00	$154.88
Employee & Spouse		$165.80	$109.03 - $320.67	-$56.77	$154.87
Employee & Child(ren)		$83.46	$71.50 - $200.20	-$11.96	$116.74
Family		$245.84	$176.32 - $320.58	-$69.52	$74.74

ACTION FORM

PROCEEDING: Legislative, Finance & Administration Committee	**AGENDA ITEM NO.:**
DEPARTMENT OF ORIGIN: Human Resources	**DATE SUBMITTED**
PREPARED BY: Kim Hawkins, Anthony DePrima, & Donna Mitchell	
SUBJECT: Health Benefits Committee	
APPROVALS: City Council	
EXHIBITS: N/A	
EXPENDITURE REQUIRED:	**Total:**
AMOUNT BUDGETED: N/A **FUNDING SOURCE**: OPEB Trust Fund	
TIMETABLE:	
RECOMMENDED ACTION: Agreement on the formation of a Health Benefits Committee and appointment of two Council Members to serve on the Committee with the understanding that meetings will be conducted during City business hours.	

In order to manage the OPEB liability and annual cost of health benefits, the City Administration is recommending the formation of a Health Benefits Committee as appointed by City Council. The Committee membership would consist of the following positions.

Council Members (2) – appointed by City Council
City Manager (Ex Officio)
Human Resources Director
Controller/Treasurer
FOP – one representative as appointed by the Union
IBEW – one representative as appointed by the Union
IUE/CWA – one representative as appointed by the Union
Non-Bargaining – one volunteer

The goal of the Health Benefits Committee would be to research alternative health care plans, alternative vendors, health savings accounts, individual health care accounts (different from health savings accounts), policy/procedure changes, or any other options to assist the City in reducing its health care liability and annual cost. In doing so, the Committee shall maintain quality health insurance that is affordable for the City employees, customers, and taxpayers. The Committee shall provide their recommendations to City Council by January 31, 2011.

In order to achieve its goal the Health Benefits Committee may at times need to hire consultants to explain or cost out various options. The Committee will be responsible for developing RFP's, selecting vendors, and submitting to Council the approval of recommended vendors as promulgated by the Purchasing Policy. All cost will be paid from the OPEB Trust Fund.

Devine, Denise

From: Mitchell, Donna
Sent: Tuesday, May 29, 2012 8:36 AM
To: City Clerks Office
Cc: City Council
Subject: Downtown Dover Partnership - Monthly Report - March 2012
Attachments: Monthly Reports March 2012.pdf

Blind copied to City Council

Attached is the financial report for March 2012 in response to questions posed during the Budget meetings as well as the history of parking permit revenues.

Downtown Dover Partnership Parking Permit Revenues				
	2009	2010	2011	YTD 2012
Parking Permits				
City Hall	$ 30,401	$ 13,619	$ 2,627	$ -
Bradford Street	13,940	14,431	13,173	1,894
Minor Street	1,122	1,080	2,088	120
Water Street	17,767	20,331	3,319	-
Governors Avenue	5,406	7,323	6,024	1,476
North Street	1,293	3,741	5,726	1,026
Total Receipts	$ 69,929	$ 60,545	$ 33,157	$ 4,516

Please feel free to call me if you have any further questions.

Donna S. Mitchell, CPA
Controller/Treasurer
(Not in public practice)
City of Dover
5 E. Reed Street
Weyandt Hall, Suite 300
Dover, DE 19901
Office (302) 736-7018
Fax (302) 760-4930

DOWNTOWN DOVER PARTNERSHIP
STATEMENT OF NET ASSETS
MARCH 2012

ASSETS:		
Cash - PNC Commercial Loan Account	**$**	**192,245**
Cash - PNC Operating Account		**132,090**
Total Cash & Investments		**324,336**
Receivables (details below)		**56,176**
Prepaid Items		**590**
Land & Buildings (details below)		**3,166,228**
TOTAL ASSETS	**$**	**3,547,330**
LIABILITIES:		
Vouchers Payable	**$**	**335**
Deposits - Leases/Sales Contracts		**7,015**
Note Payable - PNC		**1,300,000**
TOTAL LIABILITIES	**$**	**1,307,350**
FUND BALANCES:		
Invested in Land & Buildings	**$**	**3,166,228**
Current Year - Net Income/(Loss)		**(74,897)**
Unreserved, Undesignated		**(851,352)**
TOTAL FUND BALANCES	**$**	**2,239,980**
TOTAL LIABILITIES AND FUND BALANCES	**$**	**3,547,330**

Receivables		
Parking Permits	**$**	**1,320**
Property Tax		**394**
Business Loans		
G & J Holdings		**54,462**
Total	**$**	**56,176**

Real Estate Holdings		
120 S. Governors Avenue - Acme site	**$**	**1,239,345**
133 - 135 S. Governors Avenue		**248,745**
139 - 143 S. Governors Avenue		**295,184**
222 Railroad Avenue		**56,746**
238 Railroad Avenue		**151,091**
East side of N. West Street parcel #1		**243,000**
680 & 684 Forest St		**674,267**
22-24 West Loockerman Street		**257,850**
Total Buildings & Land	**$**	**3,166,228**

		Budget		**Actual**
Capital Project Budget				
Grant Receipts	**$**	**3,000,000**	**$**	**3,000,000**
Interest Income		**-**		**2,842**
Total Receipts	**$**	**3,000,000**	**$**	**3,002,842**
Capital Expenditures				
Project #				
DD1201 North Street Infrastructure	**$**	**1,000,000**	**$**	**47,403**
DD1202 North Street Parking Consolidation		**1,000,000**		**71,784**
DD1203 Loockerman Plaza		**1,000,000**		**467,269**
Total Capital Expenditures	**$**	**3,000,000**	**$**	**586,456**
Cash Balance with Interest - End of Month			**$**	**2,416,386**

DOWNTOWN DOVER PARTNERSHIP
CASH RECEIPTS & DISBURSEMENTS REPORT
MARCH 2012

	Budget	MARCH Actual	Year to Date Actual	Remaining Budget	% Budget
Beginning Cash & Investments, July 1, 2011	$ 399,232	$ 343,974	$ 399,232		
RECEIPTS:					
Corporate Fundraising	$ 25,000	$ 215	$ 4,535	$ 20,465	18.1%
State Grants & Reimbursements (Westside)	70,669	20,553	66,520	4,149	100.0%
Parking Permit Revenues	29,200	751	22,821	6,379	78.2%
Property Rental Income	130,300	12,395	101,873	28,427	78.2%
Interest Income - Loan Receivables	2,200	-	4,848	(2,648)	220.4%
Miscellaneous & Incentives	6,500	-	4,698	1,802	72.3%
Transfer from Capital Account (*See E.D. Prjts)	-	4,550	178,345	(178,345)	100.0%
TOTAL RECEIPTS	$ 263,869	$ 38,464	$ 383,640	$ (119,771)	145.4%
DISBURSEMENTS:					
Bank Fees	$ 240	$ -	$ 40	$ 200	16.7%
Consulting Fees	-		-	-	100.0%
Contractual Services	12,500	2,370	14,535	(2,035)	116.3%
Design Committee	24,530		2,087	22,443	8.5%
Economic Development Committee	81,000	99	29,609	51,391	36.6%
Electricity	1,000	129	728	272	72.8%
Facade Program	20,800	-	2,150	18,650	10.3%
Financial Charges - PNC Loan	76,400	12,502	57,091	19,309	74.7%
Insurance	22,000		23,991	(1,991)	109.1%
Legal Expenses	50	-	-	50	0.0%
Marketing & Promotions Committee	28,300	880	16,058	12,242	56.7%
Community Relations	500		125	375	25.0%
Organization Committee	6,000	9	1,716	4,284	28.6%
Parking Committee	8,200	-	470	7,730	5.7%
Parking Materials & Maintenance	4,000	190	1,849	2,151	46.2%
Postage	250	-	26	224	10.4%
Program Materials & Supplies	-	7	63	(63)	100.0%
Property Taxes	23,300	134	23,797	(497)	102.1%
Subscriptions and dues	1,500	750	1,500	-	100.0%
Telephone/FAX - Fire & Security Systems	1,900	140	1,176	724	61.9%
Training, Conference, Food & Travel	500	-	-	500	0.0%
Construction - Westside & Other Projects	150,000	25,840	109,443	40,557	73.0%
Water & Sewer	750	135	1,105	(355)	147.3%
Economic Development Projects (*See Trnsfr)	-	14,918	170,978	(170,978)	100.0%
TOTAL DISBURSEMENTS	$ 463,720	$ 58,103	$ 458,537	$ 5,183	98.9%
NET CHANGE IN CASH & INVESTMENTS	$ (199,851)	$ (19,639)	$ (74,897)	$ (124,954)	
Cash & Investments - End of Month	$ 199,381	$ 324,335	$ 324,335	$ -	162.7%

Current Operating Cash & Investment Balances	**3/30/2012**	$ 347,092
Cash - PNC Commercial Loan Account		$ 197,149
Cash - PNC Operating Account		$ 149,943
Cash - Capital Project 03/30/2012		$ 2,409,588

Devine, Denise

From: Koenig, Scott
Sent: Wednesday, May 30, 2012 12:43 PM
To: Devine, Denise
Cc: Gregory V. Moore (gvmoore@beckermorgan.com)
Subject: FW: Downtown Dover Partnership Budget Request
Attachments: DDPltrandbudget-Koenig.pdf

Importance: High

Attached is the document that Greg Moore will be discussing tonight.

From: Gregory V. Moore [mailto:gvmoore@beckermorgan.com]
Sent: Thursday, May 24, 2012 4:48 PM
To: Koenig, Scott
Cc: Anita F. Evans ; Bushweller Brian (LegHall) (Brian.Bushweller@state.de.us); Carey Sr., Carleton; 'Cindy Small'; Darryl M. Scott (darryl.scott@state.de.us); Bonar, David L; Anderson, David; 'Gary Patterson'; Gerri Street (gstreet@streetellis.com); 'joseph_mcdanieliii@ml.com'; Laura Simmons (laura.simmons@state.de.us); lucy.findlay@comcast.net; Diane Laird; timothy.slavin@state.de.us; Maxine Lewis (MaxineRLewis@yahoo.com); Mike Harrington (mharringtonsr@harringtonera.com); Paul_Lakeman@Bayhealth.Org; Koenig, S cott; Sophia Russell; William Johnston (wnj@wesley.edu); Gregory V. Moore
Subject: Downtown Dover Partnership Budget Request

Scott,
Attached is the budget request from the DDP to be considered by Dover City Council.DDP would like an opportunity to make the case for this budget before Council during its budget deliberations.The request is the same as that I provided in draft earlier this week.I anticipate that future budget requests can be reduced as DDP has time to plan for reductions and thus rely on other income or sales.The upcoming year is a challenge for us to reduce from this figure due to the fact we have invested much of our available capital directly into downtown projects thus reducing our cash to dangerously low levels.We have land assets we can consider in subsequent budgets for our capital, one of which is under contract.I appreciate the budget issues faced by the City, but the returns on the investment in the DDP just in the form of grants speak loudly to the benefit.

I await word for an appearance before the City Council , and can update them on our issues!

Downtown Dover Partnership
101 W. Loockerman St. Suite 1a
Dover, Delaware, 19904
302-678-2940

May 24, 2012

Scott Koenig
City Manager
City of Dover
Department of Public Works
P.O. Box 475
Dover, DE 19903

RE: Downtown Dover Partnership, Inc. (DDP)
Budget Request

Dear Scott:

At your request, I am hereby providing a budget for the operations of the Downtown Dover Partnership (DDP) for the upcoming fiscal year. The budget is based on the following:

- DDP will operate with two (2) full time staff hired and managed by DDP.
- DDP will continue to utilize city finance staff for accounting.
- DDP will maintain its current office location.
- Our attached funding request is for yearly operations. We have not accounted for Bid Taxes, which would be collected and held by the City of Dover.

Our request of $235,750.00 is based on actual expenses from our last two (2) years of operations. Given the extent of our projects, program and event growth in the past year, maintaining the same budget will actually represent a reduction in funding to the Downtown Dover Partnership. Further, we will be operating with two (2) full time staff down from the current three (3), so again we will be reducing.

The justification of our efforts can be easily demonstrated by our grant funding success alone. Below is a summary of the funds we have secured for Downtown.

1. State of Delaware-Bond	$3,000,000.00
2. State of Delaware-NREC	$1,000,000.00
3. USDA	$ 43,500.00
4. HUD - CDBG	$ 42,000.00
5. State of Delaware-Community Redevelopment Funds	$ 325,000.00
	$4,410,500.00

The $4,410,500.00 grant funding has all been reinvested on downtown projects leading to taxes, fees and renaissance in our downtown. Most recently the $3,000,000.00 in State of Delaware – Bond will completely reconstruct North Street, saving the City Public Works budget as that is a city maintained street.

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Please review the attached and contact me with any questions. I would like to make a presentation to Council on the request. Please coordinate that on behalf of the Downtown Dover Partnership.

Sincerely,

DOWNTOWN DOVER PARTNERSHIP

Gregory V. Moore, P.E.
President

GVM/rlh

Downtown Dover Partnership
101 W. Loockerman St. Suite 1a
Dover, Delaware, 19904
302-678-2940

DDP Budget Proposal

I. Administration Expense

a.	Rent (including utilities)	$ 18,000.00	
b.	Insurance (liability)	$ 24,000.00	
c.	Taxes (city & county property)	$ 23,500.00	
d.	Marketing & Promotions (Dover Days, 1st Friday, Festival of Lights, etc.)	$ 28,500.00*	
e.	Contract Services (CPA, etc.)	$ 12,500.00	
f.	Dues, training, consultants, Subscriptions, etc.	$ 4,000.00	
	Subtotal		$110,500.00

II. Materials & Supplies

a.	Office (postage, computers, etc.)	$ 2,000.00	
b.	Parking lot (promotional materials)	$ 4,000.00	
	Subtotal		$ 6,000.00

III. Staff

a.	Two full-time salaries	$ 95,000.00	
b.	FICA	$ 7,000.00	
c.	Health insurance	$ 11,000.00	
d.	Disability	$ 750.00	
e.	Workmen's Comp. insurance (est.)	$ 3,000.00	
f.	Unemployment insurance (est.)	$ 2,500.00	
	Subtotal		$119,250.00

Budget request to City Council **$235,750.00**

*Does not include $15,000.00 City of Dover contribution.

City of Dover FY2012-2013 Draft Budget

Budget Meeting

June 4, 2012

Economic Development to Remain in Budget - Using Mayor's Allocation Percentages for Internal Services for FY13

GENERAL FUND ALLOCATED DIVISIONS
FY 2013 PROPOSED

	GENERAL	WATER/SEWER	ELECTRIC	TOTAL ALLOCATED
	19.60%	14.20%	66.20%	
CITY CLERK	$66,052.00	$47,854.00	$223,094.00	$337,000.00
	19.60%	14.20%	66.20%	
COUNCIL	$22,383.00	$16,216.00	$75,601.00	$114,200.00
	19.60%	14.20%	66.20%	
MAYOR	$16,150.00	$11,701.00	$54,549.00	$82,400.00
	82.00%	4.00%	14.00%	
GROUNDS	$906,346.00	$44,212.00	$154,742.00	$1,105,300.00
	36.00%	13.60%	50.40%	
CITY MANAGER	$151,200.00	$57,120.00	$211,680.00	$420,000.00
	55.60%	13.40%	31.00%	
INFORMATION TECHNOLOGY	$389,033.00	$93,760.00	$216,907.00	$699,700.00
	39.00%	12.40%	48.60%	
TREASURER/FINANCE	$343,005.00	$109,058.00	$427,437.00	$879,500.00
	100.00%	0.00%	0.00%	
PUBLIC SERVICES ADMIN	$468,600.00	$0.00	$0.00	$468,600.00
	100.00%	0.00%	0.00%	
ECONOMIC DEVELOPMENT	$138,500.00	$0.00	$0.00	$138,500.00
	62.40%	6.20%	31.40%	
FACILITIES MANAGEMENT	$423,571.00	$42,086.00	$213,143.00	$678,800.00
	10.30%	8.30%	81.40%	
CENTRAL SERVICES - WHSE	$59,421.00	$47,883.00	$469,596.00	$576,900.00
	59.20%	18.90%	21.90%	
FLEET MAINTENANCE	$421,918.00	$134,700.00	$156,082.00	$712,700.00
	20.70%	20.00%	59.30%	
CUSTOMER SERVICES	$186,548.00	$180,240.00	$534,412.00	$901,200.00
	76.50%	9.00%	14.50%	
HUMAN RESOURCES	$244,571.00	$28,773.00	$46,356.00	$319,700.00
	38.40%	12.50%	49.10%	
INSURANCE	$230,400.00	$75,000.00	$294,600.00	$600,000.00
	0.00%	0.00%	0.00%	
ELECTRIC ADMIN	$0.00	$0.00	$0.00	$0.00
	0.00%	15.00%	85.00%	
SYSTEMS OPERATIONS	$0.00	$77,640.00	$439,960.00	$517,600.00
	0.00%	25.00%	75.00%	
METER READING	$0.00	$53,125.00	$159,375.00	$212,500.00
TOTAL	$4,067,698.00	$1,019,368.00	$3,677,534.00	$8,764,600.00
General Fund Allocation	$0.00	$888,603.00	$3,078,199.00	$3,966,802.00
Electric Fund Allocation	$0.00	$130,765.00	$0.00	

FY 2012 Budgeted Allocation - Economic Development

	55.60%	13.40%	31.00%	
ECONOMIC DEVELOPMENT	$128,200.00	$30,900.00	$71,400.00	$230,500.00

FY 2013 Changes

	60.60%	39.40%	0.00%	
PUBLIC SERVICES ADMIN	$284,000.00	$184,600.00	$0.00	$468,600.00
	19.60%	14.20%	66.20%	
ECONOMIC DEVELOPMENT	$45,200.00	$32,700.00	$152,600.00	$230,500.00

Effects of Internal Service Allocation Changes

Change in Budget Balance with Allocation Changes With FY12 Economic Development % & FY07 Public Works Administration %					
		GENERAL	WATER/SEWER	ELECTRIC	
FY13 Draft	Public Services - Administration	($468,600.00)	$0.00	$0.00	($468,600.00)
FY13 Draft	Economic Development	($138,500.00)	$0.00	$0.00	($138,500.00)
FY 07	Public Works - Administration	$284,000.00	$184,600.00	$0.00	$468,600.00
FY 12	Economic Development	$128,200.00	$30,900.00	$71,400.00	$230,500.00
	Net (Reduction)/Increase	($194,900.00)	$215,500.00	$71,400.00	$92,000.00

Change in Budget Balance with Allocation Changes With FY13 Approved Economic Development % & FY07 Public Works Administration %					
		GENERAL	WATER/SEWER	ELECTRIC	
FY13 Draft	Public Services - Administration	($468,600.00)	$0.00	$0.00	($468,600.00)
FY13 Draft	Economic Development	($138,500.00)	$0.00	$0.00	($138,500.00)
FY 07	Public Works - Administration	$284,000.00	$184,600.00	$0.00	$468,600.00
FY 13	Economic Development	$45,200.00	$32,700.00	$152,600.00	$230,500.00
	Net (Reduction)/Increase	($277,900.00)	$217,300.00	$152,600.00	$92,000.00

Other Adjustments & Discussion Items

- Street Lights – Paid for by Electric Fund, still waiting to hear from Bond Counsel
- Reduction of Street Light expense in General Fund due to rate decrease $116,000
- African American Festival – additional $7,500 increase back to prior year contribution
- 4th of July Celebration – additional $5,000 increase to back to prior year contribution

Recap of General Fund – 6/4/12

Prior Budget Shortfall 5/15/12		$801,700
Economic Development re-instated & allocated	(93,300)	
Public Works - Administration allocated	(184,600)	
Street Light rate reduction	(116,000)	
Net Decreases	(393,900)	
Contribution to Downtown Dover Partnership	180,000	
Contribution to African American Festival	7,500	
Contribution to 4th of July Celebration	5,000	
Net Increases	192,500	
Estimated Shortfall of General Fund 6/4/12		$600,300